



15 April 2015

THE PHILIPPINE STOCK EXCHANGE

3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

ATTENTION: MS. JANET A. ENCARNACION
Head, Disclosure Department

Dear Ms. Encarnacion,

This is to furnish the Philippine Stock Exchange with a copy of the 2014 Annual Report or SEC 17-A report of Philippine Savings Bank (PSBank).

We hope that you will find everything in order.

Thank you very much.

Very truly yours,

A handwritten signature in black ink, appearing to read "Perfecto Ramon Z. Dimayuga Jr.", is placed over a light gray rectangular background.

PERFECTO RAMON Z. DIMAYUGA JR.
SVP and Chief Finance Officer

COVER SHEET

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SEC Registration Number

P	H	I	L	I	P	P	I	N	E	S	A	V	I	N	G	S	B	A	N	K
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(Company's Full Name)

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

Perfecto Ramon Z. Dimayuga, Jr.
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(Contact Person)

885-8208

(Company Telephone Number)

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<i>Month</i>		<i>Day</i>		
(Fiscal Year)				

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(Form Type)			

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(Annual Meeting)				

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(Secondary License Type, If Applicable)

SEC-Corporation Finance

Dept. Requiring this Doc.

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Amended Articles Number/Section

Total Amount of Borrowings

1552

Total No. of Stockholders
As of December 31, 2014

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

Cashier

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SEC NO. 15552
FILE NO.

PHILIPPINE SAVINGS BANK
(COMPANY'S NAME)

PSBANK CENTER
777 Paseo de Roxas cor. Sedeño St., Makati City
(COMPANY'S ADDRESS)

885-82-08
(TELEPHONE NUMBER)

DECEMBER 31
(FISCAL YEAR ENDING MONTH & DAY)

SEC FORM 17-A
(FORM TYPE)

December 31, 2014
(PERIOD ENDED DATE)

Government Securities Dealer
(SECONDARY LICENSE TYPE AND FILE NUMBER)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATIONS CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended : **December 31, 2014**
2. SEC Identification No. : **15552**
3. BIR Tax Identification No. : **000-663-983-000**

4. Exact name of registrant as specified in its charter : **Philippine Savings Bank**
5. Province, Country or other jurisdiction or organization : **Metro Manila, Philippines**
6. Industry Classification Code : (SEC Use only)
7. Address of principal office : **777 Paseo de Roxas
corner Sedeño St., Makati
City**
8. Registrant's telephone No. : **(632) 885-82-08**
9. Former name, address, and former fiscal year, if changed since last report : **Not Applicable**
10. Securities registered pursuant to Section 8 & 12 of the SRC
 - Title of each class : **Common Shares**
 - Number of shares outstanding : **240,252,491**
11. Are any or all of these securities listed with the Philippine Stock Exchange : **Yes**
12. Check whether the issuer:
 1. has filed all report required to be filed under Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Section 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) : **Yes**
 2. has been subject to such filing requirements for the past ninety (90) days : **Yes**

13. The aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold or the average bid and asked prices of such stock, as of a specified date (February 28, 2015) within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. : **₱5,500,391,599**

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission. : **Not Applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated:
- (a) Any annual report to security holders;
 - (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
 - (c) Any prospectus filed pursuant to SRC Rule 8.1-1

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PART I. BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Description of Business

1. Business Development

Philippine Savings Bank (PSBank) was incorporated on June 30, 1959 primarily to engage in savings and mortgage banking. In 1983, Metrobank acquired majority share in the Bank, and in 2004 further increased its shareholdings to the present level of 76%.

In 1991, the Bank was authorized to perform trust functions, and in 1995, was granted quasi-banking license. In 1994, PSBank became the country's first publicly listed thrift bank.

It has outpaced its key competitors and is the country's second largest thrift bank in terms of assets today. It caters mainly to the retail and consumer markets and offers a wide range of products and services such as deposits, loans, treasury and trust.

The Bank has a 40% interest in Sumisho Motor Finance Corporation (SMFC), a partnership with Sumitomo Corporation. SMFC is not listed in the stock exchange.

Its principal office is located at the PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City.

The past years marked very significant growth as the Bank continued to grow its core business and has been consistently on track in hitting its year-end targets. The Bank has sustained its focus on consumers, which constitutes approximately 80% of its portfolio by providing efficient and creative banking solutions through its wide distribution network.

	Total Resources	Net Income	Branch
2014	₱145.61 billion	₱2.32 billion	245 branches
2013*	130.03 billion	2.93 billion	224 branches
2012*	116.16 billion	2.27 billion	220 branches

* As restated

In **2014**, the Bank's net income after tax was at ₱2.32 billion, 21% lower than the previous year. The decrease in net income was due to lower trading gains in 2014 versus 2013. Despite this, its retail lending business mostly coming from auto and mortgage loans provided good core income growth. It continued to expand its branch network by putting up 21 additional branches and 44 ATMs. PSBank ended the year with 245 branches and 595 ATMs.

PSBank successfully issued ₱3.0 billion in Basel 3-compliant Tier 2 Unsecured Subordinated Notes in May 2014. The Notes, aimed to strengthen the Bank's capital base and further expand its banking operations, will mature on August 2024, with a call option in August 2019. In line with the issuance, the Bank was given an Issuer Rating of PRS Aaa (corp) by Philippine Ratings Corporation. The rating is the highest possible corporate rating on the PRS scale.

The Bank was ranked fifth strongest bank in the Philippines by the Asian Bank (AB) in its AB500 annual ranking for 2014-2015. It was the only savings bank in the Top 5. This is the fourth consecutive year that PSBank was included in the AB500, which ranks the strongest and largest banks in the Asia Pacific region based on data gathered from bank annual reports, central banks and industry associations.

For the first time, PSBank was recognized as one of 10 finalists in the Philippine Stock Exchange Bell Awards in 2014. The PSE Bell Awards is a distinct honor given to publicly listed companies and trading participants for their adherence to the highest standards of corporate governance and regulatory compliance. The program seeks to recognize the best corporate governance practices and improve the image of the Philippines as an investment destination.

PSBank also entered a bancassurance partnership with AXA Philippines to provide its customers with easier access to AXA's wide range of insurance products. Starting June 2014, PSBank clients looking for insurance solutions were referred to AXA representatives in its 123 branches in Metro Manila.

The Bank launched its first ever Unit Investment Trust Fund (UITF) product, the PSBank Money Market Fund in 2014. The product made investing easy and affordable with a minimum amount of only ₱10,000. The product targets young professionals starting their own families and OFWs who are looking for investment alternatives to real estate and time deposits.

During the year, PSBank started offering its PSBank Online Mobile App, a real-time online banking facility that allows access to products and services using smartphones and tablets. The mobile app provides clients the ability to perform a wide range of transactions while on the move: paying utility bills, reloading prepaid credits for mobile phones, monitoring bank accounts, reordering checkbooks, reloading the PSBank Prepaid Mastercard, and freezing or blocking an ATM card in case of loss or theft.

Lastly, PSBank gave clients more ways to interact with the Bank through the PSBank Live Chat. By simply going to the Bank's website www.psbank.com.ph, existing and potential clients anywhere in the world can contact customer service assistants regarding their inquiries on deposits, loans, investments and other banking concerns. This is the first real-time chat service in the Philippine banking industry and provides clients with instant / real-time answers to their inquiries.

In **2013**, the Bank's net income after tax was at ₱2.9 billion with growth coming from both its loan portfolio and trading gains, an improvement of 29% from the previous year. It continued to expand its branch network by putting up an additional four branches in different parts of the country. It ended the year with 224 branches while its total ATMs were at 551, broken down into 237 in-branch ATMs and 314 offsite ATMs.

During the year, the bank launched the PSBank Kiddie Savers and Teen Savers Accounts to introduce children to the concept of saving money. The PSBank Kiddie Savers Account is a savings account for children from 0-12 years old while the PSBank Teen Savers Account is for teens 13-18 years old. Both types of accounts do not require an initial deposit or maintaining balance. Children can start saving even with a small amount and the accounts continue to earn interest regardless of the balance. Account holders are also protected through a free personal accident insurance from Charter Ping An Insurance Corporation equivalent to five times the value of the average daily balance or up to a maximum of ₱500,000.

PSBank also opened a Land Registration Authority (LRA) extension office at the PSBank Head Office last March 2013. The office allows it to receive, process, and issue certified true copies of certificates of land titles for PSBank Home Loan clients. PSBank is the first thrift bank to establish an LRA extension office within its premises. With the extension office, the Bank's title verification processing has been reduced from an average of 15 working days to 1-3 days.

The Bank also participated in the ASEAN corporate governance scorecard that was spearheaded by the Institute of Corporate Directors (ICD) and the Securities and Exchange Commission. It received an overall score of 73% and was part of the top 50 publicly listed corporations in the Philippines. For the third consecutive year, it was also recognized by the Asian Banker 500 publication as the 6th strongest bank in the country for 2013. The annual study, called The Asian Banker 500, focuses on the financial and business performance of the top 500 banks in the Asia Pacific region.

In **2012**, the Bank further improved on its performance as it posted a higher net income of ₱2.3 billion. The Bank continued to extend its banking products and services to a wider customer range by increasing its network to 220 branches and 532 ATMs nationwide.

The Bank successfully issued a ₱3.0 billion Unsecured Subordinated Notes (Tier 2) in February 2012. The Tier 2 will mature on February 2022, with a call option in February 2017. The Tier 2 Notes was issued in anticipation of the stricter capital requirement under Basel III. The Notes were rated PRS Aaa, the maximum rating that can be assigned by Philippine Ratings Corporation.

In May 2012, the Institute of Corporate Directors (ICD) recognized the Bank as a Silver Awardee for being one of the top scoring publicly listed companies in the 2011 Corporate Governance (CG) Scorecard.

The Asian Banker Magazine, a regional financial services magazine, recognized the Bank as the tenth strongest bank in the country in its October 2012 issue.

During the year, the Bank launched the PSBank e-Credit which intends to provide clients a more convenient and simpler way of crediting salaries of their employees. It is a secured online facility that requires no maintaining Average Daily Balance (ABD) and which also allows 24/7 access to clients. This payroll service also provides an easy viewing of fund account balances via PSBank e-Credit website and can make direct crediting of salaries to employees' account even on weekends and holidays. Clients may also avail of the PSBank Prepaid MasterCard or PSBank Debit MasterCard where they can enjoy cashless transactions like online shopping, remittances and even swipe the card for hassle-free dining or shopping experience at any MasterCard-affiliated companies. PSBank e-Credit can also save and print information like employee master file, required government reports in PDF format and even employee pay slips.

The Bank also developed the Time Deposit System (TDS) which automates all time deposit (TD) transaction processes such as client creation, opening or placement, rollover or renewal. This innovative system features automatic crediting to settlement deposit account, sends confirmation advice and SMS notification to clients, presents rate aggregation and has added security control features. This provides better convenience to customers with faster turn-around time. Furthermore, this system supports productivity by eliminating manual entries and making TD information readily available.

2. Business of Issuer

a) Products and Services

PSBank, a member of the Metrobank Group, has been recognized as one of the top ten strongest banks in the Philippines by *The Asian Banker* for four consecutive years. It has expanded its network to over 200 branches and more than 500 ATMs nationwide, and strives to consistently make banking simple, fast and convenient to its customers.

Deposits	
<p>Savings Accounts PSBank Kiddie and Teen Savers Accounts PSBank ATM Savings PSBank Regular Passbook Savings PSBank Passbook with ATM PSBank Overseas Filipino Savings</p> <p>Checking Accounts (Personal and Corporate) PSBank Regular Checking PSBank Premium Checking</p>	<p>Peso Time Deposit Accounts PSBank Prime Time Deposit PSBank Peso Time Deposit PSBank 1-Year, 2-Year and 3-Year Time Deposit</p> <p>Foreign Currency Accounts PSBank Dollar Savings PSBank Dollar Time Deposit PSBank Euro Savings PSBank Euro Time Deposit</p>
Consumer Loans	
<p>PSBank Auto Loan with Prime Rebate PSBank Flexi Personal Loan with Prime Rebate PSBank Home Loan with Prime Rebate</p>	<p>PSBank Home Credit Line PSBank Home Construction Loan</p>
Commercial Loans	
<p>PSBank SME Business Credit Line PSBank Credit Line PSBank SME Term Loans with Prime Rebate</p>	<p>Standby Credit Line Certification Domestic Bills Purchase Line</p>

Trust Products and Services	
PSBank Money Market Fund Investment Management Account Escrow Account	Living Trust Account Employee Benefit/Retirement Fund Management
Other Products and Services	
PSBank Debit MasterCard PSBank Prepaid MasterCard PSBank e-Credit PSBank Bills Payment Collection PSBank Remittance Services	PSBank Online PSBank Online Mobile App PSBank LiveChat PSBank AXA – Bancassurance Partnership

b) Business Contribution

(In Millions)	December 31					
	2014	%	2013*	%	2012*	%
INTEREST INCOME ON						
Loans and receivables	₱8,815		₱8,122		₱7,082	
Interbank loans receivable and securities purchased under resale agreements	859		479		336	
Investment securities	364		376		1,337	
Due from BSP	57		42		27	
Due from other banks	18		8		5	
	10,113		9,026		8,787	
INTEREST EXPENSE ON						
Deposit liabilities	2116		2,158		2,962	
Subordinated notes payable	276		175		153	
Bills payable	11		7		–	
	2,403		2,340		3,115	
NET INTEREST INCOME	7,709	72%	6,686	52%	5,672	58%
NET SERVICE FEES AND COMMISSION						
INCOME	1,078	10%	963	8%	879	9%
OTHER OPERATING INCOME (CHARGES)	1,781	17%	5,035	39%	3,187	33%
SHARE IN NET EARNINGS OF AN ASSOCIATE						
AND A JOINT VENTURE	77	1%	110	1%	–	–
TOTAL OPERATING INCOME BEFORE OPEX						
AND INCOME TAX	₱10,646	100%	₱12,794	100%	₱9,738	100%

* As restated

c) Distribution Methods of Products and Services

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

- i. Consumer Banking - principally provides consumer-type loans generated by the Home Office;
- ii. Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;
- iii. Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and

- iv. Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue. The Bank presented the disclosure requirements prescribed under PFRS in Note 6 of the Audited Financial Statements (EXHIBIT 6).

The Bank's assets generating revenues are all located in the Philippines.

d) Status of any publicly-announced new products or services

Products	Date Launched
PSBank LiveChat	September 15, 2014
PSBank Online Mobile App	June 30, 2014

e) Competition

PSBank continues to rank as second in terms of assets among thrift banks and is larger in terms of total resources compared with some commercial banks. PSBank competes aggressively in the field of retail and consumer banking. Competition has become even more challenging with a growing number of players in the consumer business and aggressive marketing campaigns by competitor banks. While there are many factors beyond its control, PSBank has integrated efficiencies into its operations to sustain its growth trajectory.

f) Customer/Clients

There is no single customer that accounts for 20% or more of the Bank's deposits and loans.

g) Transactions with and/or dependence on related parties

Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 29 of the Audited Financial Statements (EXHIBIT 6).

h) Patents, Trademarks, Copyrights, Licenses, Franchises, etc.

The Bank sells its products and services thru the PSBank trademarks and/or tradenames.

i) Government approval of principal products or services

Its authority to operate as a thrift bank governs the Bank's principal products and services. Existing products and services are within the scope allowed under the Bank's regulatory licenses.

j) Research and Development Costs

There are no major expenses on research and development activities. Expenses incurred related to these activities are included into the regular business expense of the Bank.

k) Employees

PSBank has always considered employees as its most important asset. This is why learning and development programs are continuously being revisited and improved to usher PSBankers into a more competitive and performance-driven arena.

PSBank advocates that a work environment free of work hazards is conducive to the well-being and professional development of its employees. Human Resources Group actively conducted branch visits starting 3rd quarter of 2014, prioritizing those in the provinces, such as Cebu, Pangasinan, Baguio, La Union, etc. During branch visits, HRG meets with branch employees and conducts engagement sessions to check on their welfare and needs. Facilities are also checked if they are in accordance with our occupational health and safety standards.

PSBank also believes that the campaign for environmental protection and sustainable development starts with small initiatives that when combined, produces a culture of concern.

The following are the existing and projected manpower complement:

	As of 12/31/2014	Projected – Dec 2015
Senior Officers	52	55
Junior Officers	975	1,038
Staff	1,882	2,003
Total	2,909	3,096

The Bank continues to produce new officers for branch and head office positions through the Staff Professional Enhancement and Development (SPEED) program. The absence of a major dispute over the years is a testament to the harmonious relationship between the Bank and the Union. It also helps that the Labor-Management Council, where issues are immediately discussed in a dialogue and settled even before they turn to grievances, is in place. In 2012, the Bank and the PSBank Employees Union (“Union”) successfully concluded Collective Bargaining Agreement (CBA) negotiations yielding improvements in almost all incentives, allowances and subsidies for the Rank and File employees. This CBA shall be for a period of three years from January 1, 2013 to December 31, 2015.

I) Risk Management

PSBank is exposed to all business risks that confront all banks in general, such as credit, market, interest, liquidity, legal, regulatory and operational risk. The Bank’s risk management structure and process that serve as mechanism to identify, assess and manage these risks are further discussed in Note 5 of the Audited Financial Statements (EXHIBIT 6).

Item 2. Properties

The Bank owns the premises it occupies for the Head Office and 28 of its branches. These offices and branches are all in good condition and there is no mortgage or lien on any of these properties owned by the Bank. Schedule of owned branch sites is shown in EXHIBIT 1. The rest of the Bank’s branch premises are under lease agreements. Terms of leases range from 1 year to 30 years renewable under certain terms and conditions. Rentals charged against operations under these lease contracts amounted to ₱463.60 million in 2014. Please refer to EXHIBIT 2 for the schedule of branch sites under lease agreements.

The Bank has no immediate plans to acquire properties in relation to its branch expansion programs.

Item 3. Legal Proceedings

The Bank in the course of its operations and in running its business has several legal cases that are filed in its behalf and against it. However, these cases will not give any material effect to its financial status nor would have any material impact in continuing its operations. These cases are part of its daily business activities and consequence of its collection efforts and business dealings with the public.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

PSBank common shares were listed in the Philippine Stock Exchange (PSE) in 1994. The shares are traded under the symbol "PSB".

The high and low sales prices of the Shares as reported in the PSE for each quarter in the years ending December 31, 2014, 2013 and subsequent interim periods were as follows:

For the quarter-ended	Highest	Lowest
	In Php	
March 31, 2015	97.50	95.00
March 31, 2014	139.00	136.80
June 30, 2014	137.00	132.00
September 30, 2014	134.90	128.50
December 31, 2014	106.00	100.10
March 31, 2013	140.00	117.10
June 30, 2013	140.00	122.00
September 30, 2013	124.10	121.00
December 31, 2013	140.00	131.00

Closing price as of April 10, 2015 was ₱94.90 per share.

2. Holders

As of February 28, 2015, the Bank has 1,549 stockholders.

Top 20 Stockholders as of February 28, 2015

	Name of Stockholders	No. of Shares	% to Total
1.	Metropolitan Bank and Trust Co.	182,535,895	75.977
2.	PCD Nominee Corporation (Filipino)	18,354,744	7.640
3.	Dolor, Danilo L.	12,610,891	5.249
4.	Dolor, Erlinda L.	7,605,832	3.166
5.	De Leon, Maria Soledad S.	4,000,000	1.665
6.	De Leon, Gian Carlo S.	2,741,378	1.141
7.	De Leon, Leonard Frederick S.	2,598,334	1.082
8.	De Leon, Alvin Benjamin S.	2,437,887	1.015
9.	De Leon, Kevin Anthony S.	2,407,964	1.002
10.	PCD Nominee Corp. (Non-Filipino)	1,645,685	0.685
11.	Go, James (c/o Mr. Olayer)	298,823	0.124
12.	Chua, Gabriel	100,337	0.042
13.	Chua, Josephine T.	81,056	0.034
14.	Ng, Samuel Chua &/or Jocelyn	80,100	0.033
15.	Que, Liong H.	68,062	0.028
16.	Choa, Johnny K.	64,843	0.027
17.	Choa, Victoria K.	61,875	0.026
18.	Ty, Alejandro	57,345	0.024
19.	Cheng, Berck Y.	45,000	0.019
20.	Sy, Victor G.	40,975	0.017

Minimum Public Ownership

As of December 31, 2014, the Bank reported its public ownership at 22.09% to the Philippine Stock Exchange. Out of 240.52 million shares, 1.68 million shares or 0.70% represents foreign ownership.

3. Dividends and Dividend Policy

Dividends to be paid in cash by the Bank are subject to approval by a majority of the Board of Directors and no further approval from the Bank's shareholders is required. Dividends to be paid in the form of stock requires both the approval of a majority of the Board of Directors and the approval of shareholders representing not less than two-thirds of the Bank's outstanding capital stock. All dividends to be declared are subject to the approval of the BSP and the SEC. There are no known restrictions to the Bank's ability to pay dividends on shares.

Pursuant to existing Philippine SEC rules, cash dividends declared by the Bank must have a record date not less than 10 or more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In relation to banks, however, the record date can only be fixed after receipt of the BSP's approval for the dividend declaration. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Subject as described herein, the Bank has historically paid and intends to continue to pay (subject as described below) dividends on its Shares. The payment of dividends in the future will depend on the Bank's earnings, cash flow, financial condition and other factors. Dividends may be declared only from unrestricted retained earnings and subject to approval from the BSP. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Bank undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants. The Board of Directors may, at any time, modify the Bank's dividend payout ratio depending on the results of operations and future projects and plans of the Bank.

The Bank declared cash dividends to stockholders on the following dates:

Date of declaration	Cash Dividends		Date of BSP approval	Record date	Payment date
	Per share	Total amount			
October 27, 2011	0.15	36,037,874	November 23, 2011	December 20, 2011	January 5, 2012
January 24, 2012	0.15	36,037,874	February 09, 2012	March 8, 2012	March 23, 2012
April 27, 2012	0.75	180,189,368	May 15, 2012	June 7, 2012	June 25, 2012
July 23, 2012	0.75	180,189,368	August 13, 2012	September 11, 2012	September 26, 2012
October 23, 2012	0.75	180,189,368	November 21, 2012	December 27, 2012	January 14, 2013
January 22, 2013	0.75	180,189,368	February 8, 2013	March 5, 2013	March 20, 2013
April 19, 2013	0.75	180,189,368	May 28, 2013	June 18, 2013	July 3, 2013
July 18, 2013	0.75	180,189,368	August 8, 2013	September 4, 2013	September 19, 2013
October 22, 2013	0.75	180,189,368	November 12, 2013	November 29, 2013	December 16, 2013
October 22, 2013	3.00	720,757,473	November 12, 2013	November 29, 2013	December 16, 2013
January 24, 2014	0.75	180,189,368	February 12, 2014	March 5, 2014	March 20, 2014
April 28, 2014	0.75	180,189,368	June 6, 2014	July 1, 2014	July 16, 2014
July 22, 2014	0.75	180,189,368	August 12, 2014	September 2, 2014	September 17, 2014
October 30, 2014	0.75	180,189,368	November 27, 2014	January 12, 2015	January 30, 2015
January 22, 2015	0.75	180,189,368	March 3, 2015	March 30, 2015	April 17, 2015

No unregistered securities were sold or offered for sale by the Bank for the year 2014.

**PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION**

	December 31			Increase/(Decrease)		Increase/(Decrease)	
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
				Amount	%	Amount	%
ASSETS							
Cash and Other Cash Items	4,174,756,446	3,157,499,370	2,811,064,294	1,017,257,075	32.22%	346,435,077	12.32%
Due from Bangkok Central ng Pilipinas	23,997,102,406	7,401,657,444	5,514,832,823	16,595,444,962	224.21%	1,886,824,621	34.21%
Due From Other Banks	3,382,662,578	8,491,340,954	6,002,439,123	(5,108,678,377)	-80.16%	2,488,901,831	41.46%
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	2,186,320,000	14,527,000,000	6,100,000,000	(12,340,680,000)	-84.95%	8,427,000,000	138.15%
Fair Value Through Profit or Loss Investments	278,909,438	184,607,411	120,747,754	94,302,027	51.08%	63,859,657	52.89%
Available-for-Sale Investments	6,083,317,341	5,649,063,231	3,309,190,548	434,254,110	7.69%	2,339,872,682	70.71%
Held-to-Maturity Investments	1,683,128,162	-	13,562,925,624	1,683,128,161	0.00%	(13,562,925,624)	-100.00%
Loans and Receivables	95,759,749,830	82,917,120,994	70,412,582,319	12,842,628,833	15.49%	12,504,538,678	17.76%
Investments in an Associate and a Joint Venture	1,346,142,412	1,237,181,758	2,237,181,758	(677,535,877)	-50.33%	108,960,662	8.81%
Property and Equipment	2,469,507,446	2,389,780,404	2,412,337,390	79,727,043	3.34%	(22,556,986)	-0.94%
Investment Properties	2,933,068,849	2,589,408,311	2,622,918,872	343,660,538	13.27%	(33,510,562)	-1.28%
Deferred Tax Asset	731,937,469	243,119,247	1,024,770,681	488,818,221	201.06%	(781,651,434)	-76.28%
Goodwill and Other Intangible Assets	369,140,026	292,832,054	231,741,838	76,307,972	26.06%	61,090,216	26.36%
Other Assets	888,822,949	836,302,917	798,231,274	52,520,034	6.28%	38,071,642	4.77%
	145,607,029,473	130,025,874,749	116,160,964,298	15,581,154,722	11.98%	13,864,910,450	11.94%
LIABILITIES AND EQUITY							
Liabilities							
Deposit Liabilities							
Demand	10,809,490,126	9,050,826,107	7,400,508,552	1,558,664,019	17.22%	1,650,317,555	22.30%
Savings	18,502,557,268	16,181,291,134	12,387,740,595	2,321,266,134	14.35%	3,793,550,539	30.62%
Time	87,415,706,427	81,286,386,668	74,836,037,160	6,129,319,759	7.54%	6,450,349,508	8.62%
	116,627,763,821	106,518,503,910	94,624,286,307	10,009,249,912	9.40%	11,894,217,602	12.57%
Subordinated Notes	5,946,901,321	2,972,366,024	2,969,797,342	2,974,535,297	100.07%	2,568,682	0.09%
Treasurer's, Cashier's and Manager's Checks	1,253,781,718	1,110,517,230	756,629,354	143,264,488	12.90%	353,887,876	46.77%
Accrued Taxes, Interest and Other Expenses	1,128,438,120	1,099,730,994	1,054,167,235	28,707,126	2.61%	45,563,759	4.32%
Income Tax Payable	7,134,677	132,339	-	7,002,338	100.00%	132,339	0.00%
Other Liabilities	3,012,717,598	2,061,548,773	1,728,845,734	951,168,823	46.14%	332,703,040	19.24%
	127,876,727,255	113,762,799,270	101,133,725,972	14,113,927,984	12.41%	12,629,073,298	12.49%
Equity							
Common Stock	2,402,524,910	2,402,524,910	2,402,524,910	-	0.00%	0.00%	0.00%
Capital Paid in Excess of Par Value	2,818,083,506	2,818,083,506	2,818,083,506	-	0.00%	0.00%	0.00%
Surplus Reserves	1,035,275,317	1,035,275,317	1,035,275,317	-	0.00%	0.00%	0.00%
Surplus	11,803,283,969	10,205,364,827	8,718,390,965	1,597,919,143	15.66%	1,486,973,860	17.06%
Net Unrealized Gain/(loss) on Available-for-Sale Investments	26,600,463	22,289,515	206,153,207	4,310,950	19.34%	(183,863,692)	-89.19%
Equity in Net Unrealized Gain on Available-for-Sale Investment of an Associate	-	25,000	-	(25,000)	-100.00%	25,000	0.00%
Remeasurement Losses on Retirement Plan	(312,363,737)	(178,577,793)	(85,597,229)	(133,785,944)	74.92%	(92,980,564)	108.63%
Equity in Remeasurement Losses on Retirement Plan of a Joint Venture	(1,445,728)	(479,690)	(181,342)	(966,038)	201.39%	(298,348)	164.52%
Equity in Cash Flow Hedge Reserve of an Associates	-	(335,158)	-	335,158	-100.00%	(335,158)	0.00%
Cumulative Translation Adjustment	(41,656,482)	(41,094,955)	(67,411,008)	(561,527)	-1.37%	26,316,053	-39.04%
	17,730,302,218	16,263,075,479	15,027,238,326	1,467,226,741	9.02%	1,235,837,151	8.22%
	145,607,029,473	130,025,874,749	116,160,964,298	15,581,154,725	11.98%	13,864,910,449	11.94%

**PHILIPPINE SAVINGS BANK
STATEMENTS OF INCOME**

	December 31			Increase/(Decrease)		Increase/(Decrease)	
	2014	2013 (As restated)	2012 (As restated)	2014 vs. 2013		2013 vs. 2012	
				Amount	%	Amount	%
INTEREST INCOME ON							
Loans and receivables	8,814,815,985	8,122,435,842	7,081,892,924	692,380,141	8.52%	1,040,542,920	14.69%
Interbank loans receivable and securities purchased under resale agreements	858,982,128	478,936,597	336,035,526	380,045,532	79.35%	142,901,070	42.53%
Investment securities	363,963,140	375,404,035	1,336,840,933	(11,440,892)	-3.05%	(961,436,899)	-71.92%
Due from Bangko Sentral ng Pilipinas	57,282,813	42,216,693	26,549,545	15,076,120	35.71%	15,667,148	59.01%
Due from other banks	18,355,744	8,242,444	4,945,432	10,113,299	122.70%	3,297,012	66.67%
	10,113,409,810	9,027,235,611	8,786,264,360	1,086,174,201	12.03%	240,971,249	2.74%
INTEREST EXPENSE ON							
Deposit liabilities	2,115,632,785	2,157,685,611	2,961,531,016	(42,052,824)	-1.95%	(803,845,405)	-27.14%
Subordinated notes	276,587,317	175,251,074	152,868,079	101,336,243	57.82%	29,862,120	19.53%
Bills payable	10,807,483	7,479,125	75,000	3,328,358	44.50%	7,404,125	9872.17%
	2,403,027,587	2,340,415,810	3,114,474,095	62,611,777	2.68%	(774,058,285)	-24.85%
NET INTEREST INCOME	7,710,382,223	6,686,819,801	5,671,790,265	1,023,562,424	15.31%	1,015,029,535	17.90%
Service fees and commission income	1,151,818,924	1,040,395,077	938,869,881	111,423,848	10.71%	101,525,196	10.81%
Service fees and commission expense	73,928,520	77,836,620	60,245,557	(3,908,100)	-5.02%	17,591,063	29.20%
NET SERVICE FEES AND COMMISSION INCOME	1,077,890,405	962,558,457	878,624,324	115,331,948	11.98%	83,934,133	9.55%
OTHER OPERATING INCOME (LOSS)							
Gain on sale of investment in an associate	558,663,928	-	-	558,663,928	100%	-	0%
Gain on foreclosure and sale of Chattel Mortgage Properties - net	316,813,642	378,583,708	312,570,714	(61,770,065)	-16.32%	66,012,994	21.12%
Gain on foreclosure and sale of Investment Properties - net	298,854,312	269,751,500	140,024,754	29,102,812	10.79%	129,726,747	92.65%
Trading and securities gains - net	209,952,831	4,070,899,035	2,573,600,581	(3,860,946,203)	-94.84%	1,497,298,453	58.18%
Gain on sale of property and equipment	45,013,382	138,464,473	5,846,354	(93,451,091)	-67.49%	132,618,119	2268.39%
Foreign exchange gain (loss)	7,813,164	(3,877,015)	12,116,898	11,690,178	-301.53%	(15,993,912)	-132.00%
Miscellaneous	343,567,618	181,271,100	142,950,201	162,296,518	89.53%	38,320,899	26.81%
	1,780,678,877	5,035,092,801	3,187,109,502	(3,254,413,922)	-64.63%	1,847,983,299	57.98%
Total Operating Income	10,568,951,507	12,684,471,059	9,737,524,091	(2,115,519,550)	-16.68%	2,946,946,966	30.26%
OTHER OPERATING EXPENSES							
Compensation and fringe benefits	2,395,951,076	2,159,694,707	1,976,264,543	236,256,367	10.94%	183,430,165	9.28%
Provision for credit and impairment losses	1,743,821,080	2,649,072,916	1,616,888,157	(905,251,837)	-34.17%	1,032,184,759	63.84%
Taxes and licenses	1,061,593,720	1,053,840,963	836,834,289	7,752,757	0.74%	217,006,674	25.93%
Occupancy and equipment-related costs	627,737,333	559,762,848	552,790,599	67,974,484	12.14%	6,972,250	1.26%
Depreciation	504,628,955	483,260,520	489,770,896	21,368,438	4.42%	(6,510,378)	-1.33%
Security, messengerial and janitorial services	287,079,453	252,382,828	234,655,918	34,696,624	13.75%	17,726,911	7.55%
Amortization of intangible assets	82,368,321	68,454,285	57,238,221	13,914,035	20.33%	11,216,064	19.60%
Miscellaneous	1,646,584,153	1,458,908,377	1,153,147,180	187,675,771	12.86%	305,761,200	26.52%
	8,349,764,091	8,685,377,447	6,917,589,803	(335,613,362)	-3.86%	1,767,787,644	25.55%
INCOME BEFORE SHARE IN NET EARNINGS OF AN ASSOCIATE AND A JOINT VENTURE AND INCOME TAX	2,219,187,416	3,999,093,613	2,819,934,288	(1,779,906,189)	-44.51%	1,179,159,322	41.82%
SHARE IN NET EARNINGS OF AN ASSOCIATE AND A JOINT VENTURE							
	76,956,073	109,569,160	(18,323)	(32,613,087)	-29.76%	109,587,482	-598087.01%
INCOME BEFORE INCOME TAX	2,296,143,489	4,108,662,773	2,819,915,965	(1,812,519,275)	-44.11%	1,288,746,804	45.70%
PROVISION FOR (BENEFIT FROM) INCOME TAX	(22,533,126)	1,180,173,965	-	(1,202,707,090)	-101.91%	1,180,173,965	0.00%
Current	408,948,263	358,673,718	428,830,779	50,274,546	14.02%	(70,157,061)	-16.36%
Deferred	(431,481,389)	821,500,247	116,501,297	(1,252,981,636)	-152.52%	704,998,950	605.14%
NET INCOME	2,318,676,615	2,928,488,808	2,274,583,889	(609,812,185)	-20.82%	653,904,915	28.75%
Basic/Diluted Earnings Per Share	9.65	12.19	9.47				

Item 6. Management's Discussion and Analysis or Plan of Operations

A. Plan of Operation

The Bank plans to open at least 20 branches in 2015. Expansion of ATM presence in non-branch locations will still be pursued given the growing demand for customer convenience. In line with the Bank's strategic initiatives on information technology, it will provide reliable technology infrastructure to improve operating efficiency. The Bank will continue to enhance its online and mobile banking facilities to keep up with the constantly changing preferences of our clients.

B. Management's Discussion And Analysis

1. Analysis of Statements of Condition

As of December 31, 2014 and 2013

The Bank's Total Assets for the year ending December 31, 2014 stood at ₱145.61 billion. This was 11.98% better than the December 2013 level of ₱130.03 billion. Significant year-on-year increase was due to growth in loan portfolio and higher SDA placement with BSP.

Loans and Receivables, net of allowance and unearned interest discounts, representing 65.77% of total assets increased by 15.49% to ₱95.76 billion from ₱82.92 billion. Auto Loans increased by ₱7.54 billion to ₱45.50 billion from ₱37.96 billion last year. Mortgage Loans also climbed to ₱34 billion from ₱28.01 billion in 2013.

Due from BSP representing 16.48% of total assets rose by ₱16.60 billion or 224.21% to ₱24 billion from ₱7.40 billion in December 2013 as excess funds were placed in SDA with BSP. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) decreased by ₱12.34 billion or 84.95% from last year. The Bank was not able to roll-over its RRP placement with BSP during the last month of the year. Thus, excess funds were invested in SDA.

The Bank's DDA also increased due to the 2.0% hike in statutory reserve requirements imposed on thrift banks by the BSP in April and May 2014.

Available-for-Sale Investments went up by 7.69% or ₱434.25 million to ₱6.08 billion from ₱5.65 billion in 2013. Fair Value through Profit or Loss (FVPL) also increased by ₱94.30 million or 51.08%.

Deferred Tax Assets rose by 201.06% to ₱731.94 million from ₱243.12 million in 2013 due to recognition of deferred tax benefits from the loan-loss provisioning during the year. Meanwhile, Investment in an Associate and a Joint Venture went down by ₱677.54 million to ₱668.61 million, due to the sale of the Bank's 25% ownership in Toyota Financial Services Philippines Corporation (TFSPC) to GT Capital Holdings Inc.

Investment Property increased by 13.27% to ₱2.93 billion as of December 2014 due to higher foreclosures of real estate properties. Property and Equipment also increased by 3.34% or ₱79.73 million to ₱2.47 billion due to newly opened branches and renovation of bank premises, among others. On the other hand, Other Assets went up by 6.28% or ₱52.52 million.

The Bank's deposit level comprising of 91.13% of total liabilities grew by 9.40% or ₱10.00 billion to ₱116.53 billion from ₱106.52 billion recorded in 2013. Time Deposits were higher by 7.54% or ₱6.13 billion to ₱87.42 billion. Likewise, Demand Deposits increased by 17.22% to ₱10.61 billion from ₱9.05 billion in 2013 while Savings Deposits rose by 14.35% to ₱18.50 billion.

On May 23, 2014, the Bank issued a ₱3.0 billion Unsecured Subordinated Notes (Tier II) with an interest rate of 5.50% due on August 23, 2024, callable in 2019. The Notes will qualify as Tier II capital in the BSP's revised risk-based capital adequacy framework in line with BASEL III standards. The issuance has a loss absorption feature to conform with BASEL III requirements. PSBank has an issuer rating of PRS Aaa (corp.) from Philratings. As of December 31, 2014, the total Tier II Notes, including those issued last February 2012 amounted to ₱5.95 billion.

Treasurer's, Cashier's and Manager's Checks increased by 12.90% to ₱1.25 billion from ₱1.11 billion last year. Income Tax Payable representing corporate income tax for the last quarter of 2014 was at ₱7.13 million. This will be remitted on or before April 15, 2015. Other Liabilities rose to ₱3.01 billion from ₱2.06 billion due to dividend payable for the 3rd quarter of 2014 and adjustment made on net retirement liability as a result of latest actuarial valuation report.

As of December 31, 2014 the Bank's Capital stood at ₱17.73 billion, 9.02% better than the ₱16.26 billion level in 2013. Mark-to-market gains on Available-for-Sale Investments were recorded at ₱ 26.60 million in December 31, 2014 versus ₱ 22.29 million last year. As a result of the Bank's sale of its 25% investment in TFS, no Unrealized Gain/Loss and Cash Flow Hedge were reflected in December 2014. Meanwhile, the Bank recorded remeasurement Losses of ₱133.79 million on its Retirement Plan in 2014 due to lower fair value of plan assets. On the other hand, the Bank's share in the Remeasurement Losses on Retirement Plan of a Joint Venture was posted at ₱1.45 million from ₱479.69 thousand in December 2013.

As of end of 2014, Total Capital Adequacy Ratio (CAR) was at 19.57%, this is above the minimum regulatory requirement of 10%. As of December 31, 2014 and 2013, the Bank recorded a loss on its 'Cumulative Translation Adjustment' under equity amounting to ₱41.66 million and ₱41.09 million, respectively.

Meanwhile, Return on Average Equity (ROAE) decreased to 13.64% in 2014 versus 18.72% in 2013. Return on Average Assets (ROAA) also decreased to 1.68% in 2014 from 2.38% in 2013.

As of December 31, 2013 and 2012 (as restated)

The Bank's Total Assets for the year ending December 31, 2013 stood at ₱130.03 billion. This was 11.94% better than the December 2012 level of ₱116.16 billion. Significant year-on-year increase was attributed to the higher loan portfolio and securities purchased under resale agreements with BSP.

Loans and Receivables, net of allowance and unearned interest discounts, representing 63.77% of total assets increased by 17.76% to ₱82.92 billion from ₱70.41 billion. Auto Loans increased by ₱6.87 billion to ₱37.96 billion from ₱31.10 billion last year. Mortgage Loans also climbed to ₱28.01 billion from ₱22.38 billion in 2012.

Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) representing 11.17% of total assets rose by ₱8.43 billion or 138.15% to ₱14.53 billion from ₱6.10 billion in December 2012 due to the increase in overnight and term placements with BSP as of December 2013.

Due from Other Banks which is 6.53% of the total assets went up to ₱8.49 billion from ₱6.00 billion due to additional FCDU placements with foreign and local banks. Due from BSP increased by 34.21% or ₱1.89 billion to ₱7.40 billion in 2013. Cash and Other Cash Items were also higher by 12.32% to ₱3.16 billion.

In March 2013, the Bank reclassified the entire HTM portfolio to AFS as the Bank no longer intends to hold them up to their maturity but rather stands ready to sell such investments.

Such change of intention was primarily driven by the need to increase the Bank's capital position in view of the following directions set forth in BSP Circular No. 781:

- More stringent Basel III and BSP requirements to issue Tier 2 due to the inclusion of loss absorbency feature.
- Ineligibility of the Bank's ₱3.0 Billion Tier 2 capital by January 2016.

The change in intention and eventual disposal of the said HTM investments portfolio in response to the significant increase in regulatory capital requirements is one of the conditions permitted under PAS 39 and thus, is exempt from the tainting rule.

Subsequent to the reclassification, the Bank sold a substantial portion of the said portfolio resulting in realized trading gain of ₱4.0 billion in 2013.

Available-for-Sale Investments rose by 70.71% or ₱2.34 billion to ₱5.65 billion from ₱3.31 billion in 2012. Fair Value through Profit or Loss (FVPL) also increased by ₱63.86 million or 52.89%.

Deferred Tax Assets went down by 76.28% to ₱243.12 million from ₱1.02 billion in 2012 due to reversal of deferred tax benefits arising from the write-off of loan accounts. Meanwhile, Investment in an Associate and a Joint Venture was higher by ₱108.96 million to ₱1.35 billion as a result of improved earnings of our affiliates. Goodwill and Intangible Assets including software costs and license fees increased by 26.36% or ₱61.09 million to ₱292.83 million.

Investment Property decreased by 1.28% to ₱2.59 billion as of December 2013 due to sale of foreclosed real estate properties. Property and Equipment also declined by 0.94% or ₱22.56 million to ₱2.39 billion mainly due to sale of Axa properties amounting to ₱71.98 million. On the other hand, Other Assets went up by 4.77% or ₱38.07 million representing foreclosed chattel mortgage.

The Bank's deposit level comprising of 93.63% of total liabilities grew by 12.57% or ₱11.89 billion to ₱106.52 billion from ₱94.62 billion recorded in 2012. Time Deposits grew by 8.62% or ₱6.45 billion to ₱81.29 billion. Likewise, Savings Deposits increased by 30.62% to ₱16.18 billion from ₱12.39 billion in 2012 while Demand Deposits increased by 22.30% to ₱9.05 billion.

As of December 31, 2013, the Tier II Notes net of debt issuance cost amounted to ₱2.97 billion. The Tier II Notes was issued last February 20, 2012 and has a call option on the 5th year and matures in 2022. Last March 2014, Philratings maintained its PRS Aaa rating for the outstanding P3Billion unsecured subordinated notes. Obligation rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings.

Treasurer's, Cashier's and Manager's Checks increased by 46.77% to ₱1.11 billion from ₱756.63 million last year. Accrued Taxes, Interest and Other Expenses increased by 4.32% to ₱1.10 billion from ₱1.05 billion. Income Tax Payable representing corporate income tax for FCDU was at ₱0.13 million. Other Liabilities rose to ₱2.06 billion from ₱1.73 billion due to higher accounts payable and net retirement liability with the adoption of PAS 19 effective January 2013.

The Bank ended December 31, 2013 with a Capital of ₱16.26 billion, 8.22% better than the ₱15.03 billion level in 2012. With the higher income realized for the year, surplus improved by 17.06% or ₱1.49 billion to ₱10.21 billion from ₱8.72 billion in 2012.

Net Unrealized Gain on AFS Investments dropped to ₱22.29 million in December 2013 from ₱206.15 million the previous year.

As of end of 2013, Capital Adequacy Ratio (CAR) was at 16.92%, This is above the minimum regulatory requirement of 10%. As of December 31, 2013 and 2012, the Bank recorded loss on 'Cumulative Translation Adjustment' under equity amounting to ₱41.09 million and ₱67.41, respectively.

The Bank recorded Remeasurement Losses on Retirement Plan of ₱179.37 million versus loss of ₱85.78 million in 2012 mainly due the impact of PAS 19 on remeasurement of retirement liability which was adopted by the Bank in January 2013.

Meanwhile, Return on Average Equity (ROAE) increased to 18.72% in 2013 versus 14.89% in 2012. Return on Average Assets (ROAA) also rose to 2.38% in 2013 from 1.92% in 2012.

2. Discussion of Results of Operations

For the years ended December 31, 2014 and 2013 (As restated)

The Bank registered a net income after tax of ₱2.32 billion or 20.82% lower than the ₱2.93 billion recorded for the same period last year. The decrease in net income was due to lower trading gains in 2014 versus 2013.

Total Interest Income increased by 12.03% or ₱1.09 billion, better than the ₱9.03 billion recorded last year.

Interest income on Loans and Receivables showed an 8.52% improvement or an increase of ₱692.38 million. On the other hand, Interest income on Investment Securities slid to ₱363.96 million from ₱375.40 million due to lower investment portfolio in 2014. Meanwhile, Interest earned from Interbank Loans Receivable and SPURA increased by 79.35% or ₱380.05 million to ₱858.98 million versus ₱478.94 million. Interest earned from deposits with BSP increased by 35.71% to ₱57.29 million while interest income from other banks was up by 122.70% to ₱18.36 million.

Interest Expense on the Bank's deposit liabilities decreased by 1.95% to ₱2.12 billion due to lower cost of funds in 2014. Interest Expense on Subordinated Notes rose to ₱276.59 million from ₱175.25 million due to the ₱3 billion Unsecured Subordinated Notes (Tier II) issuance in May 2014. The Bank also recorded ₱10.81 million Interest Expense on Bills Payable as of December 31 2014, ₱3.33 million higher compared to last year.

As of December 2014, Net Interest Income rose by 15.31% to ₱7.71 billion from ₱6.69 billion in 2013.

Net Service Fees and Commission Income increased by 11.98% to ₱1.08 billion from ₱962.56 million in 2013.

Other Operating Income slid by 64.63% or ₱3.25 billion to ₱1.78 billion due to lower trading gains recorded in 2014. The Bank registered ₱209.95 million trading income in 2014 versus ₱4.07 billion in 2013.

In January 2014, to align with Metrobank group's policy, the Bank revised its accounting treatment with regards to the foreclosure of chattel mortgage properties. The Bank recorded a net gain on foreclosure and sale of chattel mortgage amounting to ₱316.81 million, ₱61.77 million lower compared with the ₱378.58 million gain during the same period last year. On the other hand, net gain on foreclosure and sale of investment properties increased by ₱29.10 million to ₱298.85 million from ₱269.75 million in 2013.

Income on sale of property and equipment in 2014 was lower at ₱45.01 million versus ₱138.46 million in 2013. In August 2013, the Bank sold various units located at Philippine Axa Tower.

Foreign Exchange gain was posted at ₱7.81 million from a ₱3.88 million loss in 2013. In 2014, the Bank recognized gain on sale of investment in an associate due to the sale of equity investment in TFSPC. Miscellaneous Income was higher by ₱162.30 million to ₱343.57 million from ₱181.27 million in 2013.

Other Operating Expenses, excluding provision for impairment, was up by 9.44% to ₱6.61 billion from ₱6.04 billion a year ago. Compensation and Fringe Benefits was posted at ₱2.40 billion while Occupancy and equipment-related cost increased by ₱67.97 million or 12.14% to ₱627.74 million due to the opening of twenty one (21) additional branches and installation of forty-four (44) ATMs during the year. As of December 31, 2014, the Bank has 245 branches and 595 ATMs nationwide.

Depreciation and amortization of Bank's properties and leasehold improvements were ₱504.63 million from ₱483.26 million in 2013. Meanwhile, security, messengerial and janitorial services were ₱287.08 million. Amortization of intangible assets was recorded at ₱82.37 million. Miscellaneous Expenses were higher by 12.86% at ₱1.65 billion from ₱1.46 billion last year.

Taxes and Licenses slightly went up by 0.74% or ₱7.75 million compared to last year.

The Bank set aside ₱1.74 billion in provisions for impairment and credit losses.

The Bank recorded its share in the net income of its investments in TFSPC and Sumisho Motor Finance Corporation at ₱76.96 million from ₱109.57 million in the same period last year. This is attributed to the sale of the Bank's 25% ownership in Toyota Financial Services Philippines Corporation (TFSPC) to GT Capital Holdings Inc.

For the years ended December 31, 2013 (As restated) and 2012 (As restated)

The Bank's net income grew 28.75% to ₱2.93 billion in 2013 from ₱2.27 billion in 2012.

Total Interest Income increased by 2.74% or ₱240.97 million, better than the ₱8.79 billion recorded last year.

Interest income on Loans and Receivables showed a 14.69% improvement or an increase of ₱1.04 billion. On the other hand, Interest income on Investment Securities slid to ₱375.40 million from ₱1.34 billion due to disposal of various government securities. Meanwhile, Interest earned from Interbank Loans Receivable and SPURA increased by 42.53% or ₱142.90 million to ₱478.94 million versus ₱336.04 million. Interest earned from deposits with BSP increased by 59.01% to ₱42.22 million while interest income from other banks was up by 66.67% to ₱8.24 million.

Interest Expense on the Bank's deposit liabilities decreased by 27.14% to ₱2.16 billion due to lower cost of funds in 2013. Interest Expense on Subordinated Notes rose to ₱175.25 million from ₱152.87 million due to amortization of debt issuance cost related to the issuance of Unsecured Subordinated Notes (Tier II). The Bank also recorded ₱7.48 million Interest Expense on Bills Payable as of December 31 2013.

As of December 2013, Net interest Income rose to ₱6.69 billion from ₱5.67 billion in 2012.

Net Service Fees and Commission Income increased by 9.55% to ₱962.56 million from ₱878.62 million in 2012.

Other Operating Income also posted a favorable growth of 57.98% or ₱1.85 billion to ₱5.04 billion. The Bank took advantage of the trading opportunities resulting in higher trading income of ₱4.07 billion vs. ₱2.57 billion in 2012 or an increase of ₱1.50 billion.

The Bank registered a net gain on foreclosure and sale of investment properties amounting to ₱269.75 million from ₱140.02 million or an increase of ₱129.73 million. On the other hand, the Bank registered a ₱378.58 million gain on foreclosure and sale of chattel in 2013 versus ₱312.57 million gain in 2012.

Meanwhile, Foreign Exchange loss was posted at ₱3.88 million compared to the FX gain of ₱12.12 million recorded a year ago.

Other Operating Expenses, excluding provision for impairment, was up by 13.88% to ₱6.04 billion from ₱5.30 billion a year ago. Occupancy and equipment-related costs increased by ₱6.97 million or 1.26% to ₱559.76 million due to the opening of two additional branches and installation of nineteen (19) ATMs during the year. As of December 31, 2013, the Bank has 224 branches and 551 ATMs nationwide.

Taxes and Licenses went up by 25.93% or ₱217.01 million due to higher local and gross receipt taxes paid during the year. Compensation and Fringe Benefits rose to ₱2.16 billion from ₱1.98 billion in 2012. Meanwhile, Amortization of Intangible Assets increased by ₱11.22 million or 19.60% from ₱57.24 million to ₱68.45 million. Miscellaneous Expenses went up by 26.52% to ₱1.46 billion due to higher information technology, litigation and advertising expenses.

3. Analysis of Key Performance Indicators

The following basic ratios measure the financial performance of the Bank:

		2014	2013	2012
Return on Average Equity	ROAE	13.64%	18.72%	14.89%
Return on Average Assets	ROAA	1.68%	2.38%	1.92%
Net Interest Margin on				
Average Earning Assets	NIM	6.58%	5.88%	5.19%
Earnings per share	EPS	₱9.65	₱12.19	₱9.47
Capital-to-Risk Assets Ratio	CAR	19.57%	16.92%	17.14%
Liquidity Ratio	LR	47.01%	51.68%	41.66%
Debt-Equity Ratio	DER	7.21:1	7.00:1	6.73:1
Asset-to-Equity Ratio	AER	8.21:1	8.00:1	7.73:1
Interest Rate Coverage Ratio	IRC	1.96:1	2.76:1	1.91:1

2014 vs. 2013 Comparative highlights on key performance indicators

- a) Return on Average Equity (ROAE) decreased from 18.72% in 2013 to 13.64% in 2014. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the net income by the year-on-year average of the outstanding shareholders' equity.
- b) Return on Average Assets (ROAA) decreased to 1.68% in December 2014 from 2.38% in 2013. ROAA is calculated by dividing the net income by the year-on-year average of the outstanding total assets.
- c) Net Interest Margin on Average Earning Assets (NIM) improved from 5.88% in 2013 to 6.58% in 2014. NIM is calculated by dividing the net interest income by the average earning assets.
- d) Earnings per Share (EPS) decreased to ₱9.65 in 2014 from ₱12.19 in 2013. EPS is the net profit the Bank has generated per common share. It is computed by dividing the net income by the weighted average number of outstanding common shares.
- e) Capital-to-Risk Assets Ratio (CAR) increased from 16.92% to 19.57% in 2014. The Bank issued a P3.0 billion Unsecured Subordinated Notes (Tier II) in May 2014. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).
- f) Liquidity Ratio (LR) decreased in 2014 at 47.01% compared to 51.68% in 2013. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.
- g) Debt-to-Equity Ratio (DER) was at 7.21:1 as of December 2014 versus 7.00:1 in 2013. DER measures the Bank's financial leverage. This is computed by dividing total liabilities by total stockholder's equity.
- h) Asset-to-Equity Ratio (AER) increased to 8.21:1 in 2014 versus 8.00:1 in 2013. AER is computed by dividing the total assets by total shareholder's equity.
- i) Interest Rate Coverage Ratio (IRC) went down to 1.96:1 as of December 31, 2014 from 2.76:1 the same period last year. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

2013 vs. 2012 (As restated) Comparative highlights on key performance indicators

- a) Return on Average Equity (ROAE) improved from 14.89% to 18.72% in 2013. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the net income by the year-on-year average of the outstanding shareholders' equity.
- b) Return on Average Assets (ROAA) rose to 2.38% in December 2013 from 1.92% in 2012. ROAA is calculated by dividing the net income by the year-on-year average of the outstanding total assets.
- c) Net Interest Margin on Average Earning Assets (NIM) also increased from 5.19% in 2012 to 5.88% in 2013. NIM is calculated by dividing the net interest income by the average earning assets.
- d) Earnings per Share (EPS) was better to ₱12.19 in 2013 from ₱9.47 in 2012. EPS is the net profit the Bank has generated per common share. It is computed by dividing the net income by the weighted average number of outstanding common shares.
- e) Capital-to-Risk Assets Ratio (CAR) slightly decreased from 17.14% to 16.92% in 2013. The Bank issued a P3.0 billion Unsecured Subordinated Notes (Tier II) in February 2012. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

- f) Liquidity Ratio (LR) improved in 2013 at 51.68% compared to 41.66% in 2012. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.
- g) Debt-to-Equity Ratio (DER) was at 7.00:1 as of December 2013 versus 6.73:1 in 2012. DER measures the Bank's financial leverage. This is computed by dividing total liabilities by total stockholder's equity.
- h) Asset-to-Equity Ratio (AER) increased to 8.00:1 in 2013 versus 7.73:1 in 2012. AER is computed by dividing the total assets by total shareholder's equity.
- i) Interest Rate Coverage Ratio (IRC) rose to 2.76:1 as of December 31, 2013 from 1.91:1 the same period last year. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

4. Key Variables and Other Qualitative and Quantitative Factors

a) Liquidity

PSBank manages its liquidity position to ensure that it has more than adequate funds to meet its obligations at any given time. The Bank monitors its daily liquidity and reserve position by determining inflows and outflows, short-term and long-term obligations, holdings and repayments. Short-term liquidity management identifies obligations and repayments in the next 12-months, aids in the determination of the securities trading strategy, and influences the Bank's pricing mechanism. On the other hand, long-term liquidity management covers maturing obligations and repayments of loans and investments beyond the next 12-months.

The level of liquid assets remained strong, exhibiting healthy growth in both placements with BSP/other banks and securities investments.

With the Bank's high capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, PSBank does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2014.

The Bank also performs liquidity stress testing under various stress scenarios to ensure its ability to meet its funding obligations. The Bank has a Liquidity Contingency Funding Plan to anticipate and manage any funding crisis that may occur.

b) Events that will Trigger Direct or Contingent Financial Obligation

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are part of its lending and related businesses but due to their nature, may not be reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

Also, several suit and claims, in behalf or against the Bank in relation to its operations, including labor-related cases are pending before the courts and quasi-judicial bodies. In the opinion of management, these suits and claims, if decided adversely, will not involve an amount having a material effect on the financial statements.

c) Material Off-Balance Sheet Transactions, Arrangements and Obligations

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2014	2013	2012
Trust department accounts	₱1,751,995,244	₱1,183,684,353	₱1,293,415,295
Stand-by credit line	78,623,503	73,413,399	94,632,544
Late deposits/payments received	70,408,879	63,998,571	61,753,601
Items held for safekeeping	309,487	260,102	303,772
Others	29,407	26,095	17,869

None of these off-balance sheet transactions, arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank's financial condition.

d) Material Commitments for Capital Expenditures

The Bank's capital expenditures in 2014 included expenses for twenty one (21) new branches, forty four (44) new on-site and off-site ATMs, upgrade of bank premises including infrastructure, furniture, fixtures and equipment, IT-related activities on systems, infrastructure, and licenses. For 2015, the Bank plans to open at least twenty (20) branches and forty (40) on-site and off-site ATMs. Capital expenditures were sourced from the Bank's capital.

e) Causes for Any Material Changes from Period to Period of Financial Statements

See previous discussion on Analysis of Statement of Condition and Discussion of Results of Operations.

f) Known Trends, Events or Uncertainties or Seasonal Aspects

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

g) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretation, which were adopted as of January 1, 2014.

The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Bank:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- Philippine Interpretation 21, *Levies*
- Annual Improvements to PFRSs (2011-2013 cycle)
- PFRS 1, First-time Adoption of PFRS

Standards that have been adopted and are deemed to have an impact in the financial statements or the performance of the Bank are described below.

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

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

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

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

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as it has not novated its derivatives during the current or prior periods.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Bank's financial position or performance as it presents its short-term receivables and payables at carrying value.

Item 7. Financial statements

Please refer to EXHIBITS 5 and 6, for the Bank's Management's Responsibility for Financial Statements and Audited Financial Statements as of December 31, 2014 and 2013.

Independent Public Accountant

SyCip Gorres Velayo & Co. (SGV & Co.), independent certified public accountants, audited the Bank's financial statements without qualification and in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of its examination, in its report to the stockholders and Board of Directors.

The following table sets out the aggregate fees billed for each of the years ended December 31, 2014 and 2013 for professional services rendered by SGV & Co for the audit of the Bank's annual financial statements.

	2014	2013
Audit and Audit-Related Fees:		
Fees for services that are normally provided by external auditor in connection with statutory ; regulatory filings or engagements	₱2,275,000	₱2,275,000

Tax and All Other Fees for Services of External Auditor

The Bank has engaged the services of external auditor for tax accounting, compliance, advice, planning and any other form of services during the last three (3) years. The collective fees for each year ended December 31, 2014, 2013 and 2012 amounted to ₱2,020,000.00, ₱112,000.00 and ₱2,251,600.00, respectively.

Fees for Services of other Tax Consultant

The Bank also engaged the services of Du-Baladad and Associates for tax consultancy. The collective fees amounted to ₱668,976.00, ₱192,192.00 and ₱117,408.00 for 2014, 2013 and 2012, respectively.

Audit Committee’s Approval Policies and Procedures for Above Services

As Metrobank subsidiary, the Bank adopted the Parent’s policies and procedures on audit engagement contract for external auditors. The same was discussed and approved by the Audit Committee. Included in the duties and responsibilities of the Audit Committee as provided for in the Audit Committee Charter are to recommend to the Board the appointment, re-appointment and dismissal of external auditors; to review and evaluate the external auditors’ qualifications, performance, independence, and objectivity; and to review the external auditors’ audit plan and scope among others.

The following are the members of Bank’s Audit Committee:

Name	Position
Jose T. Pardo, Independent Director	Chairman
Samson C. Lim, Independent Director	Member
Amelia B. Cabal, Director	Member

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SGV & Co. has acted as the Bank’s external auditors since 1979 and has complied with the 5-year rotation requirement, under SEC SRC Rule 68 (3) (b) (IV), with Vicky L. Salas as the certifying partner starting 2011, replacing the audit partner for the Bank who has served since 2006. The Bank has no disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

The Bank intends to retain SGV as its external auditors for 2015. The external auditors are appointed annually by the registrant’s Board of Directors during organizational meeting held immediately after the Annual Stockholders’ Meeting.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. Directors and Executive Officers

a) Directors

The following are the Directors for 2014 – 2015:

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
Jose T. Pardo Chairman of the Board of Directors / Independent Director	76	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> • Chairman since Jan 2003/Independent Director since May 2007, Philippine Savings Bank* • Chairman and Independent Director, Philippine Seven Corporation since Jan 2015* • Chairman/Independent Director, Philippine Stock Exchange since 2011 • Chairman/Independent Director, Securities Clearing Corporation of the Philippines since 2011 • Chairman/Independent Director, Bank of Commerce since 2003 • Director, National GRID Corporation of the Philippines since 2009 • Independent Director, JG Summit Holdings, Inc.* since 2013 • Director, ZNN Radio Veritas since 2006 • Calaca High Power Corp • Chairman, De La Salle University, Inc. since 2010 • Chairman, ECOP Council of Business Leaders since 2009 • Chairman, PCCI Council of Business Leaders since 2007 • Chairman, Philippine Business Center Inc. • Chairman, Foundation for Crime Prevention since 2007 • Co-Chairman, De La Salle Philippines • Chairman, Assumption (Antipolo) since 2006 • Vice Chairman, EDSA People Power Commission, Office of the President since 2010 • Chairman, EDSA People Power Foundation since 2011 • Chairman, Philippine-Japan Vocational Technical Foundation <u>Past Experiences/ Positions Held</u> <ul style="list-style-type: none"> • President/Chairman, Philippine Seven Corporation (Philippine Area Licensee of 7-Eleven, USA) • President/Chairman, Wenphil Corporation (Philippine Area Licensee of Wendy's, USA) • President/Chairman, Asian Holdings Corporation • President/Chairman, Land and Housing Development Corporation • President/Chairman, Overseas Ohsaki Construction Corp. • President/Chairman, Capital Market Integrity Corporation in 2011 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<ul style="list-style-type: none"> • Chairman, Franchise Investment Holdings Inc. • Chairman, EC Pay Network Inc. in 2003 • Director, San Miguel Purefoods Inc. • Director, GMA Network, Inc. (Channel 7) • Director, Metropolitan Bank and Trust Company • Director, C.C. Unson Co., Inc. (Battery Manufacturing) • Director, Mabuhay Philippine Satellite Corporation in 2001 • Director, Coca-Cola Bottlers Philippines, Inc. • Director, ABC Development Corporation (ABC-5) in 2004 • Director, Associated Broadcast Marketing Corp. in 2004 <p><u>Past Experiences/Positions Held in Government Service</u></p> <ul style="list-style-type: none"> • Cabinet Secretary, Department of Finance from 2000-2001 • Cabinet Secretary, Department of Trade and Industry from 1998-2000 • Governor for the Philippines, Asian Development Bank • Alternate Governor for the Philippines, International Monetary Fund • Governor, International Fund for Agricultural Development • Chairman, Committee on Privatization • Chairman, Philippine Deposit Insurance Corporation • Chairman, Trade and Investment Development Corporation • Chairman, Mount Pinatubo Commission • Chairman, Council of ASEAN Trade Ministers from 1998-1999 • Vice Chairman, Economic Coordinating Council • Member, National Dev't Company • Fellow, Development Academy of the Philippines • Member, Bangko Sentral Monetary Board from 1998-2001 • Commissioner, Career Executive Service Board • Commissioner, Presidential Anti-Crime Commission • Member, Presidential Council of Economic Advisers in 1992 • ASEAN Free Trade Area (AFTA) Advisory Council from 1992-1994 	
Arthur V. Ty Vice Chairman	48	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> • Chairman, Metropolitan Bank and Trust Company* since April 2012 • Vice Chairman/Director, Philippine Savings Bank* since August 2001 • Vice Chairman/Director, First Metro Investment Corporation since April 2012 • Director, Federal Land, Inc. since 2002 • Chairman/Director, Global Treasure Holdings, Inc. since 2006 • Vice Chairman, Great Mark Resources Corporation since 2012 • President/Director, Horizon Royale Holdings, 	Margaret Ty Cham (Sister)

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<p>Inc. since 2000</p> <ul style="list-style-type: none"> • Vice Chairman, Metrobank Foundation, Inc. since 2006 • President/Director, Philippine Securities Corporation since 2005 • Vice Chairman, GT Capital Holdings Inc.* since 2014 • Chairman/Director, Grand Titan Capital Holdings, Inc. since 2007 • Chairman/President, Nove Ferum Holdings, Inc. since 2009 • Chairman, Metropolitan Bank (China) Ltd. since 2010 • Chairman, Ferum Cee Inc. since 2011 • Chairman, GT Metro Foundation Inc. since 2010 <p><u>Past Experiences/Positions Held</u></p> <ul style="list-style-type: none"> • President, Philippine Savings Bank from 2000-2001 • President, Metropolitan Bank and Trust Company from 2006-2012 • Treasurer, FMIC Equities, Inc. from 2001-2006 • Chairman, First Metro International Investment Corp. (Hong Kong) from 2006-2009 • Vice Chairman/Director, Global Business Holdings from 2002-2006 • Chairman, Great Mark Resources Corporation from 2006-2012 • Vice Chairman/Director, Metropolitan Bank (Bahamas), Ltd. from 2006-2009 • Chairman/Director, Metrobank Card Corp. from 2002-2009 • Senior Vice President, Metrobank Foundation, Inc. from 2003-2005 • EVP/ Director, Philippine Securities Corporation from 2001-2003 • Director, SMBC Metro Investment Corporation from 2001-2005 • Director, Lepanto Consolidated Mining Company from 1997-2003 • Director, Baywatch Realty Corp. from 2000-2003 • Vice Chairman, Metro Remittance Singapore Pte. Ltd. from 2004-2009 • Vice Chairman, Metro Remittance Center, Inc. (U.S.A) from 2008-2009 • Chairman, MB Remittance Center (Hawaii), Ltd. from 2007-2009 • Chairman, Metro Remittance Center, Inc. (Canada) from 2008-2009 • Vice Chairman, Metro Remittance (Italia) SpA from 2008-2009 • Director, MBTC Remittance GmbH (Vienna) from 2008-2009 • Vice Chairman, Metro Remittance (UK) Ltd. from 2007-2009 • Director, Global Business Power Corp. from 2009 to 2012 • Vice Chairman, GT Capital Holdings Inc. from 2012 to 2014 	

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<ul style="list-style-type: none"> Vice Chairman/Director, Cathay International Resources Corp. from 2006-2012 	
Vicente R. Cuna, Jr. President / Director	53	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> Director/President, Philippine Savings Bank* since April 2013 Director, Metropolitan Bank and Trust Company* since April 2014 Director, First Metro Investment Corporation since April 2011 <u>Past Experiences/ Positions Held</u> <ul style="list-style-type: none"> Senior Executive Vice President, Institutional Banking Sector, Metrobank in 2012 Executive Vice President – Corporate Banking Group, Metrobank from 2006- 2012 Adviser, Metrobank in 2007 Chairman, Metro Remittance Center (California), Inc. from 2010-2013 Chairman, Metro Remittance (Canada), Inc. from 2010-2013 Vice Chairman, Metro Remittance Center, Inc. (U.S.A) from 2010-2013 Vice Chairman, MB Remittance Center (Hawaii) LTD. from 2010-2013 Vice Chairman, PSBank from 2009-2011 Adviser, Charter Ping An Insurance from 2006-2008 Director, Asia Pacific Top Mgt. Int'l., Resources Corp. from 2008-2013 Director, SMBC Metro Investment Corp. from 2006-2009 Adviser, FMICC-HK from 2006-2008 Vice President, Citibank New York from 1995-2006 	None
Margaret Ty Cham** Director / Assistant Vice President	47	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> Director, Philippine Savings Bank* from April 2004 to Jan 2015 Director, Orix Metro Leasing Corporation since Jan 2004 Director, Federal Land, Inc. President/Director, Glam Holdings Corp. Chairman/President, Glamore Holding Corp. Vice President, Great Mark Resources Corp. Vice President/Corporate Secretary, Norberto and Tytana Ty Foundation Trustee/Vice President/Corporate Secretary, GT Metro Foundation Corporate Secretary, Metrobank Foundation Assistant Corporate Secretary, GT Capital Holdings, Inc. Vice President, Global Treasure Holdings, Inc. Vice President, Grand Titan Capital Holdings, Inc. <u>Past Experiences/ Position Held</u> <ul style="list-style-type: none"> Corporate Secretary, Baywatch Realty Corp. 	Arthur V. Ty (Brother)
Samson C. Lim Independent Director	66	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> Independent Director, Philippine Savings Bank* 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<p>since April 2008</p> <ul style="list-style-type: none"> • Honorary Chairman, Automatic Appliances Inc. since 2014 • Chairman, Collins International Trading Corporation since 2002 • Chairman, Francorp Philippines since 2002 • Chairman Emeritus/International Relation, Philippine Franchise Association since 2005 • Chairman Emeritus, Philippine Retailers Association since 2000 • Chairman/Tourism Committee, Philippine Chamber of Commerce and Industry since 2014 • Chairman, Blims Fine Furniture since 2014 • President, Canadian Tourism & Hospitality Institute since 2010 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • President, LG Collins Electronics, Phils. from 1988-1999 • Chairman, Federation of Asian Retailers Association (FARA) from 1992-1993 • Vice Chairman for Asia, World Franchise Council from 2001-2002 • Founding Member, Institute of Corporate Governance in 1999 • President & Adviser, Philippines- Korea Economic Council from 1997-1999 • Director, Chamber of Furniture Industries of the Philippines in 2001 • USAID – Trade and Investment Policy Analysis and Advocacy in 1992 	
Benedicto Jose R. Arcinas Independent Director	58	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • Independent Director, Philippine Savings Bank* since April 2012 • Director and General Manager, Arcinas Freres Inc. since 1989 <p><u>Past Experiences/Positions Held</u></p> <ul style="list-style-type: none"> • Executive Vice President and Chief Investment Officer, Government Service Insurance System from 2010-2011 • Director and Risk Oversight Committee Chairman, GSIS Family Bank from 2010-2011 • Consultant, Philippine Consumer Credit, Veda Advantage Australia in 2012 • Director, Valuegen Financial Insurance Co. Inc. from 2009-2011 • Director, EIB Securities Inc. from 2009-2012 • Executive Vice President and Treasurer, Export and Industry Bank from 2007-2010 • Director, Asia Pacific Recoveries Corporation from 2005-2010 • Director, Asia Special Situations M3P2 Inc. from 2005-2011 • Managing Director, Structured Solutions Inc. from 2002-2007 • Managing Director, ATR-Kim Eng Fixed Income Inc. from 1998-2002 • Director, Peregrine Fixed Income Philippines and Peregrine Fixed Income Ltd. HK in 1997 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<ul style="list-style-type: none"> Senior Vice President – Treasury, Metropolitan Bank and Trust Company from 1991-1997 	
Maria Theresa G. Barretto Director	74	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> Director, Philippine Savings Bank* since April 2006 Director, Endel Enterprises Corp. since June 1995 Director, Rural Bank of Candelaria since Nov 2011 <u>Past Experiences/ Position Held</u> <ul style="list-style-type: none"> Director, Board of Trustees DLSU- Zobel from 1978-1980 Director, Assumption Alumnae Association from 1987-1989 	None
Jeanne Frances Ty Chua Director	49	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> Director, Philippine Savings Bank* since April 2013 Vice President, Legaspi Import & Export Corp. since Jan 2000 <u>Past Experiences/Positions Held</u> <ul style="list-style-type: none"> Vice President, Solid State Risk Consultancy Inc. Senior Vice President and Corporate Secretary, Century Savings Bank from 2013-2012 Finance Officer, Luzon Petrochemical Corporation from 1990-1991 	Arthur V. Ty (cousin)
Amelia B. Cabal Director	68	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> Director, Philippine Savings Bank* since April 2014 Independent Director, Deutsche Regis Partners Inc. since 2012 Independent Director, Ionics, Inc. since 2012 Independent Director, Ionics EMS, Inc. since 2012 Bank Supervisor, Metropolitan Bank (China) Ltd. since 2010 <u>Past Experiences/ Position Held</u> <ul style="list-style-type: none"> Chairman, External Audit Committee of the International Monetary Fund from 2011-2012 Director, Metropolitan Bank and Trust Company * from 2009-2014 Senior Adviser, Sycip Gorres Velayo and Co. from 2007-2009 Vice Chairman and Senior Partner, Sycip Gorres Velayo and Co. from 1985-2007 	None

* Company listed at The Philippine Stock Exchange, Inc.

** Tendered her resignation as Director as of February 26, 2015

b) Executive Officers

Name/ Position	Age	Citizenship	Experience	Relatives up to 4 th Civil degree
Vicente R. Cuna, Jr. President/ Director	53	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • Director/President, Philippine Savings Bank* since April 2013 • Director, Metropolitan Bank and Trust Company* since April 2014 • Director, First Metro Investment Corporation since April 2011 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • Executive Vice President, Institutional Banking Sector, Metrobank in 2012 • Executive Vice President – Corporate Banking Group, Metrobank from 2006- 2012 • Adviser, Metrobank in 2007 • Chairman, Metro Remittance Center (California), Inc. from 2010-2013 • Chairman, Metro Remittance (Canada), Inc. from 2010-2013 • Vice Chairman, Metro Remittance Center, Inc. (U.S.A) from 2010-2013 • Vice Chairman, MB Remittance Center (Hawaii) LTD. from 2010-2013 • Vice Chairman, PSBank from 2009-2011 • Adviser, Charter Ping An Insurance from 2006-2008 • Director, Asia Pacific Top Mgt. Int'l., Resources Corp. from 2008-2013 • Director, SMBC Metro Investment Corp. from 2006-2009 • Adviser, FMICC-HK from 2006-2008 • Vice President, Citibank New York from 1995-2006 	None
Jose Vicente L. Alde Executive Vice President	49	Filipino	<p><u>Present Involvement</u></p> <p>The following businesses and support groups report to Mr. Alde as EVP since Nov 2007:</p> <ul style="list-style-type: none"> - Branch Banking - Direct Sales Channel - Indirect Sales Channel - Asset Sales - Specialized Lending - Large Enterprises - Marketing and Customer Experience <p><u>Past Involvements</u></p> <ul style="list-style-type: none"> • Held various Branch Banking and Treasury Positions as Vice President of ABN-AMRO Bank from 1996-2007 	None
Noli S. Gomez Senior Vice President	49	Filipino	<p><u>Present Involvement</u></p> <ul style="list-style-type: none"> • SVP and Head of the Bank's Operations Group since Jan 2006 <p><u>Past Involvements</u></p> <ul style="list-style-type: none"> • Chief Finance Officer at PSBank from 2001-2005 • Head of Systems and Methods and Chief Risk Officer at DBS Bank Phils., Inc. from 1998-2001 • System Management Officer of the Bank of the Philippine Islands from 1996-1997 	None

Name/ Position	Age	Citizenship	Experience	Relatives up to 4 th Civil degree
Perfecto Ramon Z. Dimayuga, Jr. Senior Vice President	53	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> SVP, Chief Finance Officer and Finance Group Head since Jan 2006 Corporate Secretary, Sumisho Motor Finance Corp. since Dec 2009 <u>Past Involvements</u> <ul style="list-style-type: none"> Held various treasury positions in Development Bank of Singapore (DBS) Phils., Inc. , Bank of the Philippine Islands, Mindanao Development Bank, Citytrust Banking Corp. and Rizal Commercial Banking Corp. from 1988-2002 	None
Jose Jesus B. Custodio Senior Vice President	55	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> SVP and Head of the Bank's Indirect Sales Channel Group since July 2011 <u>Past Involvements</u> <ul style="list-style-type: none"> Head of Auto Loans at PSBank from 2001-2011 Head of Fleet and Floorstock Department at BPI Family Savings Bank from 1995-2000 Head of Auto Loans-Retail Sales at CityTrust Banking Corporation from 1991-1995 	None
Emmanuel A. Tuazon Senior Vice President	51	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> SVP and Head of the Bank's Marketing and Customer Experience Group since July 2014 <u>Past Involvements</u> <ul style="list-style-type: none"> Former Senior Vice President and Chief Marketing Officer, Allied-PNB Savings from 2013-2014 and Philippine National Bank from 2010-2013 Former Vice President for Marketing at ABN AMRO Bank from 1999-2000 and Jardine Pacific Finance from 1997-1999 	None

* Company listed at The Philippine Stock Exchange, Inc.

None of the Bank's directors and officers works with the government. All of the above-mentioned officers have been involved in the banking industry for more than five years.

c. Nominee Directors

The following have been duly nominated to become members of the Bank's 2015-2016 Board of Directors: incumbent directors Jose T. Pardo, Arthur V. Ty, Samson C. Lim, Benedicto Jose R. Arcinas, Amelia B. Cabal, Ma. Theresa G. Barretto, Jeanne Frances T. Chua and Vicente R. Cuna, Jr. (please refer to the table above for brief professional background) and the new nominee, Severinus Petrus Paulus Hermans.

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
Severinus Petrus Paulus Hermans	50	Dutch	<u>Present Involvement</u> <ul style="list-style-type: none"> President and Chief Executive Officer, Philippine AXA Life Insurance Corporation since February 2009 <u>Past Involvements</u> <ul style="list-style-type: none"> Head of Marketing and Executive Board Member, ING Financial Services (Poland) and Board Member of ING Life Insurance 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			from 2006-2009 <ul style="list-style-type: none"> • Head of Retail Financial Services and Executive Board Member of ING Insurance Malaysia from 2003-2006 • Chief Marketing Officer at ING Asia Pacific from 2002-2003 • President/CEO and Executive Board Member, ING Life Philippines from 1999-2002 • President/CEO of Orange Healthcare (Aetna) from 2000-2002 • Executive Board Member of Aetna Healthcare from 2001-2008 • Board Member of Lion Philippines Ventures and Aetna Life Philippines from 2001-2008 • Regional Manager for Strategy and Marketing Support at ING Financial Services in 1999 • Vice President for Strategy and Planning at ING Netherlands from 1994-1998 • Product / Marketing Manager at Postbank from 1990-1994 	

All nominations were submitted, evaluated and approved by the Bank's Nominations Committee. As such, all nominees possess the qualifications and none of the disqualifications to become directors of the Bank for 2015-2016.

Of the above named nominees, Messrs. Jose T. Pardo, Samson C. Lim and Benedicto Jose R. Arcinas have been nominated as Independent Directors by Mr. Joaquin Aligguy, Ms. Gilda Brigida A. Alunan and Ms. Dulce D. Arcebal, respectively, with whom they are not related. Based on the Bank's Manual of Corporate Governance and as required by existing laws and regulations, the stockholders must elect at least two (2) independent directors.

Messrs. Pardo, Lim and Arcinas possess the qualifications and none of the disqualifications to become independent directors.

Nomination Procedures

- 1) A stockholder may submit nominations for directorial positions to the Nominations Committee.
- 2) The nominating stockholder shall submit his proposed nomination in writing to the Nominations Committee together with the biodata, acceptance and conformity by the would-be nominee. In case of a nominee for the position of an independent director, the would-be nominee is also required to submit a Certification that he/she has all the qualifications and none of the disqualifications to become an independent auditor.
- 3) The Nominations Committee shall screen the nomination of directors prior to the submission of the Definitive Information Statement and come up with the Final List of Candidates.
- 4) Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.
- 5) The nomination process of the Bank is incorporated in the company's amended Code of By-Laws duly approved by the Securities and Exchange Commission as early as September 27, 2006.

The following are the members of the Bank's Nominations Committee:

Name	Position
Samson C. Lim, Independent Director	Chairman
Jose T. Pardo, Chairman/ Independent Director	Member
Arthur V. Ty, Vice Chairman	Member

2. Significant Employees

Except for the above-mentioned executives, there are no other significant employees as contemplated under the Securities Regulations Code.

3. Involvement in Certain Legal Proceedings

To the knowledge and information of the Bank, neither itself nor any of its affiliates, subsidiaries, the Bank's and their respective Directors and Executive Officers are involved or have been involved for the past five (5) years in any legal proceeding affecting/involving a material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere.

Item 10. Executive Compensation

Name and Principal Position	2015 (estimate)*	
	Salary	Bonus
Vicente R. Cuna, Jr. – President		
Jose Vicente L. Alde – Executive Vice President		
Noli S. Gomez – Senior Vice President		
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President		
Jose Jesus B. Custodio – Senior Vice President		
Total	₱40.46 million	₱19.97 million
All Officers (AVP up) and Directors	₱146.10 million	₱46.57 million

*Increased 2014 figures by 10%

Name and Principal Position	2014	
	Salary	Bonus
Vicente R. Cuna, Jr. – President		
Jose Vicente L. Alde – Executive Vice President		
Noli S. Gomez – Senior Vice President		
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President		
Jose Jesus B. Custodio – Senior Vice President		
Total	₱36.78 million	₱18.15 million
All Officers (AVP up) and Directors	₱132.82 million	₱42.34 million

Name and Principal Position	2013	
	Salary	Bonus
Vicente R. Cuna, Jr. – President		
Pascual M. Garcia III – President (<i>retired April 2013</i>)		
Jose Vicente L. Alde – Executive Vice President		
Noli S. Gomez – Senior Vice President		
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President		
Jose Jesus B. Custodio, Senior Vice President		
Yolanda L. Dela Paz, Senior First Vice President (<i>retired November 2013</i>)		
Total	₱35.24 million	₱12.94 million
All Officers (AVP up) and Directors	₱134.33 million	₱39.73 million

The directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from said amounts, they have no other compensation plan or arrangement with the bank. The

executive officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated above. Aside from these, they have no other compensation plan or arrangement with the bank.

There are no warrants or options held by the Bank's officers and directors

Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy. The total per diem and transportation allowance paid to directors for their attendance in Board meetings amounted to ₱16.3 million, ₱13.0 million and ₱12.9 million in 2014, 2013 and 2012, respectively. This translates to an average of ₱116,343.00, ₱120,490.00 and ₱119,093.00, per month/per director in 2014, 2013 and 2012, respectively. Aside from said amounts, they have no other compensation plan or arrangement with the Bank.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

A. Control and Compensation Information

Voting Securities and Principal Holders Thereof

- a) No. of Shares outstanding as of January 31, 2015 : **240,252,491 Common Shares**
 No. of votes to which each share is entitled : **one (1) vote per share**
- b) Record date to determine stockholders entitled to Notice and to vote at the regular meeting : **February 5, 2015**
- c) Election of Directors:

Majority vote is required for the election of directors. Security holders shall have the right to cumulative voting. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in the name of that security holder in the books of the Bank as of the record date multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the right to cumulative voting.

d) Arthur V. Ty is the person authorized to vote the MBTC shares in PSBank.

e) Security Ownership of Certain Records and Beneficial Owners

e.1) Security Ownership of Certain Record and Beneficial Owners

As of February 28, 2015, the following stockholders own more than 5% of the common voting securities:

Title of Class	Name, address of Record Owner and relationship with issuer	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Metropolitan Bank and Trust Co. Metrobank Plaza, Gil Puyat Avenue, Makati City (Parent Company of PSBank)	Arthur V. Ty, Chairman of Metrobank	Filipino	182,535,895	75.977
Common	PCD Nominee Corporation 37 th Floor, Enterprise Bldg. Tower 1 Ayala Avenue, Makati City	Various Stockholders via PCD	Filipino	18,354,744	7.640
Common	Danilo L. Dolor # 56 Tamarind Rd., Forbes Park, Makati City	Danilo L. Dolor	Filipino	12,610,891	5.249

There is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

e.2) Security Ownership of Management as of February 28, 2015

Title of Class	Name	Position	Citizenship	No. of Shares	Percent
Directors					
Common	Jose T. Pardo*	Chairman	Filipino	1,852	.000771
Common	Arthur V. Ty	Vice Chairman	Filipino	100	.000042
Common	Vicente R. Cuna, Jr.	Director/President	Filipino	100	.000042
Common	Cabal. Amelia B.	Director	Filipino	100	.000042
Common	Maria Theresa G. Barretto	Director	Filipino	3,557	.001481
Common	Margaret Ty Cham	Director	Filipino	100	.000042
Common	Jeanne Frances T. Chua	Director	Filipino	100	.000042
Common	Samson C. Lim*	Director	Filipino	100	.000042
Common	Benedicto Jose R. Arcinas*	Director	Filipino	100	.000042
Sub-total				6,109	.002543
Officers					
Common	Gilda Brigida C. Alunan	Manager	Filipino	160	.000067
Common	Dulce D. Arcebal	Senior Assistant Manager	Filipino	628	.000261
Sub-total				788	.000328
Total (Directors and Officers)				6,897	.002871

* Independent director

e.3) Voting Trust Holders of 5% or more

There is no person who holds more than 5% of the Bank's securities under a voting trust or similar agreement.

e.4) Changes in Control

There is no arrangement that may result in a change in control of the registrant. There is no change in control that has occurred since the beginning of the last fiscal year.

Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with subsidiaries or affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). The existing banking regulations limit the amount of loans, other credit accommodations and guarantees to DOSRI, 70% of which must be secured and should not exceed the total of their respective unencumbered deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total capital funds or 15% of the Bank's total loan portfolio.

Further discussion on transactions with related parties and are found in Note 29 of the Audited Financial Statements as presented in EXHIBIT 6.

Others

No director has resigned or declined to stand for re-election because of any disagreement with the Bank on any matter relating to the Bank's operations, policies or practices.

No director has informed the Bank in writing that he intends to oppose any action to be taken by the Bank at the Annual Stockholders' Meeting.

PART IV. CORPORATE GOVERNANCE

Item 13. Corporate Governance

At PSBank, we have a strong commitment to excellence in corporate governance. We continually strive for high standards and pursue new approaches that ensure greater transparency and integrity in what we do.

Our governance culture

We see our compliance with applicable laws, rules and regulations as a minimum requirement. Going beyond such minimum is the true essence of good corporate governance. We always aim to continually build up the trust and confidence of our stakeholders by running our business in a prudent and sound manner, being fair and transparent in all our dealings, providing reliable and better service in response to the ever-growing expectations of our customers, and working with integrity and accountability.

Our core governance policies

The policies and guidelines embodied in our annually updated Corporate Governance Manual, as posted in our website, www.psbank.com.ph and in our intranet site InfoChannel for the guidance of all our stakeholders, primarily revolve around the following three basic values that we observe.

Fairness

We see to it that all our dealings with counterparties and other stakeholders are fairly conducted. We ensure that all such dealings, especially with our related parties, are made in the regular course of our business and upon terms not less favorable to us than those offered to others. It is for this particular reason that we initiated the creation of our Board-level Related Party Transactions Committee (RPTC) to help ensure that our transactions with related parties are conducted at arms-length and that our resources are not misappropriated, in accordance with our Board-approved Related Party Transactions (RPT) policy and its specific guidelines and handling procedures.

We also ensure that all our stockholders are treated equally and without discrimination by preserving all stockholders' rights and protecting our minority stockholders' interests including the latter's right to nominate candidates to our Board of Directors.

Integrity and Accountability

We uphold at all times the value of honesty as a best policy. We believe that our reputation precedes us in the business of trust and confidence. We continue to enhance a working culture of integrity, guided by a Code of Conduct that defines the standards that we must follow in all our business dealings and relationships. Our Code of Conduct includes provisions on:

- Disciplinary process;
- General policies to establish a professional working environment and secure a favorable reputation for our Bank;
- Corrective measures for unacceptable behavior or failure to comply with our rules, policies and procedures;
- Schedule of penalties for attendance and punctuality, attire requirements, conduct and behavior, dishonesty, health, safety and security, reporting of violations, and information security; and
- Provisions on management of personal finances, conflict of interest, anti-sexual harassment, non-disclosure of information and insider information.

Under our Policy Against Insider Trading, reporting insiders are required to disclose their and their associates' initial beneficial ownership in PSBank shares and any changes thereof within two (2) trading days after their election/appointment in office and from date of said changes, respectively. They are likewise prohibited from selling or buying PSBank shares during "blackout periods" i.e. upon obtaining material nonpublic information up to two trading days after such information is disclosed. The Bank did not have any trading transactions with its reporting insiders and/or their associates in 2014.

In addition, we are also bound by a "whistle-blowing" policy that basically requires all employees to immediately report any noted impropriety or malpractice committed by a co-employee(s) to their Group Heads or directly to the Human Resources Group Head or to the Chief Audit Executive/Internal Audit Group Head for investigation purposes, the concealment or non-reporting of which is considered as an impropriety or malpractice in itself. The policy likewise requires the due protection of informants, i.e., employees

reporting such incidents in good faith from any form of harassment and thus considers any attempt to determine their identities as a breach of confidentiality subject to disciplinary sanctions.

Transparency and open communication

We abide by various disclosure requirements of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Philippine Stock Exchange (PSE) as a publicly-listed company. We ensure that we are transparent to our shareholders by posting the latest public disclosures on the Investor Relations section of our website and in press releases. In compliance with SEC Memorandum Circular No. 11 s2014, we updated our website in 2014 to include all required disclosures in accordance with the SEC-prescribed web template for our stakeholders to readily check our corporate governance practices.

We also maintain an open communication line and use feedback from our stakeholders to develop better policies, products and services. We likewise accommodate requests for information pertaining to the management of our Bank, stockholders rights or any other bank-related matters, while remaining mindful of disclosure limitations under existing laws on bank deposits secrecy and data privacy.

Our Corporate Governance Manual (CGM) serves as a valuable guide and reference in our implementation of the corporate governance rules and regulations of both the BSP and the SEC. In 2014, we updated our CGM primarily to integrate all Board-level and Management-level committee charters and their respective annual performance scorecards. We also incorporated recent regulatory issuances and all related reportorial requirements with their corresponding submission deadlines for it to be a centralized reference of all corporate governance-related matters.

Our governance structure Board Oversight

Board of Directors. The Board sets the Corporate Governance tone in the organization by ensuring adherence to its principles and standards. It is accountable to our stakeholders in running our Bank in a prudent and sound manner. It is primarily responsible for approving and overseeing the implementation of our strategic objectives, risk strategy, corporate governance and corporate values. The Board periodically reviews the Bank's vision-mission/strategy to ensure that they remain relevant and consistent with the values, purpose and goals of the Bank.

There are a total of nine directors in our Board who are all qualified business professionals with the required expertise and experience in directing our strategic path.

We have consistently maintained the presence of independent directors who provide independent judgment, outside experience and objectivity. Of the nine Board members, three are independent directors, including our Board Chairman. This is more than the required minimum number of independent directors. The Bank does not have any director holding more than five (5) board seats in other publicly-listed companies.

Our Board Chairman provides active leadership by ensuring that our Board and its different committees function effectively, including maintaining a relationship of trust among Board members. Our Board Chairman also ensures that our Board follows a sound decision-making process.

Individual directors are tasked to observe the fit and proper rule. They are expected to conduct fair business dealings, avoid conflict of interest and observe confidentiality. They must act honestly, judiciously and in good faith, and uphold the best interests of our Bank and its stakeholders. They must also devote time and attention to their duties and responsibilities and contribute to our Board's decision-making process.

They must exercise independent judgment and have a working knowledge of laws, rules and regulations applicable to our Bank.

With respect to the training and continuing education of our directors, eight of them attended an Anti-Money Laundering (AML) seminar entitled "AML Briefing for Board of Directors and Senior Management" as conducted by the Anti-Money Laundering Council (AMLC) while all of them also attended a refresher program on Corporate Governance conducted by SEC-accredited training providers pursuant to SEC Memorandum Circular No. 20 s2013, together with our key officers in 2014.

Our Board has access to our Corporate Secretary who manages the flow of information to the Board prior to the meetings. All our Directors are provided with documents on our Bank's financial and operational performance, committee activities, regulatory developments, and items for their information and approval at

least two business days before actual Board meetings.

Our Board also reviews and approves all manuals to ensure that regulatory changes and best practices are included. They have access to a permanent compilation of documents related to past Board activities. They can readily seek clarification from Senior Management should they have concerns about our Bank or any of the items submitted for their consideration.

Board Meetings. In 2014, our Board had 12 regular meetings, in addition to the annual stockholders and organizational meetings. Our directors achieved a 96% attendance rate.

Board Committees. A number of Board-level committees were created to aid our Board in its various tasks to ensure efficiency and provide greater focus. Four of these committees are in charge of governance oversight functions, as follows:

- The **Corporate Governance Committee** is tasked to assist our Board in fulfilling its duties and responsibilities and monitoring our adherence to the corporate governance principles and guidelines set forth in our Corporate Governance Manual. It also oversees the development and effective implementation of our compliance system. The Committee is composed of three Directors, two of whom are independent directors, including the committee chairperson. The Committee meets monthly and is supported by our Compliance Office (CO).
- The **Risk Oversight Committee (ROC)** is responsible for the development and oversight of our risk management program. The Committee is currently composed of three members of the Board of Directors and two non-voting members appointed as advisors. The incumbent Committee Chairperson is a non-executive member and is an independent director. The ROC members possess a range of expertise and adequate knowledge of our risk exposures which is needed to develop appropriate strategies for preventing or minimizing losses. The Committee meets monthly and is supported by our Risk Management Office (RMO).
- The **AML Oversight Committee** was recently created in 2014 to assist our Board in fulfilling its oversight responsibility over the Bank's compliance management to make sure that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations (RIRRs) and BSP AML regulations to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activity or to facilitate or finance terrorism. This committee is composed of four Directors, one of whom is an independent director who is the committee chairperson. The committee meets monthly and is supported by our Compliance Office (CO).
- The **Audit Committee** is designated to provide independent oversight for the Bank's financial reporting process, system of internal control and risk management, internal and external audit functions, and monitoring of compliance with Bank policies, applicable laws, rules, regulations and Code of Conduct. The Committee is composed of three Directors, two of whom are independent, including the committee chairperson. These members have auditing, accounting or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The Committee meets monthly and is supported by our Internal Audit Group (IAG).

Other Board-level committees are as follows:

- The **Executive Committee** is tasked to regularly review and approve credit proposals within its limits. It recommends additional conditions and requirements on loan applications for Board approval. The Committee is composed of three Directors including the President, our Credit Administration Group (CAG) Head and a credit representative from our parent Metrobank.
- The **Related Party Transactions Committee** is tasked to assist the Board in ensuring that transactions with related parties are reviewed, appropriate restrictions are followed, and corporate resources are judiciously used. The Committee is composed of three Directors, two of whom are independent directors, including the committee chairperson. The Committee meets monthly and is also supported by our Compliance Office (CO).
- The **Trust Committee** is a special committee tasked to be primarily responsible for overseeing the fiduciary activities of the Bank. The Committee is composed of five members: the President, the non-voting Trust Officer, two non-executive directors and an independent director who is the committee chairperson. The Committee meets quarterly and is supported by our Trust Division.

- The **Nominations Committee** is tasked to review and evaluate all nominees to the Board. The Committee is composed of three Directors, two of whom are independent, including the committee chairperson. The Committee is duly guided by its charter, as well as BSP guidelines for the qualification and disqualification of directors found in the Manual of Regulations for Banks. The Committee meets at least once a year and is supported by our Corporate Affairs Office and Corporate Secretary.
- The **Compensation and Remuneration Committee** is tasked to establish a formal and transparent procedure for developing a policy on executive remuneration. The Committee is composed of three members of the Board, two of whom are independent directors, including the committee chairperson. Our Human Resources Group (HRG) Head sits in the committee as a resource person. The Committee meets at least once a year and is supported by our Human Resources Group (HRG).

Senior Management Oversight

Senior Management. Our Senior Management Team, headed by our President as the Chief Executive Officer (CEO), consists of a core group of senior officers who manage our day-to-day operations and business affairs. They exercise good governance by ensuring that the line managers under their respective areas of responsibility execute their activities in a manner that is consistent with Board-approved policies and procedures that are in turn aligned with applicable laws, rules and regulations as well as standards of good practice.

Management committees. To achieve efficiency and provide greater focus for our Senior Management in overseeing key areas of banking operations, various Management-level committees were also created, as follows:

- **Assets and Liabilities Committee (ALCO)** is tasked to manage our Bank's assets and liabilities consistent with its liquidity, capital adequacy, growth, risk tolerance & appetite and profitability goals.
- **Credit Committee (CRECOM)** is tasked to regularly review and approve credit proposals within the authority and limits provided by our Board to it.
- **Anti-Money Laundering Compliance Committee (AMLCC)** is tasked to assist our Compliance Office in reviewing, managing and monitoring the effectiveness of our Money Laundering & Terrorism Financing Prevention Program (MLTFFP) and related policies and procedures to ensure our continuing compliance with the provisions of the Anti-Money Laundering Act (AMLA) as amended, its Revised Implementing Rules & Regulations (RIRRs) and BSP Anti-Money Laundering regulations.
- **Outsourcing Oversight Committee (OOC)** is tasked to oversee the accreditation of service providers, performance monitoring, post-implementation reviews and contract renewals in accordance with the Bank's Board-approved risk-based Outsourcing Policy Guidelines pursuant to BSP Circular No. 765 re: Revised Outsourcing Framework for Banks.
- **IT Steering Committee (ITSC)** is tasked to cohesively monitor IT performance and institute appropriate actions to ensure achievement of desired results. It is accountable for designing and implementing our Board-approved Information Technology Risk Management System (ITRMS).
- **Emergency Committee (EMCOM)** is tasked to manage and monitor the effective implementation of our Business Continuity Plan (BCP). It aims to provide our Bank the capability to continue its critical functions and processes by identifying, assessing and managing emergency scenarios and other business interruptions.
- **Policy Committee (POLCOM)** is tasked to resolve policy- related issues which require escalation or cross-functional discussion for resolution.
- **Personnel Committee (PERCOM)** is tasked to assist our Senior Management in evaluating the performance and career growth/advancement of our employees, deciding on employee offenses/administrative cases and in maintaining personnel policies and procedures including the Bank's Code of Conduct.
- **Retirement Committee (RETCOM)** is exclusively tasked to administer our Gratuity and Retirement

Benefit Plan.

Our governance vanguards

- Our compliance, risk management and internal audit functions are the forerunners in our never-ending drive to promote and uphold the noblest tenets and highest standards of good corporate governance across all our business operations.

Compliance

- Ensuring our compliance with applicable laws, rules and regulations, as a minimum requirement, is our collective duty and team effort. It begins with our Board and Senior Management at the top down the line to our various business and operating units in accordance with our Board-approved compliance system that we refer to as Compliance Program, the design and implementation of which is overseen, administered and annually updated by our Compliance Office led by our Chief Compliance Officer (CCO) who directly reports to our Corporate Governance Committee and to our Board.
- Our Compliance Program adopts a three-pronged, risk-based approach to effectively manage our business risks and ensure compliance with pertinent banking laws, rules and regulations, codes of conduct, policies and standards of good practice. Its priority, focus and compliance testing frequency depends on the pre-assessed level of risk a unit is exposed to insofar as business risks relative to compliance with pertinent banking laws, rules and regulations, codes of conduct, sound policies and standards of good practice are concerned.
- This three-pronged strategy is structured to be operated by three key players namely: (1) the line units at the 1st line of defense being the business risk owners and managers, (2) Compliance Office (CO) at the 2nd line of defense as the business risk overseers, and (3) Internal Audit Group (IAG) at the 3rd line of defense as the independent assurance provider.
- Aside from monitoring and controlling compliance risk, our Chief Compliance Officer (CCO) also tracks our Bank's adherence to our Corporate Governance Manual. Cases of non-compliance are required to be reported to our Board Chairman who ensures due process and determines appropriate sanctions.
- Our Compliance Office continuously strives to maintain our strong compliance culture amidst the ever-dynamic regulatory landscape in the banking industry by proactively identifying, assessing and addressing emerging compliance issues; vigorously promoting continuing education through formal/informal trainings, compliance awareness testing, compliance checking, and advisory service through a clear and open communication line; and fostering good corporate governance culture by benchmarking against industry best practices and standards.

Our remuneration policy

Our directors and officers are provided with an industry- competitive compensation package to attract, motivate and retain highly qualified people. The salary scales of our officers are generally based on their positions and ranks. These are reviewed annually and adjusted as needed, based on performance. Our Bank also grants fixed bonuses including a 13th-month pay, in accordance with law. Our Board sees to it that this remuneration strategy is regularly reviewed to ensure that the policy is commensurate with corporate and individual performance and benchmarked against our industry peers and other market considerations while also maintaining internal equity.

Each of our directors receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of our Bank's overall strategy. The total per diem and transportation allowance paid to directors for their attendance in Board meetings for the period January to December 2014 was Php16.3 million.

Our remuneration policy for directors indicates that the Chairman, Vice Chairman and each of the Directors receive reasonable per diems for attendance at any Board meeting. There is nothing in our by-laws that prevents any director from serving any other capacity and receiving compensation.

Our governance evaluation

Every year, our Board, individual directors and their respective oversight committees conduct self-rating exercises on their performance through the use of scorecards in order to determine areas of improvement

for which results are reviewed by our Corporate Governance Committee and reported to our Board.

In 2014, we have crafted a similar annual performance evaluation system for all other Board-level as well as Management-level committees for our Board to also gauge the performance and effectiveness of these committees vis- à-vis set performance standards that are consistent with our Bank's strategic objectives and business plans that all boils down to continuously creating value to all our stakeholders.

Our governance achievement

As an affirmation of our good corporate governance practices and compliance with the code of corporate governance, our Bank was recently recognized as one of the Top 10 finalists in the 2014 Philippine Stock Exchange (PSE) Bell Awards for corporate governance, among other publicly-listed companies. This annual awards program seeks to promote corporate governance consciousness and recognize best practices in improving the image of the local market as an investment destination.

PSBank was also recognized by The Asian Banker magazine in 2014 as one of the Top Ten Strongest Banks in the Philippines for the fourth consecutive year. The Bank ranked the 5th strongest bank and is the only thrift bank in the top 5 list.

Sustainable development

PSBank believes that the campaign for environmental protection and sustainable development starts with small initiatives that when combined, produces a culture of concern. Below are the Bank's initiatives:

- Email blasts on environmental awareness
- Bankwide campaign to re-use paper and segregate trash
- Competitions that require employees to create using recyclable materials, such as Halloween Booth Contest and Art Contest for the Environment
- Participation in tree-planting activities
- Participation in Earth Hour campaigns

Health, safety and welfare of employees

PSBank advocates that a work environment free of work hazards is conducive to the well-being and professional development of its employees. The Human Resources Group (HRG) continuously looks for ways to reach out to employees, and one way is by conducting HRG Ikot. In 2014, branches in Cebu, Pangasinan, Baguio, and La Union were visited. During the Ikot, HRG meets with branch employees and conducts engagement sessions to check on their welfare and needs. Facilities are also checked if they are in accordance with our occupational health and safety standards.

On top of this, the Bank strictly adheres and even goes beyond general labor standards such as:

- *Establishment of the Occupational Health and Safety Program (OHSP) of the Bank and the constitution of the Health and Safety Committee (HASCOM).* The OHSP provides for the organization of a local committee on Health and Safety found in the branches. This program ensures that adequate guidelines, programs, and measures are adopted to ensure employees' health and safety.
- *First Aid Certification Program.* PSBank HRG has been coordinating with the Philippine Red Cross in conducting certification seminars for head office and branch employees.
- *Health and Wellness Programs.* Employees may join activities such as but not limited to sports tournaments, exercise and dance classes, and pampering sessions. These activities are not only good for the health but also build competitiveness and camaraderie. The Bank has partnered with different gym and health institutions, for employees and their families to avail of their wellness programs at great discounts. Also, the Bank has been sponsoring vaccination programs for employees and their dependents at supplier's price.
- *Family Welfare Program.* PSBank does not only provide comprehensive health insurance to its employees but also to qualified dependents, with the same coverage. For employees in the Head Office, nurses are available daily and a doctor four times a week to cater to their health needs. The branches, on the other hand, are provided with first aid kits. To provide well-rounded family support,

the Bank sponsors activities where employees and their children get the chance to bond, such as Halloween Party and the Educational Fun Day.

- *Spiritual needs.* Every first Friday of the month, Head Office employees get to attend the Holy Mass.
- *Hobbies and Interest.* Employees are encouraged to join clubs to share their talents and interests with their colleagues. This way, our employees get the chance to develop camaraderie with people outside their respective units, and at the same time provide them with an outlet after a busy day at work. As of 2014, the Bank has established clubs catering to employees who are inclined to photography, music, dance exercise, running, bowling and badminton.

Training and development of employees

PSBank has always considered employees as its most important asset. This is why learning and development programs are continuously being revisited and improved to usher PSBankers into a more competitive and performance-driven arena.

- The New Employees Orientation (NEO) Program was reviewed and rationalized to significantly improve and reduce the number of on-boarding days from 8 days to 4 days for Head Office personnel, 11 days to 5 days for Branch Officers (Branch Head/Branch Service and Control Officer) and 15 days to 10 days for Branch Staff (Tellers/NACs). With the implemented revisions, the on-boarding process is made more concise and efficient without compromising the level of preparedness inculcated to new PSBankers.
- In 2014, another group of head office and branch rank and file employees underwent the Staff Professional Enhancement and Educational Development (SPEED) program and were promoted as officers after six (6) months of classroom sessions, on-the-job training and mentoring.
- On top of these main training programs, specialized training sessions were also provided to employees, in collaboration with the Bank's subject matter experts.

Aside from in-house training, PSBank also sends its employees to external training programs aimed at improving their skill sets, complying with the bank regulations, and preparing for the ASEAN integration.

In compliance to SEC advisory dated March 12, 2015, please refer to attached Annual Corporate Governance Report (EXHIBIT 4).

PART V. EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

- Exhibit 1 - Schedule of Bank/Branch Sites Owned by the Bank
- Exhibit 2 - Schedule of Bank/Branch Sites Under Lease Agreements
- Exhibit 3 - Events Reported under SEC Form 17-C for the last 6 months
- Exhibit 4 - Annual Corporate Governance Report
- Exhibit 5 - Statement of Management's Responsibility
- Exhibit 6 - Audited Financial Statements as of December 31, 2014 and 2013
- Exhibit 7 - Supplementary Schedules together with Independent Auditors' Report
 - Additional components of Financial Statements under SRC Rule 68, as amended
 - Reconciliation of Retained Earnings Available for Dividend Declaration
 - Map Showing the Relationship Between and Among Related Parties
 - List of Standards and Interpretations as of December 31, 2014
 - Schedule of Financial Performance Indicators

(b) Reports on SEC Form 17-C

Refer to Exhibit 3 for the reports filed during the last six months up to the date of filing the SEC Form 17-A.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 13, 2015.


VICENTE R. CUNA, JR.
 President


JOSE VICENTE L. ALDE
 Principal Operating Officer


PERFECTO RAMON Z. DIMAYUGA, JR.
 Chief Finance Officer



MINDA L. CAYABYAB
 Principal Accounting Officer


POCHOLO V. DELA PEÑA
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this April 15, 2015 affiants exhibiting to me their passports/social security as follows:

Name	Passport/SSS No.	Date of Issue	Place of Issue
Vicente R. Cuna, Jr.	EB6622316	10/23/2012	Manila
Jose Vicente L. Alde	EB5021904	03/28/2012	Manila
Perfecto Ramon Z. Dimayuga Jr.	EB6350218	09/15/2012	Manila
Minda L. Cayabyab	EB4737901	02/18/2012	Manila
Pocholo V. Dela Peña	03-9209362-8	-	-

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 Page No. 01
 Book No. 33
 Series of 2015


ATTY. SOCRATES G. MARANAN
 NOTARY PUBLIC UNTIL DEC. 31, 2015
 IBP No. 901984, MLA. 10-22-13 Until 12-31-15
 PTR No. 3760290 MLA. 12-12-14 Until 12-31-15
 NC No. 2014-023/ ROA No. 31923
 MCLE No. IV-0018168/ CP #09157914910

PHILIPPINE SAVINGS BANK
Schedule of Bank/Branch Sites Owned by the Bank
As of December 31, 2014

	BRANCH NAME	LOCATION
1	Head Office	PSBank Center, 777 Paseo De Roxas cor. Sedeno Sts., Makati City
2	Angeles	Miranda Ext. cor. Sadie Sts., San Nicolas, Angeles City
3	Baguio	#35 Perfecto Street, Malcolm Square, Baguio City
4	Binakayan	PSBank Bldg., Tirona Highway, Binakayan, Kawit, Cavite
5	Blumentritt	#1680 Blumentritt cor. Oroquieta Sts., Sta. Cruz, Manila
6	Camiling	Arellano St., near Quezon Ave., Poblacion, Camiling, Tarlac
7	Candelaria	PSBank Bldg., Rizal cor. Argao Sts., Candelaria, Quezon
8	Cebu-Jones	Osmena Blvd. Cor. Sanciangco St., Cebu City, Cebu
9	Dasmaringas	PSBank Bldg., E. Aguinaldo Highway cor. Mangubat Sts., Dasmaringas, Cavite
10	Gil J. Puyat - Tindalo	G/F Skyland Plaza Condominium, Sen. Gil Puyat Ave. cor. Tindalo St., Makati City
11	J.P. Rizal	PSBank Bldg., J.P. Rizal, cor. Legaspi Sts., Makati City
12	Laoag	F.R. Castro St., Laoag City, Ilocos Norte
13	Las Pinas - Almanza	G/F PSBank Bldg. Alabang Zapote Rd., Almanza Las Pinas Metro Manila
14	Lemery	Ilustre Avenue cor. J.P. Rizal St., Lemery, Batangas
15	Lipa	Lipa City Cathedral Compound, C.M. Recto Ave cor. Soliman Sts., Lipa City
16	Los Banos	PSBank Bldg., Lopez Ave., Batong Malake, Los Banos, Laguna
17	Lucena	Quezon Ave. cor. Evangelista St. Lucena City, Quezon
18	Marikina	PSBank Bldg., 22 Bayan-Bayanan Avenue, Concepcion, Marikina City
19	Maypajo	#132 A. Mabini St. near cor. Dimasalang, Maypajo, Caloocan City
20	Meycauayan	PSBank Bldg., McArthur Highway, Calvario, Meycauayan, Bulacan
21	Paniqui	Paniqui Commercial Complex, McArthur Highway Ext., Poblacion Norte, Paniqui, Tarlac
22	Pasay Taft	#2336 Taft Ave., near cor. Villareal St., Pasay City
23	Quezon Boulevard	PSBank Bldg., 358 Quezon Blvd. cor. Arlegui Sts., Quiapo, Manila.
24	Roosevelt	PSBank Bldg., 348 Roosevelt Ave., San Francisco Del Monte, Quezon City
25	San Juan	#5 F. Blumentritt cor. N. Domingo Sts., San Juan, Metro Manila
26	San Pedro	Casa Hacienda Commercial Center, A. Mabini St., San Pedro, Laguna
27	Tanauan	PSBank Bldg., Pres. Laurel Highway, Tanauan City, Batangas
28	Tarlac	PSBank Bldg., F. Tanedo St., Tarlac, Tarlac
29	Valenzuela	ARTY Subdivision, Mc Arthur Hi-way cor. J.P. Rizal St., Karuhatan, Valenzuela City

EXHIBIT 2

**PHILIPPINE SAVINGS BANK
Schedule of Bank/Branch Sites Under Lease Agreements
As of December 31, 2014**

	BRANCH	LOCATION / ADDRESS	RENTAL RATE		TERM	CONTRACT PERIOD	
			PER MONTH			FROM	TO
1	Acropolis (Formerly Libis)	The SPA Bldg., 80 E. Rodriguez Jr. Ave. Libis Quezon City	194,991		12 years	1-Mar-09	28-Feb-21
2	Adriatico	Midtown Level 1 Alfresco Space 282, Robinsons Place Manila, M. Adriatico St., Ermita, Manila	261,971		2 years	1-Aug-14	31-Jul-16
3	Akian - Kalibo	19 Martyrs St. corner Pastrana St., Kalibo, Aklan	73,113		5 years	16-Jan-11	15-Jan-16
4	Alabang	Estrellita Bldg, 236 Montillano St., Alabang Muntinlupa City	207,105		10 years	1-Sep-05	31-Aug-15
5	Alabang - Acacia	Kingston Tower, Acacia Ave. Ayala Alabang Muntinlupa City	164,384		10 years	15-Oct-11	14-Oct-21
6	Alabang - Madrigal Park	Ground Floor Admiralty Bldg., 1101 Alabang Zapote Rd., Madrigal Business Park, Ayala Alabang, Muntinlupa City	199,103		10 years	1-Sep-11	31-Aug-21
7	Alabang - Zapote	G/F Sycamore Arcade Building, Alabang-Zapote Road, Alabang, Muntinlupa City 1770	166,282		5 years	16-Dec-13	15-Dec-18
8	Alaminos	Suki Market, F. Reino St., Poblacion Alaminos City, Pangasinan	82,403		10 years	1-Oct-09	30-Sep-19
9	Amoranto	N.S. Amoranto corner Retiro St. Quezon City	138,456		5 years	1-Feb-13	31-Jan-18
10	Angeles - Ballibago	G/F Fields Plaza Condominium, McArthur Hi-way, Balibago/Angeles City	296,353		15 years	1-Jul-10	30-Jun-25
11	Antipolo	75 Circumferential Road, Bgy. San Roque, Antipolo City	104,738		10 years	1-Nov-12	31-Oct-22
12	Antipolo - M.L. Quezon	World Citi Colleges Bldg. M.L. Quezon St. Brgy. San Roque, Antipolo City, Rizal	100,659		5 years	16-Nov-10	15-Nov-15
13	Antipolo - Masinag	G/F Tripolee Bldg., Marcos Highway, Brgy. Mayamot, Antipolo City, Rizal	190,575		10 years	1-Jul-11	30-Jun-21
14	Antipolo - Unciano	G/F Unciano Colleges & General Hospital Circumferential Road, Brgy. San Roque Antipolo City 1870	120,000		10 years	1-Sep-10	31-Aug-20
15	Antique - San Jose	GF, D123C Bldg., Moscoso St. cor. Tobias Fornier St. San Jose De Buenavista, Antique	70,000		10 years	1-Jun-14	31-May-24
16	Arnaiz Ave.	G/F Ginbo Bldg., 824 Arnaiz Ave., Makati City	128,277		10 years	15-Jan-13	14-Jan-23
17	Ayala Avenue	G/F 6780 Jaka Bldg., Ayala Avenue, Makati City 1226	236,513		2 years	1-Sep-13	31-Aug-15
18	Baclaran	Bagypl trade center, fb harrison st., cor. Ortigas st., Pasay city	170,000		6 years	1-May-14	30-Apr-20
19	Bacolod	A. Yu Bldg. Locsin St. (between Gonzaga and Luzuriga Sts. Bacolod City	93,080		15 years	1-Jul-05	30-Jun-20
20	Bacolod - Libertad	G/F, SAL Cement Building, Libertad Extension P. Hernaez St corner Magsaysay St., Bacolod City, Negros Occidental	49,613		10 years	1-Jun-12	31-May-22
21	Bacolod - North Drive	G/F Riverside Pharmacy Bldg., BS Aquino Drive, Bacolod City 6100	162,547		11 years	1-Sep-08	31-Aug-19
22	Balanga	SHP Building II, Don Manuel Banzon Avenue, Balanga, Bataan	80,526		10 years	1-Oct-08	30-Sep-18
23	Balib-Balib	G. Tuazon corner calabash a St., Balib-Balib, Sempaloc, Manila	126,316		5 years	15-Nov-14	14-Nov-19
24	Balintawak	1238 GO SOC Bldg. Edsa Balintawak Quezon City	112,239		5 years	1-Sep-12	31-Aug-17
25	Banawe	PPSTA BLDG no. 3, #245 Banawe Street, Quezon City	65,282		10 years	7-May-07	06-May-17
26	Batangas	P. Burgos St., Batangas City	107,959		5 years	1-Dec-12	30-Nov-17
27	Batangas - Balayan	GF, Commercial Bldg, Plaza Rizal St. corner Fe St., Balayan, Batangas	76,660		10 years	15-Aug-14	14-Aug-24
28	Batangas - Bauan	Kapitan Ponso St. corner Ilagan St. Poblacion IV, Bauan, Batangas	137,813		10 years	1-Oct-11	30-Sep-21
29	Batangas - Sto. Tomas	GF, New Bldg Maharlika Hway, Brgy. San Antonio, Sto. Tomas, Batangas	100,670		10 years	21-Jul-14	20-Jul-24
30	Benguet - La Trinidad	GF, Ramon Bldg., JB-25 Km 4, Brgy. Pico, La Trinidad, Benguet	85,000		15 years	1-Jul-14	30-Jun-29
31	BF Homes	#11 President Ave. corner Elizalde St., BF Homes Paranaque City	186,340		5 years	1-Sep-11	31-Aug-16
32	BF Resort	#1 Alice Crisostomo cor. BF Resort Drive BF Resort Village, Las Pinas City 1740	34,794		15 years	1-Apr-09	31-Mar-24
33	Bicutan	#40 Doña Soledad Ave., Better Living Subd., Paranaque City 1711	97,436		5 years	8-Oct-14	07-Oct-19
34	Bifitan	A. Bonifacio St., Cor. Burgos St. Bifitan City, Laguna 4024 PH	109,808		11 years	12-Apr-04	11-Apr-15
35	Boni Ave.	641 Cifra Bldg. Boni Avenue, Mandaluyong City	121,000		10 years	8-Oct-13	07-Oct-23
36	Boni Serrano (St. Ignatius)	PSMBFI Building, Boni Serrano Avenue, corner 1st and 2nd Streets, West Crame, San Juan	45,610		5 years	1-Jun-14	31-May-19

	BRANCH	LOCATION / ADDRESS	RENTAL RATE		TERM	CONTRACT PERIOD	
			PER MONTH			FROM	TO
		City					
37	Bonifacio Global City	Unit 1 G/F Bonifacio Technology Center, 31st St cor 2nd St Bonifacio Global City, Taguig	136,740		5 years	15-Sep-12	14-Sep-17
38	Bukidnon - Malaybalay	Fortich Street, Malaybalay City, Bukidnon 8700F	81,034		10 years	1-Oct-10	30-Sep-20
39	Bukidnon - Valencia	G/f Tamay Lang Arcade, Alkuno St. cor. Manuel a. Roxas St., Valencia City Bukidnon	83,870		10 years	1-Jul-10	30-Jun-20
40	Bulacan - Balegatas	BAGS building Mc Arthur Highway San Juan Balegatas Bulacan	105,000		10 years	1-Oct-11	30-Sep-26
41	Bulacan - Baliuag	B.S. Aquino Ave. cor Lopez Jaena St. Bagong Nayon, Baliuag, Bulacan	47,309		15 years	1-Aug-11	31-Jul-26
42	Bulacan - Marilao	GF, RCH Bldg., Mc Arthur Highway corner Magalang St., Brgy. Ibayo, Marilao, Bulacan	73,000		10 years	30-Sep-14	30-Sep-24
43	Bulacan - Plaridel	GF Javier Building, Pan Philippine Highway, Banga 1st, Plaridel Bulacan	100,000		10 years	1-Mar-14	28-Feb-24
44	Bulacan - Pullian	Doña Remedios Trinidad Highway, Pullian, Bulacan	57,245		12 years	1-Dec-10	30-Nov-22
45	Bulacan - San Jose Del Monte	GF FLB Building Provincial Road Brgy. Tungkong Mangga San Jose Del Monte Bulacan	91,098		10 years	15-Nov-12	14-Nov-22
46	Butuan	J.C. Aquino Avenue corner Ochoa Avenue, Butuan City, Agusan Del Norte	40,450		20 years	30-Oct-08	29-Oct-28
47	Cabanatuan	782 – 784 Century Ent. Bldg., Melencio St. cor. Paco Roman St., Cabanatuan City 3100	120,750		10 years	1-Jan-12	31-Dec-21
48	Cagayan De Oro	BJS Building Don Apolinar Velez corner A. Mabini Sts., Cagayan de Oro, Misamis Oriental	96,035		15 years	30-Mar-06	30-Mar-21
49	Cainta	GF/Origas Royale Condominium, Origas Avenue Extension, Brgy. San Juan, Cainta, Rizal	135,310		10 years	16-Sep-08	15-Sep-18
50	Cainta - Felix Ave.	Cainta Business Center Building, Felix Ave., Cor Vista Verde Ext., Gate 2, Cainta, Rizal	93,170		5 years	15-May-11	14-May-16
51	Calamba	Ground Floor Anderson Building I, Parian, National Highway, Calamba City	110,167		10 years	1-Jan-07	31-Dec-16
52	Caloocan	GF G. Raymundo Bldg., 314 Edsa Monumento Caloocan City	196,994		10 years	16-Dec-07	31-Dec-17
53	Caloocan - Samson Road	GF Erlinda Go Bldg. Samson Road corner Torres St. Caloocan City	128,781		10 years	1-Sep-11	30-Aug-21
54	Camarin	GF Zabarte Town Center 588 Camarin Road, Kalookan City	134,402		11 years	1-Jan-14	31-Dec-24
55	Camarines Norte - Daet	GF, New Bldg., F. Pimentel Ave. corner V. Basit St. Brgy. 8, Daet, Camarines Norte	80,000		10 years	1-Jul-14	30-Jun-24
56	Capitol Hills Drive	GF Sofia Bellevue Commercial Building, Capitol Hills Drive, Quezon City	72,000		10 years	1-Jul-14	30-Jun-24
57	Cavite - Bacoor	Heritage Building, Km16 Aguinaldo Highway, Nlog, Bacoor, Cavite	83,852		5 years	1-Apr-11	31-Mar-16
58	Cavite - Carmona	GF, 88 Bldg., Gov. Drive, Brgy. Madya, Carmona, Cavite	57,200		10 years	30-Aug-14	29-Aug-24
59	Cavite - Gen. Trias	GF, The Plaza, Florida Sun Estates, Governor's Drive, Brgy. Manggahan, Gen. Trias, Cavite	166,698		5 years	1-Dec-11	30-Nov-16
60	Cavite - Gma	Gov. Drive, Gen. Mariano Alvarez, Cavite	47,250		15 years	16-Jan-12	15-Jan-27
61	Cavite - Imus Anabu	Kingsway Commercial Complex No. 9040 E. Aguinaldo Highway, Anabu, Imus, Cavite	70,000		10 years	1-Feb-12	01-May-22
62	Cavite - Molino	GF golden Oasys Bldg., Molino 4, Bacoor Cavite	132,305		10 years	16-Nov-10	15-Nov-20
63	Cavite - Rosario	GF Puregold, Unit 2 to 4, Gen. Trias Drive, Bo. Tehero, Rosario, Cavite	82,620		10 years	14-Apr-14	13-Apr-24
64	Cavite - Tagaytay	Rotonda Star Plaza, Brgy. Silang Junction, Tagaytay City, Cavite	150,000		10 years	1-May-13	30-Apr-23
65	Cavite - Tanza	GF Annie's Plaza A, Soriano Hi-way, Tanza Cavite	72,930		5 years	16-Sep-10	15-Sep-15
66	Cavite - Trece Martires	Governor's Drive - Brgy. San Agustin, Trece Martires City, Cavite	95,265		10 years	22-Sep-14	21-Sep-24
67	Cavite-Silang	GF, O.C. Building, M.H. Del Pilar cor. Kiamzon Sts., Silang, Cavite	49,199		5 years	1-Jun-11	31-May-16
68	Cebu - Ayala Business Park	GF Insular Life Cebu Business Centre, Mindanao Avenue corner Biliran Road, Cebu Business Center, Cebu City, Cebu 6000	173,295		5 years and 2 months	16-Mar-11	15-May-16
69	Cebu - Capitol	The Strip, Osmena Blvd., Capitol Site, Cebu City	158,697		5 years	1-Sep-15	31-Aug-20
70	Cebu - Colon	Pelaez corner Colon Sts., Cebu City	113,164		15 years	3-Apr-11	02-Apr-26
71	Cebu - Lapu-Lapu	Gaisano Mactan Island Mall, Lapu Lapu City, Cebu	89,340		5 years	1-Sep-10	31-Aug-15
72	Cebu - Mandaue A.C. Cortez	N & N Cortes Arcade, A.C. Cortes ave., Mandaue City Cebu	62,053		20 years	1-Aug-04	31-Jul-24
73	Cebu - Mandaue-National Highway	212 G/F JTC Building National Highway, Mandaue City, Cebu 6014 PH	91,684		10 years	16-Mar-09	15-Mar-19
74	Cebu - Mango Ave.	NEM Bldg. Gen. Maxilom Ave. corner Rahmann St. Cebu City	60,000		10 years	1-Aug-11	30-Sep-21
75	Cebu-Banilad	GF Gaisano Country Mall, Banilad, Cebu City	168,000		5 years	1-Feb-14	31-Jan-19
76	Cebu-Carbon	Plaridel cor. Progresso Sts. Cebu City, 6000	162,791		8 years	1-Jan-10	31-Dec-17
77	Cebu-Taboan	C. Padilla corner T. Abella Streets, Cebu City	115,000		10 years	5-Apr-09	04-Apr-19
78	Central Market	1633 Fugoso St., cor. M. Natividado St., Sta Cruz Manila	54,698		10 years	1-Feb-09	31-Jan-19
79	Chino Roces	GF ENCM Bldg., 1099 Chino Roces Ave., cor. Mascardo St., Sta. Cruz, Makati City	117,929		10 years	26-Sep-13	25-Sep-23
80	Commonwealth	2211 Aguirre Bldg. Commonwealth Ave., Quezon City	253,365		15 years	1-Jun-01	31-May-16

	BRANCH	LOCATION / ADDRESS	RENTAL RATE		TERM	CONTRACT PERIOD	
			PER MONTH	PER MONTH		FROM	TO
81	Congressional Ave. (Visayas)	45 Congressional Avenue Extension, Quezon City	75,789		5 years	31-Oct-12	30-Oct-17
82	Cubao - Araneta Center	Space 19 New Frontier Cinema Theater Arcade, Gen. Roxas Avenue, Araneta Center Cubao, Quezon City	143,925		5 years and 1 month	1-Mar-13	31-Mar-18
83	Dagupan	43 Burgos Street Dagupan City, Pangasinan 2400	158,802		10 years	1-Jul-08	30-Jun-18
84	Davao - Bajada	88 building, J.P. Laurel Street, Bajada Davao City	133,100		10 years	1-Oct-15	30-Sep-25
85	Davao - Digos	G/F Gaisano Grand Mall of Digos, Quezon Avenue, Digos City	110,264		10 years	1-Jul-12	30-Jun-22
86	Davao - Madrazo	PSBank Bldg. Quirino St. corner Cayetano Bangoy St. (formerly Ponciano Reyes) Davao City, Davao Del Sur	139,201		30 years	1-Dec-07	30-Nov-37
87	Davao - Matina	G/F Saito Building, McArthur Highway, Matina, Davao City	127,773		8 years	15-Mar-11	14-Mar-19
88	Davao-Monte Verde	88 T. Monte Verde Avenue, Davao City	140,710		20 years	1-Jun-07	31-May-27
89	Davao-Tagum	PSBank Bldg. National Highway corner Pioneer Ave. Tagum City, Davao Del Norte	50,000		20 years	1-Jun-04	31-May-24
90	Del Monte	182 A Del Monte Avenue, Barangay St. Peter, Quezon City	160,000		10 years	1-Oct-14	30-Sep-24
91	Dipolog	Lopez Skyroom, Corner Rizal Avenue and C.P. Garcia St., Dipolog City	71,025		10 years	1-May-09	30-Apr-19
92	Downtown Center	628 Wellington Bldg, Plaza Lorenzo Ruiz Binondo Manila, Philippines	531,235		10 years	1-Jan-16	31-Dec-25
93	Dumaguete	G/F Hotel Palwa, Dr. V. Llocsin St., Dumaguete City	70,996		10 years	5-Nov-14	04-Nov-24
94	E. Rodriguez	Seneca Plaza Building, 1152 E. Rodriguez Sr. Ave. New Manila, Quezon City	134,400		10 years	8-Oct-11	07-Oct-21
95	Edsa Central	Ground Level, Unit 111, EDSA Central Square, 3rd St., Greenfield District, Mandaluyong City	181,031		11 months	1-Apr-15	29-Feb-16
96	Espana	Unit G, G/F Espana Tower, 2203 Espana Blvd. Manila	95,337		10 years	1-Jan-14	31-Dec-23
97	Fairview	95 Commonwealth Ave. Brgy Greater Fairview Quezon City	130,000		10 years	21-Mar-10	20-Mar-20
98	G. Araneta Ave.	50 Landargun St. Cor., Araneta Ave. Quezon City	120,000		10 years	1-May-13	30-Apr-23
99	General Santos	Santiago Boulevard, Corner Naranjita St., General Santos City, South Cotabato	105,051		10 years	1-Aug-11	31-Jul-21
100	Gil Puyat - N. Garcia	Unit 101-A, ITC Bldg., Sen. Gil Puyat Ave., Makati City 1200 PH	101,267		10 years	1-Mar-09	28-Feb-19
101	Gilmore Heights	18 Granada St. cor Castilla St., Quezon City	132,030		10 years	1-Jan-13	31-Dec-22
102	Global City - 4Th Avenue	Shop 4 The Luxe Residence 28th St., cor. 4th Avenue, Global City, Taguig City, 1634 PH	431,411		5 years	1-Sep-14	30-Aug-19
103	Grace Park	647 Rizal Avenue Ext., 10th Avenue, Grace Park, Kaloookan City	127,628		12 years	15-Jan-09	14-Jan-21
104	Greenhills	#3 Missouri cor Nevada Sts. Northeast Greenhills, San Juan	176,984		20 years	8-Sep-04	07-Sep-24
105	Harrison Plaza	F8 G/F Harrison Plaza Shopping Mall, Mabini Street, Malate, Manila	103,464		5 years	1-Sep-10	31-Aug-15
106	Ilocos Sur - Candon	G/F Imperial Building, National Highway, Poblacion, Brgy San Jose, Candon City, Ilocos Sur	120,000		10 years	1-Aug-13	31-Jul-23
107	Iloilo - Iznart	533 Iznart St., Iloilo City	78,344		15 years	1-Jan-11	31-Dec-25
108	Iloilo - Jaro	E. Lopez corner Jalandoni St. Jaro, Iloilo City	35,000		25 years	1-Jun-12	31-May-37
109	Iloilo - Quezon	23 C Quezon Street, Iloilo City	105,211		10 years	15-Feb-12	14-Feb-22
110	Imus	Nuevo Avenue, Imus, Cavite	183,785		5 years and 4 months	1-Jan-10	30-Apr-15
111	Isabela - Cauayan	135 Maharlika Highway, San Fermín, Cauayan, Isabela	100,836		10 years	14-Sep-05	13-Sep-15
112	J. Abad Santos	1939 Jose Abad Santos Avenue Tondo, Manila 1012 PH	103,069		5 years	1-Oct-10	30-Sep-15
113	Jabonerros	467 Jabonerros Corner Ilang-Ilang Sts., Binondo Manila	122,984		15 years	14-Jul-05	13-Jul-20
114	Kalintong	55 Shaw Blvd. near corner Kalintong St. Mandaluyong City	112,313		10 years	15-Oct-07	14-Oct-17
115	Kamias	PHA Building, 14 Kamias Road Quezon City	130,371		5 years	1-Aug-11	31-Jul-16
116	Katipunan	Ground Level, Unit 103, Elizabeth Hall Lot 1 Blk 41 Katipunan Ave., Loyola Heights Quezon City	160,554		3 years	1-Jun-13	31-May-16
117	La Union	G/F Nisce Building Quezon Ave. San Fernando, La Union	68,692		16 years and 5 months	2-Feb-06	30-Jun-22
118	Lagro	Lot 5 Blk 2 Sacred Heart Village, Quirino Highway, Lagro, Quezon City	77,391		10 years	1-Nov-12	31-Oct-22
119	Laguna - Cabuyao	G/F, New Bldg, JP Rizal St. corner A. Bonifacio St. Brgy. 2, Cabuyao, Laguna	126,000		10 years	15-Sep-14	14-Sep-24
120	Laguna - Calamba Crossing	G/F, The Calamba Executive Center, Brgy. Uno, Crossing, Calamba City, Laguna	112,000		10 years	1-Jul-14	30-Jun-24
121	Laguna - Paseo De Sta. Rosa	Paseo De Sta. Rosa, Arcadia Bldg, Unit 1, Upper Ground Floor, San Bruno Drive corner Tagaytay-Balibago Road, Sta. Rosa City, Laguna	247,687		5 years	16-Sep-14	15-Sep-19

	BRANCH	LOCATION / ADDRESS	RENTAL RATE		TERM	CONTRACT PERIOD	
			PER MONTH			FROM	TO
122	Laguna - Sta. Cruz	A. Regidor St., Sta. Cruz, Laguna	92,610	5 years	1-Apr-11	31-Mar-16	
123	Las Piñas	G/F Fairland Bldg., Alabang-Zapote Road Cor V. Guinto St., Pamplona, Las Piñas City	200,000	3 years	11-Sep-14	10-Sep-17	
124	Las Piñas - Pamplona	Alabang Zapote Road, Pamplona 2, Las Piñas City	174,728	5 years	1-Nov-11	31-Oct-16	
125	Las Piñas - Zapote	G/F Zapote Arcade Building 2, Quirino Avenue, Zapote, Las Piñas City	120,983	10 years	15-Aug-11	14-Aug-21	
126	Legarda	G/F Legarda Place, Legarda St. Sampaloc, Manila	203,639	6 years	1-Oct-09	30-Sep-15	
127	Legaspi - Palanca	Doña Angela Garden Condominium, 110 C. Palanca St., Legaspi VIII., Makati City	176,846	12 years	14-Jan-04	13-Jan-16	
128	Legaspi - Salcedo	195 Casmer Bldg Salcedo St. Legaspi VIII Makati City	163,161	10 years	1-Dec-12	30-Nov-22	
129	Legazpi	Ground Floor, Tower Bldg. II, Landco Business Park, Legazpi City, Albay 4500	81,396	10 years	1-Jun-09	31-May-19	
130	Lipa - Jp Laurel Highway	Autoplex Bldg., Jp Laurel Highway, Sabang, Lipa city	62,675	2 years	1-Mar-14	28-Feb-16	
131	Lucena - Enriquez	G/F, AQC Building, Enriquez St. corner San Fernando St. Brgy. 6, Lucena City	110,250	10 years	1-Apr-12	31-Mar-22	
132	Magallanes	1052 MPI Building, EDSA cor Lapu-lapu Avenue, Magallanes Village Makati City	148,437	10 years	1-Jun-14	31-May-24	
133	Makati Ave.	690 Makati Avenue Jupiter St. cor Bel Air Village, Makati City	180,377	10 years	1-Jun-12	31-May-22	
134	Malabon	685 Rizal Ave., San Agustin St., Malabon City	92,238	10 years	1-Nov-12	31-Oct-22	
135	Malabon - Gov. Pascual	Gov. Pascual corner Maria Clara St. Acacia, Malabon City	47,590	20 years	1-May-11	30-Apr-31	
136	Malolos	Paseo Del Congreso, Barangay Liang, Malolos City, Bulacan	218,084	10 years	1-Dec-07	30-Nov-17	
137	Malolos - McArthur	Units 2, 3 & 4, Twins Plaza Complex, McArthur Highway, Bulihan, Malolos, Bulacan	75,000	10 years	1-Jun-14	31-May-24	
138	Mandaluyong Wack Wack	Unit 1-A Ground Floor, Lee Gardens Condominium, Shaw Blvd., Mandaluyong City	156,557	10 years	1-May-09	30-Apr-19	
139	Mandaue-Subangdaku	Unit 101-102 G/F KRC Bldg., National Highway, Subangdaku, Mandaue City, Cebu 6014	116,839	10 years	16-Sep-11	15-Sep-21	
140	Manggahan	454 Amang Rodriguez Avenue, Manggahan, Pasig City	95,167	5 years	16-Sep-10	15-Sep-15	
141	Marikina - Blue Wave	Bluewave Strip Mall, Sumulong Highway cor. Fernando Ave., Marikina City	124,572	5 years	1-May-12	30-Apr-17	
142	Marikina - Marcos Highway	Unit 13 G/F M&R Complex Marcos Highway cor Gil Fernando Ave & Marcos Highway, San Roque Marikina City	139,150	5 years	1-Feb-12	31-Jan-17	
143	Marikina - Parang	76 B.G. Molina corner E. Rodriguez Streets., Parang, Marikina City 1809	68,919	10 years	1-Jan-09	31-Dec-18	
144	Marikina - Sumulong	G/F Algiers Bldg. Sumulong Highway Cor. E. Jacinto St. Brgy. Sto. Nino, Marikina City	186,340	10 years	1-Aug-11	31-Jul-21	
145	Marikina Riverbanks	A1-24 Riverbanks Arcade, Riverbanks Center, 84 A. Bonifacio Avenue, Marikina City	132,341	5 years	16-Aug-10	15-Aug-15	
146	Matalino - Q.C.	G/F Sir Thomas Square Bldg. 18 Matalino cor Matatag Sts., Brgy. Central, Quezon City	266,808	10 years	1-Nov-05	31-Oct-15	
147	Mindanao Ave.	Unit A & B, L Bldg., 4 Mindanao Ave. cor. Congressional Ave., Bahay Toro, Proj. 8, Quezon City	98,179	10 years	5-Nov-13	04-Nov-23	
148	Mindoro - Calapan	GF HM Home Mark Building, JP Rizal St., Brgy. Camilimil, Calapan City, Oriental Mindoro	100,000	10 years	1-Mar-14	28-Feb-24	
149	Muntinlupa	DLA BLDG., Ground fl National Road Bgy Putatan Muntinlupa	113,040	10 years	16-Feb-11	15-Feb-21	
150	N. Domingo	Joyce Appartelle 128 N. Domingo St., San Juan City	115,475	5 years	16-Dec-12	15-Dec-17	
151	Naga	G/F CAP Building Dinaga Street cor. Pangniban Drive, Naga City, Camarines Sur 4400	110,337	15 years	17-Jan-11	16-Jan-26	
152	Navotas	873 M. Naval St., Sipac-Almacen, Navotas City	55,125	17 years	1-Jan-08	31-Dec-24	
153	Novaliches	877 G/F Gatmaitan Building, Quirino Highway, Gulod, Novaliches, Quezon City	86,129	10 years	3-Nov-05	02-Nov-15	
154	Nueva Ecija - Gapan	GF Planters Bldg., Tinio St., Bucana, Gapan City, Nueva Ecija	85,600	10 years	1-Aug-14	31-Jul-24	
155	Nueva Ecija - San Jose	GF, Mario O. Salvador Bldg., Maharlika Highway, Brgy. Malasin, San Jose City, Nueva Ecija	93,458	10 years	1-Oct-14	30-Sep-24	
156	Nueva Vizcaya - Solano	GF, Ongtao Bldg., Mabini St., Brgy. Quezon, National Hwy, Solano, Nueva Vizcaya	90,000	10 years	15-Jul-14	14-Jul-24	
157	Olongapo	KT Tower, Lot 1147 Rizal Avenue Cor. 18th st., East Bajac Bajac, Olongapo City, Zambales	180,000	10 years	28-Jul-13	27-Jul-23	
158	Ongpin	Ongpin Commercial Center Cor. Gonzalo St. Ongpin Sta. Cruz Manila	261,883	15 years	25-Apr-05	24-Apr-20	
159	Ormoc	Units 1 & 2 G/F Ormoc Centrum Aviles cor. San Pedro St., Ormoc City, Leyte	88,165	20 years	29-Sep-05	28-Sep-25	
160	Ortigas	Unit 110 Parc Chateau Condominium, Onyx cor. Sapphire & Garnet Road, Ortigas Center, Pasig City	115,500	10 years	1-Nov-12	31-Oct-22	
161	Ortigas - San Miguel	Ground level, The Crescent Bldg., 21 San Miguel Ave., Ortigas Center, Pasig City	163,052	5 years	1-Nov-12	31-Oct-17	
162	Ozamiz	Rizal Ave. corner Capistrano St. Ozamis City, Misamis Occidental	81,506	5 years	16-Apr-14	15-Apr-19	
163	P. Tuazon - 7Th Ave.	G/F Universal Aquarius Building 158 P. Tuazon cor. 7th Avenue, Cubao, Quezon City, PH 1109	136,502	5 years	15-Sep-14	14-Sep-19	

	BRANCH	LOCATION / ADDRESS	RENTAL RATE		TERM	CONTRACT PERIOD	
			PER MONTH			FROM	TO
164	P. Tuazon (Murphy)	247 P. Tuazon Blvd., cor. 15th Ave., Cubao, Quezon City	137,813		6 years	1-Jun-12	31-May-18
165	Paco	G/F Unit 14 & 15, JCS Building, 1521 Paz Street, Paco, Manila	129,509		5 years	1-Jan-12	31-Dec-16
166	Padre Faura	G/F Padre Faura Wing, Robinsons Place Manila, Padre Faura St., Ermita, Manila	291,542		5 years	1-Nov-12	10-Nov-17
167	Pagadian	G/F Mendoza Building, J.P. Rizal Avenue, corner B. Aquino Street, Pagadian City	88,647		5 years	16-Jan-11	15-Jan-16
168	Pallocan West	G/F CS Rayos Bldg. Pallocan West, Batangas City	104,186		15 years	1-Jun-10	31-May-25
169	Pampanga - Guagua	G/F, MPS Plaza, Plaza Burgos, Guagua, Pampanga	92,500		10 years	15-Oct-13	14-Oct-23
170	Pangasinan - Urdaneta	Poblacion, Mc- Arthur Hi-way, Urdaneta City, Pangasinan	52,500		20 years	1-Sep-12	31-Aug-32
171	Paranaque	8387 Dr. A. Santos Ave., San Antonio Paranaque City	274,076		5 years	1-Dec-11	30-Nov-16
172	Paranaque - La Huerta	Quirino Avenue Corner M. Rodriguez St. La Huerta, Paranaque 1700	165,610		10 years	22-Dec-05	21-Dec-15
173	Pasig - C. Raymundo Ave.	#1 C. Raymundo Ave. Cor. Mercedes Ave., Canibogan, Pasig City	134,663		7 years	1-Dec-11	30-Nov-18
174	Pasig Mutya	Mariposa Bldg. Caruncho Ave., Corner Suarez Ave. Pasig City 1600	124,921		7 years	1-Oct-09	30-Sep-16
175	Pasig Shaw	112 Shaw Blvd., Pasig City	131,775		5 Years	1-Dec-12	30-Nov-17
176	Pateros	G/F Sanz Building, 506 M. Almeda St., San Roque, Pateros, Metro Manila	94,500		10 years	1-Jul-10	30-Jun-20
177	Plaza Bonifacio	A. Mabini St. corner Alcala Jose St., Kapasigan, Pasig City	350,000		10 years	1-Feb-13	31-Jan-23
178	Puerto Princesa	248 Rizal Avenue, Puerto Princesa City 3300 Palawan	191,939		5 years	25-Aug-14	24-Aug-19
179	Quezon Ave.	380 Jacinto Bldg., Quezon Avenue corner Scout Reyes, Palleghahan, Quezon City	196,429		2 years	1-Feb-15	31-Jan-17
180	Quiapo Palanca	202 Carlos Palanca St. cor. Villalobos St. Quiapo Manila 1001	155,650		10 years	1-Nov-14	31-Oct-24
181	Rizal - Angono	G/F ARC One Bldg., Quezon Ave., Sunstrip, Angono, Rizal	85,000		10 years	1-Apr-12	31-Mar-22
182	Rizal - Montalban	Imelda Nocon Bldg., #240 E. Rodriguez Highway, Montalban, Rizal	77,175		10 years	1-Oct-12	30-Sep-22
183	Rizal - San Mateo	G/F, Saint Claire Bldg., Gen Luna St., Bryg Ampid 1, San Mateo, Rizal	66,150		10 years	15-Sep-14	14-Sep-24
184	Rizal - Tanay	G/F, Tanay Market Center, Market Road, Bryg. Plaza Aldea, Tanay Rizal	100,000		10 years	1-Aug-14	30-Jul-24
185	Rizal Avenue	552-554 Rizal Avenue Sta. Cruz, Manila	153,200		10 years	1-Aug-14	31-Jul-24
186	Roxas City	Arnaldo Blvd corner Datiles St. Roxas City, Capiz	81,053		5 years	16-Apr-14	15-Apr-19
187	San Fernando	HPT Building Mc Arthur Highway, Dolores, City of San Fernando, Pampanga	119,790		10 years	1-Jun-10	31-May-20
188	San Pablo	Rizal Avenue, San Pablo, Laguna	146,349		25 years	1-Aug-03	31-Jul-28
189	Santiago	Ground Floor Insular Life Bldg., Maharlika Highway Bryg. Villas , Santiago City, Isabela	65,008		5 years	1-Nov-15	31-Oct-20
190	Soler	Alhena Tower, 1258 Soler St. Cor Benavidez St, Binondo, Manila	240,000		5 years	1-Mar-14	28-Feb-19
191	Sta. Maria	Corazon de Jesus St. Poblacion, Sta. Maria, Bulacan	72,014		15 years	1-May-03	30-Apr-18
192	Sta. Rosa Balibago	Padri's Point Bldg. Tagaytay Nat'l Rd, Laguna Bel-Air, Bryg Don Jose, Sta Rosa Laguna.	130,000		20 years	1-Jun-04	31-May-24
193	Tabora	817-819, Tabora st., Binondo, Manila	222,162		10 years	16-Feb-08	15-Feb-18
194	Tacolban	Ground Floor Tacloban Plaza Bldg., Justice Romualdez St., Tacloban City, Leyte	76,439		5 years	11-Jan-13	10-Jan-18
195	Tagbilaran	Ideal Cinema Bldg., CPG Avenue, Tagbilaran City	159,440		10 years	1-Jan-13	31-Dec-22
196	Taguig - Gen. Luna	G/F Paulina Bldg. # 8 Gen. Luna Ave., Tukukan, Taguig City	111,957		10 years	1-Sep-11	30-Aug-21
197	Taguig - Kalayaan	Shop 10 Philplans Corporate Center, 1012 North Triangle Drive, Bonifacio Global City, Taguig	153,969		10 years	1-Apr-09	31-Mar-19
198	Tandang Sora	Amina Building Tierra Bella Subd, Tandang Sora Ave., Tandang Sora Quezon City	159,404		3 years	6-Jan-15	05-Jan-18
199	Tarlac - Capas	Ground Floor Puregold Supermarket Sto. Domingo 1st. Capas, Tarlac	82,688		15 years	1-Oct-10	30-Sep-25
200	Taytay	Isan Bldg. JP Rizal Ave., corner Ison St. Bryg Dolores, Taytay Rizal	119,958		20 years	1-Jan-05	31-Dec-24
201	Taytay - Manila East	Manila East Road corner Ignacio St Bryg San Juan Taytay	75,000		20 years	15-Feb-12	14-Feb-32
202	Timog	#58 Castro Bldg. Barangay Laging Handa, Timog Ave. Quezon City	161,700		5 years	1-Apr-13	31-Mar-18
203	Tm Kalaw	G/F Sunview Palace Condominium T.M. Kalaw cor M.H. del Pilar Sts. Ermita, Manila	143,017		10 years	1-May-14	30-Apr-24
204	Tuguegarao	GSM Building Luna cor Del Rosario Streets, Tuguegarao City	103,121		10 years	14-Sep-05	13-Sep-15
205	Un Avenue	G/F Linsangan Admiralty Bldg, 1225 UN Avenue Paco, Manila	93,807		5 years	31-Oct-13	30-Oct-18
206	Valenzuela - Mandalay	G/F One Centrum Place, #618 Mc Arthur Highway, Mandalay, Valenzuela City	110,250		10 years	1-Sep-11	31-Aug-21
207	Valenzuela - Paso De Blas	141 Paso De Blas St., Valenzuela City	54,034		20 years	1-Jul-10	30-Jun-30
208	Vigan	PM Prime Bldg. Formerly CAP Bldg. Florentino St. Vigan City, Ilocos Sur	119,600		5 years	20-Jun-14	19-Jun-19
209	Vito Cruz	G/F Burgundy Westbay Tower, 820 Pablo Ocampo Street, Malate Manila	116,689		10 years	1-Jan-14	31-Dec-23

	BRANCH	LOCATION / ADDRESS	RENTAL RATE		TERM	CONTRACT PERIOD	
			PER MONTH			FROM	TO
210	West Ave.	49 West Avenue, Quezon City	142,119		10 years	1-Mar-10	28-Feb-20
211	Wilson	#1 Barasoain cor. Wilson St., San Juan	139,725		10 years	1-Dec-12	30-Nov-22
212	Ylaya	999 – 1003 Ylaya Street Tondo, Manila 1012	130,841		15 years	21-Apr-04	20-Apr-19
213	Zambales - Iba	GF, Iba Town Center, National Road, Zone 1, Poblacion, Iba, Zambales	118,200		5 years	15-Aug-14	14-Aug-19
214	Zamboanga	Nuñez Avenue Extension Camino Nuevo, Zamboanga City	60,812		20 years	15-Jul-04	14-Jul-24
215	Zamboanga - Guiwan	Maria Clara Lobregat National Highway, Guiwan, Zamboanga City	38,500		10 years	1-Apr-11	31-Mar-21
216	Zamboanga - Pilar	G/F Maritha Bldg, Pilar Street, Zamboanga City	98,398		10 years	1-Sep-10	31-Aug-20

EXHIBIT 3

PHILIPPINE SAVINGS BANK
EVENTS REPORTED UNDER FORM 17-C
(Reports filed during the last 6 months prior to filing of Form 17-A)

No.	Particulars	Date Reported
1	<p>PSBank reported that Bangko Sentral ng Pilipinas (BSP) has approved the 7.5% regular cash dividend declared for the first quarter of 2014 amounting to ₱180.19 million, payable to all common stockholders.</p> <p>As authorized by the Board, the President has fixed 1 July 2014 as the record date to determine common stockholders entitled to the ₱0.75 per share. Payment date shall be July 16, 2014.</p>	June 17, 2014
2	<p>PSBank reported that the BOD, in its meeting held on 24 June 2014 passed a resolution approving the appointment of Mr. Emmanuel A. Tuazon as Senior Vice President for Marketing effective 16 July 2014.</p>	June 26, 2014
3	<p>PSBank reported that the Board of Directors (BOD), in its meeting held on 22 July 2014, passed a resolution declaring a 7.5% Regular Cash Dividend for the second quarter of 2014 amounting to ₱180.19 million equivalent to ₱0.75 per share, payable to all stockholders as of a Record Date to be fixed by the President after approval by the Bangko Sentral ng Pilipinas (BSP).</p>	July 24, 2014
4	<p>PSBank reported that BSP has approved the 7.5% regular cash dividend declared for the second quarter of 2014 amounting to ₱180.19 million, payable to all common stockholders.</p> <p>As authorized by the Board, the President has fixed 2 September 2014 as the record date to determine common stockholders entitled to the regular cash dividends equivalent to ₱0.75 per share (seventy- five centavos per share). Payment date shall be September 17, 2014.</p>	August 15, 2014
5	<p>PSBank reported that the Boards of directors of Metrobank, PSBank and GT Capital, upon the endorsement of their respective Board committees, have approved the sale of Metrobank's 15% ownership and PSBank's 25% ownership of Toyota Financial Services Philippines Corporation (TFSPC) to GT Capital, for an aggregate consideration of Php 2.1 Billion. This amount was arrived at after an independent valuation exercise and subjected to third party fairness option.</p> <p>In this regard, a Sale and Purchase Agreement (SPA) has been signed today among Metrobank, PSBank and GT Capital.</p> <p>TFSPC is one of the country's leading leasing and financing companies exclusively catering to Toyota vehicles.</p> <p>The acquisition of shares in TFSPC is part of GT Capital's strategy to invest in market leading businesses that bring synergy to its current component companies. Upon completion, its direct ownership in TFSPC shall be 40%. For Metrobank and PSBank, the transaction is in line with their capital planning initiatives under the new Basel III regime.</p>	September 1, 2014
6	<p>PSBank reported that the Board of Directors (BOD), in its meeting held on 30 October 2014, passed a resolution declaring a 7.5% Regular Cash Dividend for the third quarter of 2014 amounting to ₱180.19 million equivalent to ₱0.75 per share, payable to all stockholders as of a Record Date to be fixed by the President after approval by the Bangko Sentral ng Pilipinas (BSP).</p>	November 4, 2014
7	<p>PSBank reported that BSP has approved the 7.5% regular cash dividend declared for the third quarter of 2014 amounting to ₱180.19 million, payable to all common stockholders.</p> <p>As authorized by the Board, the President has fixed 12 January 2015 as the record date to determine common stockholders entitled to the regular cash dividends equivalent to ₱0.75 per share (seventy- five centavos per share). Payment date shall be January 27, 2015.</p>	December 19, 2014

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year 2014
2. Exact Name of Registrant as Specified in its Charter Philippine Savings Bank
3. Address of Principal Office PSBank Center 777 Paseo de Roxas corner Seden Street, Makati City
Postal Code 1226
4. SEC Identification Number 15552 
5. (SEC Use Only) 
Industry Classification Code
6. BIR Tax Identification Number 000-663-983-000
7. Issuer's Telephone number, including area code (632) 885-8208
8. Former name or former address, if changed from the last report Not Applicable – Not Changed

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9) directors
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Actual number of Directors for the year	Nine (9) directors
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name (as of 28 Apr 2014)	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Chairman Jose T. Pardo (re-elected)	ID	Minority	Yolanda L. dela Paz (no relation)	2003	28 April 2014, ID for 6 years	Annual SH Meeting	11
Vice-Chairman Arthur V. Ty (re-elected)	NED	Metrobank (majority owner)	Anjanette Ty Dy Buncio	2001	28 April 2014	Annual SH Meeting	13
CEO Vicente R. Cuna, Jr. (re-elected)	ED	Metrobank (majority owner)	Arthur V. Ty	2013	28 April 2014	Annual SH Meeting	1
Samson C. Lim (re-elected)	ID	Minority	Gilda Brigida C. Alunan (no relation)	2008	28 April 2014, ID for 6 years	Annual SH Meeting	6
Benedicto Jose R. Arcinas (re-elected)	ID	Minority	Dulce D. Arcebal (no relation)	2012	28 April 2014, ID for 2 year	Annual SH Meeting	2
Margaret Ty Cham (re-elected)	ED	Metrobank (majority owner)	Arthur V. Ty	2004	28 April 2014	Annual SH Meeting	10
Maria Theresa G. Barretto (re-elected)	NED	Minority	Danilo L. Dolor	2006	28 April 2014	Annual SH Meeting	8
Amelia B. Cabal (new)	NED	Metrobank (majority owner)	Arthur V. Ty	2009	28 April 2014	Annual SH Meeting	-
Jeanne Frances T. Chua (re-elected)	NED	Metrobank (majority owner)	Arthur V. Ty	2013	28 April 2014	Annual SH Meeting	1

¹ Reckoned from the election immediately following January 2, 2012.

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

At PSBank, we abide by various disclosure requirements of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Philippine Stock Exchange (PSE) as a publicly-listed company. We ensure that we are transparent to our shareholders by posting the latest public disclosures on the Investor Relations section of our website and in press releases. In compliance with SEC Memorandum Circular No. 11 s2014, we updated our website in 2014 to include all required disclosures in accordance with the SEC-prescribed web template for our stakeholders to readily check our corporate governance practices.

We also maintain an open communication line and use feedback from our stakeholders to develop better policies, products and services. We likewise accommodate requests for information pertaining to the management of our Bank, stockholders rights or any other bank-related matters, while remaining mindful of disclosure limitations under existing laws on bank deposits secrecy and data privacy.

Our Corporate Governance Manual (CGM) serves as a valuable guide and reference in our implementation of the corporate governance rules and regulations of both the BSP and the SEC. In 2014, we updated our CGM primarily to integrate all Board-level and Management-level committee charters and their respective annual performance scorecards. We also incorporated recent regulatory issuances and all related reportorial requirements with their corresponding submission deadlines to serve as a centralized reference of all corporate governance-related matters.

- (c) How often does the Board review and approve the vision and mission?
- Currently, there is no set frequency in the Board’s review and approval of the Bank’s vision and mission. For many years, the Bank’s vision and mission remains the same as it is relevant and continues to be a work-in-progress despite its many achievements and current standing in the Thrift Banking industry, to wit:

Vision:

To be the country’s consumer and retail bank of choice.

Mission:

As an INSTITUTION: To conform to the highest standards of integrity, professionalism and teamwork.

For our CLIENTS: To provide superior products and reliable, top quality services responsive to their banking needs.

For our EMPLOYEES: To place a premium on their growth, and nurture an environment of teamwork where outstanding performance is recognized.

For our SHAREHOLDERS: To enhance the value of their investments.

Core Values:

In realizing our mission and vision, we will be:

PROACTIVE in serving our customers.

PERFORMANCE-driven and recognized, reinforced, and rewarded accordingly.

PROFESSIONAL to the highest standards and in all respects.

PEOPLE-ORIENTED in our dealings with our internal and external customers alike.

- (d) Directorship in Other Companies

- (i) Directorship in the Company’s Group²

Identify, as and if applicable, the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent).	Indicate if
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² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

		director is also the Chairman.
Arthur V. Ty	<ul style="list-style-type: none"> ▪ Metropolitan Bank and Trust Company, GT Metro Foundation Inc, Metropolitan Bank (China) Ltd, Grand Titan Capital Holdings Inc, Global Treasure Holdings Inc. ▪ Metrobank Foundation Inc, GT Capital Holdings Inc, Great Mark Resources Corporation, and First Metro Investment Corporation ▪ Federal Land Inc 	<ul style="list-style-type: none"> ▪ Chairman, Non-Executive ▪ Vice Chairman, Non-Executive ▪ Non-Executive Director
Margaret Ty Cham	<ul style="list-style-type: none"> ▪ Orix Metro Leasing Corporation 	<ul style="list-style-type: none"> ▪ Director, Non-Executive
Vicente R. Cuna Jr.	<ul style="list-style-type: none"> ▪ First Metro Investment Corporation 	<ul style="list-style-type: none"> ▪ Director, Non-Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jose T. Pardo	<ul style="list-style-type: none"> ▪ JG Summit Holdings Inc. 	<ul style="list-style-type: none"> ▪ Independent Director

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Arthur V. Ty, PSBank Vice Chairman	Metropolitan Bank and Trust Company (MBTC)	MBTC Chairman

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	(Please see below)	(Please see below)
Non-Executive Director		
CEO		

- Under Sec. 2.2.2.1.4. of the Bank's CG Manual, the Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:
- Nature of the business strategies of PSBank which he is a director;
 - Age of the director;
 - Number of directorships/active memberships and officerships in other corporations or organizations; and
 - Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

Also under 2.2.2.1.4., the President/Chief Executive Officer and other senior officers shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

Bank, however, does not have any director holding board seats in other publicly-listed companies more than said limit.

* *Current BSP rules and regulations (including the recent BSP Circular No. 749 re: Guidelines in Strengthening CG in BSP-supervised FIs), however, do not prescribe any limit nor guidelines but require that directors (executive or non-executive) should give sufficient time and attention to the affairs of the Bank. The position of President/CEO, however, requires full-time work and cannot be held concurrently in other companies in accordance with BSP's rules on Interlocking Officership.*

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director (2014)	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jose T. Pardo, Chairman	1,852	n/a	0.000771%
Arthur V. Ty, Vice Chairman	117	n/a	0.000049%
Vicente R. Cuna, Jr.	100	n/a	0.000042%
Samson C. Lim	100	n/a	0.000042%
Benedicto Jose R. Arcinas	100	n/a	0.000042%
Jeanne Frances T. Chua	100	n/a	0.000042%
Margaret Ty Cham	100	n/a	0.000042%
Maria Theresa G. Barretto	3,557	n/a	0.001481%
Amelia B. Cabal	100	n/a	0.000042%
TOTAL	6,126	n/a	0.002553%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes No

Identify the Chair and CEO:

Chairman of the Board	Jose T. Pardo
CEO/President	Vicente R. Cuna, Jr.

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role / Accountabilities	Under Sec. 8.01 of the Bank's By-Laws, the Chairman of the Board shall have the	Under Sec. 8.03 of the Bank's By-Laws, the President shall be the

/ Deliverables	<p>following duties and responsibilities:</p> <ul style="list-style-type: none"> - To preside at all meetings of the stockholders and of the Board of Directors - To submit an annual report of operations of the Bank to the stockholders at the annual meeting - To exercise such general supervision as may be necessary to determine whether the resolutions and orders of the Board of Directors and of any authorized committees have been carried out by the management - To exercise such powers and perform such duties as the Board of Directors may fix or delegate 	<p>Chief Executive Officer of the Bank. He shall have the primary responsibility of carrying out the policies and implementing the objectives approved by the Board. His powers and duties also include but are not limited to the following:</p> <ul style="list-style-type: none"> • To exercise direct and active management on the business and operations of the Bank • To exercise direct superintendence and direction over the other officers and employees of the Bank and to see to it that their respective duties are properly performed • To recommend to the Board the appointment or removal of any of the management officers, the fixing of their salaries and compensation, to prescribe their functions, responsibilities and duties and to require guarantee or bonds to secure the faithful discharge of certain officers, employees or agents of their official duties • To sign and execute on behalf of the Bank, when so authorized by the Board, either singly or jointly with any other officer by the Board, all contracts and agreements which it may enter under the statutes of the Philippines • To represent the Bank in all judicial and administrative proceedings affecting the business • To sign with the Secretary all the certificates of stock of the Bank • To carry out all the resolutions and orders of the Board and of any authorized committees • To submit to the Board such documents as the latter may require, and prepare such documents as may be required from time to time by law or government regulations with respect to domestic corporations in general and banks in particular • To perform such other duties as may be prescribed by the Board or which may properly pertain to its office and which in his judgment will serve the best
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		interest of the Bank in conformity with the provision of statutory law and of these by-laws.
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3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

- Succession planning for members of the Board including the President is handled by the Bank’s Nominations Committee.
- Succession for Board members/directors including the President and top key management positions is governed by the Nominations Committee Charter which is guided by the Bank’s By-Laws (Secs. 6.02-6.03) and the Corporate Governance (CG) Manual (Sec. 2.2.2.1), all of which are aligned with the BSP’s Manual of Regulations for Banks (MORB).
- For the organization, the succession planning program is carried out as follows:
 - HRG and top management convene regularly to pinpoint areas in the organization with anticipated turnover, resulting from resignations/ retirements and other changes.
 - HRG and the Selection Team convene to review list of possible successors for key roles across the organization based on criteria below.
 1. The candidate must be a consistent high performer. As a minimum requirement, the latest 2 years performance evaluation must at least be Met Expectations (ME).
 2. He / She must have no derogatory record.
 3. Though a related experience, background and exposure are important, the Bank also gives value to the management and leadership capabilities of the candidate especially for officer positions.
 - The Selection Team and/ or the group heads may coordinate with HRG for the honing and further development of the management skill of the identified successor/s
 - In cases where no successor is identified internally, external recruitment will commence immediately
 - The Bank also offers a referral incentive program to supplement staffing needs thru the PSBanker Gets future PSBanker (PGP) Referral program.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

- Yes. The Bank’s CG Manual (under Sec. 2.2.2.1) specifies the qualifications of a director, one of which is that he must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

- Yes. Out of the Bank’s total 9 directors, 8 i.e. other than the President are non-executives or not involved in the management of the Bank’s day-to-day activities/operations. All these 8 non-executive directors have experience in the banking industry either as the Bank’s director for a significant time or as a present/past director or formerly part of the senior management team in other banks.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	President/CEO (1)	Directors including the Vice Chairman (5)	Independent Directors including the Chairman (3)
Accountabilities	<ul style="list-style-type: none"> ➤ Same accountabilities as a director ➤ Also accountable to the Board for having the primary responsibility of carrying out the policies, implementing the strategies and meeting the goals/objectives approved by the Board. 	<p>> Accountable to the stakeholders in running the Bank in a prudent and sound manner; primarily responsible for approving and overseeing the implementation of strategic objectives, risk management strategy, corporate governance and corporate values; and monitoring the performance of senior management which manages the day-to-day affairs of the Bank</p>	<ul style="list-style-type: none"> ➤ Same accountabilities as directors ➤ The Chairman is particularly tasked to provide active leadership by ensuring that the Board and its different committees function effectively, including maintaining a relationship of trust among Board members and that the Board follows a sound decision-making process.
Deliverables	<ul style="list-style-type: none"> ➤ Same regular duties & responsibilities of Directors. ➤ As the Bank's Chief Executive Officer, he is expected to exercise direct and active management on the day-to-day business and operations of the Bank, conducting the same according to the orders, resolutions and instructions of the Board of Directors and of any authorized committee, and according to his own discretion whenever the same is not expressly limited by such orders, resolutions and instructions. 	<p>> Tasked to do the regular duties & responsibilities of Directors as follows: to observe the fit and proper rule; expected to conduct fair business dealings, avoid conflict of interest and observe confidentiality; act honestly, judiciously and in good faith, and uphold the best interests of the Bank and its stakeholders; devote time and attention to their duties and responsibilities and contribute to the Board's decision-making process; and exercise independent judgment and have a working knowledge of laws, rules and regulations applicable to the Bank.</p>	<ul style="list-style-type: none"> ➤ Same regular duties & responsibilities of Directors. ➤ In addition as <i>Independent</i> Directors, they provide objective judgment, render unbiased decisions in the Board especially on matters posing potential conflicts of interest and strengthen check-and-balance in ensuring integrity, disclosure and transparency.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

- The Bank's definition of "independence" with respect to Independent Directors adopts that set by the BSP under its Circular No. 749 re: Guidelines in Strengthening CG in BSP-supervised FIs, as follows:
 - 1) Is not or have not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of ~~any~~ election;
 - 2) Is not a director or officer of the related companies of the Bank's majority stockholder;

- 3) Is not a stockholder with shares of stock sufficient to elect one seat in the Board of Directors of the Bank, or any of its related companies or of its majority corporate shareholders;
- 4) Is not a relative, legitimate or common-law of any director, officer or majority shareholder of the Bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law and brother-/sister-in-law;
- 5) Is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies or any of its substantial shareholders; and
- 6) Is not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, have not engaged and do not engage in any transaction with the Bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

All 3 Independent Directors of the Bank are compliant with this definition as determined by the Bank's Nominations Committee and as certified by the Independent Directors themselves.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

- The Bank's term limit for its Independent Directors follows the "5-2-5" rule set by BSP Circular No. 749 which is also consistent with SEC Memorandum Circular No. 9 dated 5 December 2011 which took effect 2 January 2012. As such, any of the Bank's Independent Director, after having served 5 years as such and 2 years "cooling-off" period (reckoned from January 2012), may serve a final 5 more consecutive years as such. After serving said maximum 2 terms, he/she is banned from being elected as an Independent Director albeit may still be elected as a regular/non-independent director.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Joaquin Aligguy (replaced by Amelia B. Cabal)	Director	28 April 2014	Term expired; not re-elected

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ Selection/appointment of directors is determined and handled by the Bank's Nominations Committee. ➤ Once determined, the Bank's Nominations Committee convenes to review and evaluate all 	<ul style="list-style-type: none"> ➤ Guidelines set forth in the Bank's Nominations Committee's Charter ➤ Qualifications (including the required criteria of independence for Independent Directors) and Grounds for
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>nominees to the Board.</p> <ul style="list-style-type: none"> ➤ Election of nominated directors is held during the Bank's Annual Stockholders' Meeting. ➤ Elected/re-elected directors are then submitted to the BSP, together with other documentary requirements, for the Monetary Board's confirmation of their directorship. 	<p>Disqualifications of Directors as set forth by the BSP in the Manual of Regulations for Banks (MORB)</p> <ul style="list-style-type: none"> ➤ Basic Considerations: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience.
b. Re-appointment		
(i) Executive Directors	Same process as above	Same criteria as above
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ The Board of Directors and management of the Bank are responsible for determining the existence of the ground for disqualification of the director and for reporting the same to the BSP. While the Bank may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director from being elected as director in any FI under the supervision of the BSP. Grounds for disqualification made known to the Bank, shall be reported to the appropriate department of the BSP-SES within seventy-two (72) hours from knowledge thereof. ➤ On the basis of knowledge and evidence on the existence of any of the grounds for disqualification, the director concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate 	<p>Following the same criteria set forth by the BSP for <i>Permanent Disqualification</i> of directors, as follows:</p> <ol style="list-style-type: none"> 1. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust; 2. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years; 3. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations; 4. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract; 5. Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board; 6. Directors and officers of banks found by the Monetary Board as administratively liable for
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>department of the BSP-SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the BSP's watchlisted file, together with the evidence in support of his/her position. The head of said BSP department may allow an extension on meritorious ground.</p> <ul style="list-style-type: none"> ➤ Upon receipt of the reply explanation of the director concerned, the appropriate department of the BSP-SES shall proceed to evaluate the case. The director concerned shall be afforded the opportunity to defend/clear himself/herself. ➤ If no reply has been received from the director concerned upon the expiration of the period prescribed above, said failure to reply shall be deemed a waiver and the appropriate department of the BSP-SES shall proceed to evaluate the case based on available records/evidence. ➤ If the ground for disqualification is delinquency in the payment of obligation, the concerned director shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board. ➤ For directors of closed banks, the concerned department of the BSP-SES 	<p>violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</p> <p>7. Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p>
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	<p>shall make appropriate recommendation to the Monetary Board clearing said directors when there is no pending case/complaint or evidence against them. When there is evidence that a director has committed irregularity, the appropriate department of the SES shall make recommendation to the Monetary Board that his/her case be referred to the Office of Special Investigation (OSI) for further investigation and that he/she be included in the masterlist of temporarily disqualified persons until the final resolution of his/her case. Directors with pending cases/complaints shall also be included in said masterlist of temporarily disqualified persons upon approval by the Monetary Board until the final resolution of their cases. If the director is cleared from involvement in any irregularity, the appropriate department of the SES shall recommend to the Monetary Board his/her delisting. On the other hand, if the director concerned is found to be responsible for the closure of the institution, the concerned department of the SES shall recommend to the Monetary Board his/her delisting from the masterlist of temporarily disqualified persons and his/ her inclusion in the masterlist of permanently disqualified persons.</p> <p>➤ If the disqualification is based on dismissal from employment for cause, the appropriate department of the SES shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense or the ultimate facts</p>	
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	<p>which resulted in the dismissal to be able to determine if the disqualification of the Director concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. The appropriate department of the SES may decide to recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/ officer concerned does not warrant disqualification.</p> <ul style="list-style-type: none"> ➤ All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the same procedures above. ➤ Persons who are elected as director in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification shall be afforded the procedural due process prescribed above. 	
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d. Temporary Disqualification		
(i) Executive Directors	Same process as above	Following the same criteria set forth by the BSP for <i>Temporary Disqualification of directors</i> , as follows: <ol style="list-style-type: none"> 1. Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate department of the BSP-SES when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. <i>This</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<p><i>disqualification shall be in effect as long as the refusal persists;</i></p> <p>2. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation or discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. <i>This disqualification applies only for purposes of the immediately succeeding election;</i></p> <p>3. Persons who are delinquent in the payment of their obligations as defined in the BSP's MORB. <i>This disqualification shall be in effect as long as the delinquency persists;</i></p> <p>4. Persons who have been convicted by a court for offenses involving dishonesty or breach of trust <i>but whose conviction has not yet become final and executory;</i></p> <p>5. Directors and officers of closed banks <i>pending their clearance by the Monetary Board;</i></p> <p>6. Directors disqualified for failure to observe/discharge their</p>
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		<p>duties and responsibilities prescribed under existing regulations. <i>This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate department of the SES of such directors' election/reelection;</i></p> <p>7. Directors who failed to attend the special seminar on corporate governance for board of directors conducted or accredited by the BSP. <i>This disqualification applies until the director concerned had attended such seminar;</i></p> <p>8. Persons dismissed/terminated from employment for cause. <i>This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of the BSP-SES of their disqualification;</i></p> <p>9. Those under preventive suspension;</p> <p>10. Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the</p>
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		<p>integrity of the director/officer or the ability to effectively discharge his duties. <i>This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</i></p> <p>11. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and <i>which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>12. Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of director or officer because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and <i>which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i> and</p> <p>13. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the</p>
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		Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. <i>The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid.</i>
e. Removal		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ Upon approval by the Monetary Board, the concerned director shall be informed by the appropriate department of the BSP-SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected as director in any FI under the supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified. ➤ The Board of Directors of the Bank shall be immediately informed by the BSP of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. ➤ Within seventy-two (72) hours thereafter, the Bank's Corporate Secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the Board on the director involved. 	BSP/Monetary Board's approval of disqualification of concerned director
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ Whenever a director is cleared in the process mentioned above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director of any bank, QB, trust entity or any institution under the 	BSP-SES' elevation to the Monetary Board for the lifting of disqualification & delisting from the watchlisted file when the concerned director is cleared or when the ground for disqualification ceases to exist
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>supervision of the BSP only upon prior approval by the Monetary Board.</p> <p>➤ It shall be the responsibility of the appropriate department of the BSP-SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director and his/her delisting from the masterlist of watchlisted persons.</p>	
g. Suspension		
(i) Executive Directors	<p>➤ The Monetary Board may, whenever warranted by circumstances, preventively suspend (and thus temporarily disqualify and watchlist) any director of a bank or quasi-bank pending an investigation: Provided, That should the case be not finally decided by the Bangko Sentral within a period of one hundred twenty (120) days after the date of suspension, said director shall be reinstated in his position: Provided, further, That when the delay in the disposition of the case is due to the fault, negligence or petition of the director, the period of delay shall not be counted in computing the period of suspension herein provided.</p> <p>➤ The above administrative sanctions need not be applied in the order of their severity. Whether or not there is an administrative proceeding, if the directors concerned continue with or otherwise persist in the commission of the indicated practice or violation, the Monetary Board may issue an order requiring the directors concerned to cease and desist from the indicated practice or violation, and may further order that immediate action be taken to correct the conditions resulting from such practice or violation.</p>	<p>As provided under Sec. 37 of the New Central Bank Act, the Monetary Board may impose administrative sanctions (including suspension of directors) for any willful violation of its charter or by-laws, willful delay in the submission of reports or publications thereof as required by law, rules and regulations; any refusal to permit examination into the affairs of the institution; any willful making of a false or misleading statement to the Monetary Board or the appropriate supervising and examining department or its examiners; any willful failure or refusal to comply with, or violation of, any banking law or any order, instruction or regulation issued by the Monetary Board, or any order, instruction or ruling by the Governor; or any commission of irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Monetary Board</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>The cease and desist order shall be immediately effective upon service on the respondents.</p> <p>➤ The respondents shall be afforded an opportunity to defend their action in a hearing before the Monetary Board or any committee chaired by any Monetary Board member created for the purpose, upon request made by the respondents within five (5) days from their receipt of the order. If no such hearing is requested within said period, the order shall be final. If a hearing is conducted, all issues shall be determined on the basis of records, after which the Monetary Board may either reconsider or make final its order.</p>	
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Voting Result of the last Annual General Meeting

Name of Director (2014)	Votes Received
Jose T. Pardo (re-elected)	PSBank implements cumulative voting for its BOD members. Per section 5.05 of the PSBank Articles of Incorporation and By-Laws on voting, at any stockholders meeting, voting shall be by shares of stock and not “per capita” unless the law provides. Cumulative voting should be used in the election of members of the Board of Directors.
Arthur V. Ty (re-elected)	
Vicente R. Cuna, Jr. (re-elected)	
Samson C. Lim (re-elected)	
Benedicto Jose R. Arcinas (re-elected)	
Amelia B. Cabal (new, replaced Joaquin Aligguy)	
Jeanne Frances T. Chua (re-elected)	
Margaret Ty Cham (re-elected)	
Ma. Theresa G. Barretto (re-elected)	

- Per section 5.05 of the PSBank Articles of Incorporation and By-Laws on voting, at any stockholders meeting, voting shall be by shares of stock and not “per capita” unless the law provides. Cumulative voting should be used in the election of members of the Board of Directors.

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

- Newly elected directors are provided copies of the Board's and of their individual general and specific duties and responsibilities of which they are required to acknowledge receipt thereof and certify that they have read, fully understood and accepted the same which notarized certifications are then submitted to the BSP within 10 banking days after their election.

(b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
DIRECTORS:			
Jose T. Pardo (Chairman & ID)	Sep. 21, 2012	Updated Anti-Money Laundering Rules & Regulations	Anti-Money Laundering Council (AMLC) Secretariat
	2013	AML Risk Rating System and other AML Updates	Metrobank
	Nov. 12, 2014	Seminar on Corporate Governance	SGV & Co.
Arthur V. Ty (Vice Chairman)	May 6, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Bankers Institute of the Philippines, Inc.
	Feb. 5, 2014	Distinguished Corporate Governance Speaker Seminar Series	The Institute of Corporate Directors
Vicente R. Cuna, Jr.	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Feb. 5, 2014	Distinguished Corporate Governance Speaker Seminar Series	The Institute of Corporate Directors
Samson C. Lim (ID)	Jul. 29, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	2013	AML Risk Rating System (ARRS) & Amendments to	METROBANK

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

		BSP Cir. No. 706	
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Benedicto Jose R. Arcinas (ID)	Dec. 3-4, 2012	Corporate Governance Orientation Program	Institute of Corporate Directors (ICD)
	May 23, 2013	AML Risk Rating System and other AML Updates	Metrobank
	Aug. 15, 2014	Seminar on Corporate Governance	SGV & Co.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
Margaret T. Cham	Jul. 29, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	April 28 & 30, 2014	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines, Inc.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
Ma. Theresa G. Barretto	Jul. 29, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	May 23, 2013	AML Risk Rating System and other AML Updates	Metrobank
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Jeanne Frances T. Chua	May 23, 2013	AML Risk Rating System and other AML Updates	Metrobank
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Amelia B. Cabal	Jan. 30, 2013	Philippine Investments Summits 2013	Dr. Nouriel Roubini
	Jan. 29, 2014	Risk Management Briefing	Christian G. Lauron Partner, SGV & Co.
	Feb. 5, 2014	Corporate Governance	Institute of Corporate Directors
	Jun.6, 2014	Seminar on Corporate Governance	SGV & Co.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
SENIOR MANAGEMENT (Officers with rank of SVP & up):			

EVP Jose Vicente L. Alde	Jan. 21, 2011	BSP Circular 706: Updated Anti-Money Laundering Rules and Regulation	PSBank Compliance Office
	Oct. 13, 2012	AMLA Updates: RA Nos. 10167, 10168 & Others	PSBank Chief Compliance Officer
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
SVP Noli S. Gomez	Jan. 21, 2011	BSP Circular 706: Updated Anti-Money Laundering Rules and Regulation	PSBank Compliance Office
	Sep. 21, 2012	Updated Anti-Money Laundering Rules & Regulations	PSBank thru Anti-Money Laundering Council (AMLC) Secretariat
	Oct. 13, 2012	AMLA Updates: RA Nos. 10167, 10168 & Others	PSBank Chief Compliance Officer
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Feb. 8, 2014	Six Sigma Champion	Ma. Nenita Asuncion Concio: Neville-Clarke Philippines, Inc.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
SVP Perfecto Ramon Z. Dimayuga (CFO)	Jan. 11, 2011 & Aug. 12, 2010	The Evolving Financial Reporting Landscape: Changes and Updates (IFRS Quarterly Executive Briefing)	SGV & Co.
	Jan. 21, 2011	BSP Circular 706: Updated Anti-Money Laundering Rules and Regulation	PSBank Compliance Office
	Oct. 13, 2012	AMLA Updates: RA Nos. 10167, 10168 & Others	PSBank Chief Compliance Officer
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
SVP Jose Jesus B.	Jan. 21, 2011	BSP Circular 706: Updated	PSBank Compliance Office

Custodio		Anti-Money Laundering Rules and Regulation	
	Sept. 21, 2012	Updated Anti-Money Laundering Rules & Regulation	PSBank thru Anti-Money Laundering Council (AMLC) Secretariat
	Oct. 13, 2012	AMLA Updates (R.A. No. 10167, R.A. No. 10168 & Others)	PSBank Chief Compliance Officer
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
SVP Emmanuel A. Tuazon	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Please refer to the above table. On top of the above formal trainings, the directors are also regularly apprised by the Bank's Chief Compliance Officer of the relevant regulatory updates i.e. significant regulatory issuances and their impact to the Bank during the monthly Board of Directors' and Corporate Governance Committee meetings which forms part of the directors' continuing education program.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	In the Bank's Corporate Governance Manual, the Board of Directors is mandated to consistently conduct the affairs of the institution with a high degree of integrity. The Board of Directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior, for itself, senior management and other employees. The same Manual requires individual directors to conduct fair business transactions with the bank and ensure that personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided. It should be done in the regular course of business and upon terms not less favorable to the institution that those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related		In ensuring that PSBank's business interests are duly safeguarded, the Bank requires all its employees to make sure that their personal interests and those of their "affiliates" e.g. their relatives up to the third degree of consanguinity and affinity, their immediate family/household members, persons to whom they furnish financial or material support, business in which they have a financial interest, etc. do not conflict with the duties which they perform for the Bank or with the duties which the Bank performs for its clients.

	interest. He should avoid situations that would compromise his impartiality.	
(b) Conduct of Business and Fair Dealings	Based on the Bank's By-Laws, Section 16.3 on Prohibition, no director or officer of the Bank shall directly or indirectly, for himself or as representative or agent of other, borrow money from the Bank, nor shall he become a guarantor, endorser or surety for loans from the Bank to others, or in any manner be an obligor for moneys borrowed from the Bank or loaned by it except with the written approval of the majority of Directors of the Bank, excluding the Director or Officer concerned. Any such approval shall be entered upon the records of the Bank and shall be properly reported as required by the appropriate regulations.	Like the directors, the Bank's Senior Management and employees are likewise bound to observe the proper conduct of business and fair dealings in accordance with DOSRI and Related Party Transactions policies and rules to ensure that such are thoroughly reviewed and are approved/done at "arms-length" terms.
(c) Receipt of gifts from third parties	In the Bank's Corporate Governance Manual, the Board of Directors is mandated to consistently conduct the affairs of the institution with a high degree of integrity. The Board of Directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior, for itself, senior management and other employees.	All employees are prohibited from accepting gifts from clients or suppliers in any form; although gifts of nominal value that may be impractical to return and which are intended to generate ordinary goodwill are permitted. This provision is not intended to disallow the acceptance of gifts, per se, specifically if such gifts are given at appropriate occasions, for acceptable reasons, and are of reasonable value. Receiving gifts, however, can result in inequity in the delivery of service to clients or may influence business decisions. These are some reasons why, as a rule, accepting gifts is discouraged.
(d) Compliance with Laws & Regulations	Based on the Bank's CG Manual, the Board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice. The Board shall appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.	The Policies, Procedures, Rules and Regulations of PSBank, Bangko Sentral ng Pilipinas, the just and authorized causes enumerated in the Labor Code of the Philippines for termination of employment, and, other applicable laws and enactments, are deemed part of the Bank's Code of Conduct.
(e) Respect for Trade Secrets/Use of Non-public	The same Manual requires individual directors to observe confidentiality. Directors must observe the confidentiality	Bank personnel are expected to hold in strictest confidence information and data relating to clients, business

Information	of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.	<p>plans and marketing strategies and systems as well as proprietary or other confidential information that they may have acquired in the course of their employment. Employees are likewise prohibited from taking out of the Bank's premises bank records and/or forms and/or from giving them to outside parties without prior approval.</p> <p>Care should be taken to ensure the security of papers and computer files of information and records, including data programs and vendor software, in one's custody. As such, employees should only have access to data, computer software and to physical areas, which are necessary in the performance of their job functions. No one should attempt to access data, computer systems, printouts and physical areas to which he or she has not been authorized. The Bank's computer systems and data, including personal computers, word processors and associated magnetic media printouts, should be used only for authorized Bank-related business purposes.</p> <p>The obligation to safeguard confidential information continues even after the employee leaves the Bank.</p>
(f) Use of Company Funds, Assets and Information	The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.	<p>No one is allowed to use Bank supplies, materials or equipment or official forms/documents in connection with activities not related to official business.</p> <p>Employees may not trade in the stock or other securities of the Bank based on inside information. Inside information may include information that relates to clients of the Bank and can be in the form of advance knowledge about earnings, dividends, acquisitions, securities offerings and the like.</p>
(g) Employment & Labor Laws & Policies	A director's office is one of trust and confidence. He shall act in a manner characterized by transparency,	Being an organized institution, the Bank has an existing Collective Bargaining Agreement with the Union.

	<p>accountability and fairness.</p> <p>To ensure a high standard of best practice for the Corporation and its stakeholders, the Board shall, among other important duties, ensure that PSBank complies with all relevant laws, regulations and codes of best business practices; and keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.</p>	<p>For other and all issues pertaining to employment not covered by the CBA, the Bank abides the Labor Code of the Philippines.</p>
(h) Disciplinary action	<p>Under the same Manual, the Compliance Officer is tasked with determining violations of the CG Manual and recommending penalties for violation thereof for further review and clarification of the Board. For violations of required internal processes and controls and the Code of Ethics, prevailing internal rules and regulations will be applied.</p>	<p>Corrective action may be taken by the Bank due to unsatisfactory performance, tardiness and attendance problems, and unacceptable conduct of behavior or failure to comply with Bank's rules, policies and procedures. The Bank shall ensure the observance of due process prior to the imposition of disciplinary sanctions on erring employees and shall ensure the impartial treatment of all disciplinary cases. The following corrective measures may be taken by the Bank against erring employees: a. Written Reprimand; b. Suspension; c. Termination; and/or d. Restitution, and/or the e. Filing of Appropriate Legal Actions.</p> <p>No employee shall be held liable for the commission of an act, which may be deemed in violation of the Policies, Procedures, Rules and Regulations of PSBank, Bangko Sentral ng Pilipinas or any applicable law, enactment or statute, unless he has been so informed, allowed to explain the same in writing, called to a hearing or conference, if deemed necessary where he, with the assistance of counsel if so desires, is given the opportunity to respond to the charge/s, present his evidence or rebut the evidence presented against him, in accordance with due process.</p>
(i) Whistle Blower	<p>The Board of Directors shall allow employees to communicate with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or any independent unit. Policies are likewise set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board</p>	<p>In ensuring that the values of honesty and integrity are continually upheld at all times, the Bank requires all its employees to immediately report to their Group Heads or directly to the Human Resources Group (HRG) Head or to the Chief Audit Executive/Internal Audit Group (IAG) Head for investigation purposes any noted impropriety or malpractice</p>

	itself.	committed by a co-employee(s) which includes concealment or non-reporting thereof. To ensure that reporting is not made for personal gain or otherwise to malign anybody, this policy requires that the report shall be made in good faith and with reasonable belief that the information or allegation about an impropriety or malpractice is substantially true. Otherwise, the reporting employee may also be subject to disciplinary sanction(s) for malicious or baseless reporting.
(j) Conflict Resolution	<p>The Board of Directors leads in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</p> <p>The Chairman is particularly tasked to provide active leadership by ensuring that the Board and its different committees function effectively, maintaining a relationship of trust including resolving any conflicts among Board members and ensuring that the Board follows a sound decision-making process.</p>	<p>Violations of the Collective Bargaining Agreement or of the Bank's rules, regulations and policies by an employee are within the scope of authority of the Grievance Machinery.</p> <p>It helps that the Labor-Management Council (LMC), where issues are immediately discussed in a dialogue and settled even before they turn to grievances, is likewise in place. The LMC meets almost every month to discuss any or all matters affecting the employees of the Bank.</p> <p>Conflict resolution involving Bank's employees is also governed by the Bank's Code of Conduct.</p>

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

- Yes. Two (2) of the mandatory topics during the New Employees Orientation Program are the Corporate Ethics and the Code of Conduct. These are given in two (2) sessions covering half of the day. It is also during this time that the each of the employees is provided with a copy of the Code of Conduct.

The Code of Conduct on the other hand is posted in the Banks Intranet called the Info Channel, which can be accessed by the employees anytime using any of the Bank’s online computers.

In addition, the Board through its Compensation and Remuneration committee is tasked with developing and continuously reviewing the Code of Ethics, obtaining Board approval for it and ensuring that it includes the same parameters in good governance as stated in the Bank’s CG Manual.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

- It is Management’s belief that compliance to the Code of Conduct, the Rules and Regulations, Circulars and Laws is the direct responsibility of all employees.

On the other hand, the responsibility of ensuring discipline on the employees is strictly vested in the Bank. Human Resources Group shall provide assistance to the line management by guiding them through the disciplinary process, preparation and issuance of memoranda templates, follow-ups to the line to ensure their compliance with the disciplinary process and the documentation it requires.

Supervisors who do not fulfill their role in ensuring their subordinates compliance to Bank policies, procedures, and Code of Conduct, shall themselves be subject to the disciplinary process for failure to adhere to the Code of Conduct and Management directives.

In addition, the Bank’s Internal Audit processes as well as Whistle Blowing policy also help in monitoring compliance with the Code of Conduct.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>In November 2014, the Board approved the Bank’s Related Party Transactions (RPT) Policy Manual to ensure that all transactions or dealings with its related parties are made in the regular course of business, conducted at arm’s length terms i.e. not less favorable to the Bank than those offered to other unaffiliated/unrelated parties and that corporate/business resources are not misappropriated or misapplied.</p> <p>Towards these ends, PSBank has constituted a Board-level Related Party Transactions Committee (RPTC) that is majority-composed of Independent Directors and tasked to assist the Board in ensuring that transactions with related parties are reviewed, appropriate restrictions are followed, and corporate resources are judiciously used in accordance with a Board-approved Related Party Transactions (RPT) policy.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

	<p>This RPT policy duly defines the Bank's related parties for both natural/individual and juridical persons and:</p> <ol style="list-style-type: none"> 1. Mandates directors and principal officers to submit, upon their election or appointment and on an annual basis thereafter, an information statement declaring therein any of their existing or proposed transactions with the Bank; 2. Requires proponent-units to identify/determine and report to the RPTC through the Compliance Office all their proposed transactions/arrangements with the Bank's related parties for review; 3. Requires the Compliance Office and the RPTC to consider the following factors and other relevant facts and surrounding circumstances in reviewing proposed transactions with related parties: <ul style="list-style-type: none"> <i>o Transaction and Transacting Parties</i> - Nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is indeed RPT or not; <i>o Terms and Conditions</i> - Whether the terms of the transaction or relationship are no less favorable than terms generally offered or available to an unrelated third party under the same circumstances; <i>o Purpose and Rationale</i> - Business purpose, timing, rationale and benefits of the transaction or relationship; <i>o Monetary Value</i> - Approximate monetary value of the related party's interest in the transaction; <i>o Valuation Methodology</i> - Valuation methodology used as alternative approaches to valuation of the transaction; <i>o Potential Counterparties</i> - Information concerning potential counterparties in the transaction; <i>o Provisions or Limitations</i> - Description of provisions or limitations imposed as a result of entering into the transaction; <i>o Reputational Risk</i> - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; <i>o Director's Independence</i> - Impact to a director's independence; and <i>o Conflict of Interest</i> - Extent that such transaction or relationship would present an improper conflict of interest. 4. Requires the handling of RPTs in accordance with a rationalized and risk-based approach following a transaction materiality threshold, to wit: <ol style="list-style-type: none"> a. Transactions considered as DOSRI under existing BSP rules shall be handled as follows: <ul style="list-style-type: none"> <i>o RPTC's review & endorsement and prior Board approval if amounts involved fall within the set threshold</i> <i>o RPTC's review & endorsement, prior Board approval and Stockholders' confirmation/ratification during the Annual Stockholders' Meeting (ASM) if amounts involved are beyond</i>
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	<p>the set threshold.</p> <p>b. Transactions that are non-DOSRI under existing BSP rules shall be handled as follows:</p> <ul style="list-style-type: none"> o RPTC’s review/comments and notation only if amounts involved fall within the set threshold o RPTC’s review & endorsement, prior Board approval and Stockholders’ confirmation/ratification during the Annual Stockholders’ Meeting (ASM) if amounts involved are beyond the set threshold. <p>5. Prohibits a director and/or officer of the Bank to engage in any Board, RPTC or other committee discussion or approval of any transaction in which he/she and/or his/her related parties is (are) involved; provided however, that such director or officer must provide to the Board/RPTC/other committee all material information reasonably requested about the transaction.</p>
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	none
Name of Officer/s	none
Name of Significant Shareholders	none

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p><u>Detection/Determination:</u></p> <ul style="list-style-type: none"> ➤ Internal Audit process ➤ “Whistle Blowing” policy & process ➤ Departmental Self-Testing and Compliance Office’s Independent Compliance Testing processes ➤ RPT/DOSRI Determination & Review process by the business/operating units, Compliance Office and the Related Party Transactions Committee (RPTC) and required Board approval in the case of credit accommodations to DOSRI subject to compliance with the required DOSRI ceilings and reporting <p><u>Resolution:</u></p> <ul style="list-style-type: none"> ➤ Due process of administrative actions and corresponding sanctions as provided for under the Bank’s Code of Conduct ➤ Required inhibition of concerned/involved directors from approving submitted proposals or participating in the deliberations taking up such proposals
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Metropolitan Bank and Trust Co. / Arthur V. Ty	Parent Bank / Beneficial Owner	Mr. Ty is the Chairman of Metrobank and Vice Chairman of PSBank
Danilo L. Dolor	Beneficial Owner	Mr. Dolor is a stockholder and former director of PSBank

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Metropolitan Bank and Trust Co. (MBTC)	Parent Bank	Letters of Guaranty between MBTC and PSBank for certain transactions like loan take-outs and ROPA sales

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	None	None

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	Dispute resolution is governed by the Corporation Code and Corporate By-laws of the Bank, the Bank follows the provisions of the Corporation Code and the Revised Securities Code in managing disputes as well as the amicable means set out in the conduct of stockholders' meetings and other avenues. Being a listed corporation, PSBank also is governed by the PSE Rules and Regulations
Corporation & Third Parties	The Bank has been availing alternative dispute resolution practices and is an active participant in the BSP FCAG and with the PCHC Arbitration Board, for non-judicial dispute resolution with respect to client complaints. Likewise, the Bank through its Legal Department is facilitating

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

	negotiations between the Bank's clients and the Remedial Accounts department to look for non-judicial settlement of disputes. It is also a practice of the Legal Department to avail of the "mediation services" of the Philippine Mediation Center (PMC) for the alternative resolution of client-related cases and also voluntarily submit to Judicial Dispute Resolution (JDR) being facilitated by the judges themselves.
Corporation & Regulatory Authorities	Exit conferences in the case of regulatory examination findings, formal written and verbal communication with the regulators, and holding of meetings with the regulators.

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

- BOD meetings, which are conducted on a regular (monthly) basis, are usually scheduled a month before the actual meeting depending on the availability of the directors.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held in 2014	No. of Meetings Attended	%
Chairman (ID)	Jose T. Pardo	April 2003	12	12	100%
Vice Chairman	Arthur V. Ty	April 2001	12	12	100%
Member	Vicente R. Cuna, Jr.	April 2013	12	12	100%
Member	Joaquin Aligguy *	April 2009	3	3	100%
Member	Margaret Ty Cham	April 2004	12	11	92%
Member	Ma. Theresa G. Barretto	April 2006	12	12	100%
Member	Jeanne Frances T. Chua	April 2013	12	12	100%
Member (ID)	Samson C. Lim ***	April 2008	12	11	92%
Member (ID)	Benedicto Jose R. Arcinas	April 2012	12	11	92%
Member	Amelia B. Cabal **	April 2014	9	8	89%

(ID) Independent Director

* Mr. Joaquin Aligguy's term as Director of the Bank expired on April 2014.

** Ms. Amelia B. Cabal was elected as Director of the Bank on April 2014.

*** Dir. Lim was not physically present but participated through Memorandum in the September 2014 Board meeting.

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

- None, except for Nominations Committee (once) and Compensation & Remuneration Committee (twice)

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

- Since PSBank has a total of nine (9) directors, at least 5 directors represent quorum. Under Sec. 6.07 of the Bank's Amended Code of By-Laws, a quorum at any meeting of the Board of Directors shall consist of the majority of the Directors.

5) Access to Information

1) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

- i. All directors are provided with documents on the Bank's financial and operational performance, committee activities, regulatory developments, and items for their information and approval two (2) days prior the actual Board meetings.

2) Do board members have independent access to Management and the Corporate Secretary?

- i. Yes. The Board has access to the secretary who manages the flow of information to the Board prior to the meetings. They also have access to a permanent compilation of documents related to past Board activities. They can readily seek clarification from management should they have concerns about the Bank or any of the items submitted for their consideration.

3) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

As mentioned in the Corporate Governance (CG) Manual, specifically in Part II, Section 2C thereof, based on the Bank's By-Laws, the Corporate Secretary shall have the following duties:

- a. To keep accurate minutes of all meetings of the stockholders and of the Board and to attend to the giving of all notices required under the By-Laws to be given;
- b. To be the custodian of the corporate seal, stock certificate books, stock and transfer books, records, documents and papers of the Bank, prepare ballots for the annual election and keep a complete and up-to-date list of stockholders and their addresses;
- c. To perform such other duties as may be assigned to him from time to time by the Board, Chairman or President and such other duties incidental to his office;
- d. To sign with the President all contracts, deeds, licenses and other instruments when so ordered by the President or by the Board; and
- e. To prepare such reports and statements required by the Board and/or the Chairman or the President.

In addition to the foregoing, the Corporate Secretary shall also have the following responsibilities:

- a. Safe keep and preserve the integrity of the meetings of the Board committees, as well as other official records of the Bank;
- b. Be loyal to the mission, vision and objectives of the Bank;
- c. Work fairly and objectively with the Board, stockholders and other stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If he is not at the same time the Bank's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- f. Have a working knowledge of the operations of the Bank;
- g. Inform members of the Board, in accordance with the By-Laws, of the agenda for their meetings and ensure that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Ensure that all Board procedures, rules and regulations are strictly followed by the directors;
- i. And other duties and responsibilities as prescribed by relevant regulations.

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

4) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

- Yes. As stated in Part II, Section 2C of the CG Manual, considering his varied functions and duties, the Corporate Secretary must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

5) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive Committee (ExCom)	Advance copy of the agenda is provided at least a day before the meeting.
Audit Committee (AuditCom)	Audit Committee materials (in hard copy) are sent to the members a day before the scheduled meeting. Items that need immediate attention of or longer review by the AC members are sent via email.
Nomination Committee (NomCom)	Advance copy of the agenda is provided at least a day before the meeting.
Remuneration Committee (RemCom)	Advance copy of the agenda is provided at least a day before the meeting.
Trust Committee (TrustCom)	Trust Division sends to Trust Committee Members detailed information on matters to be taken up by the Trust Committee at least 2 days prior to the scheduled meeting.
Risk Oversight Committee (ROC)	Yes, ROC members are provided with advance copies of the meeting materials at least 1 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.
Corporate Governance Committee (CGC)	Yes, CGC members are provided with advance copies of the meeting materials at least 2 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.
Related Party Transactions Committee (RPTC)	Yes, RPTC members are provided with advance copies of the meeting materials at least 2 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.
Anti-Money Laundering Oversight Committee (AMLOC)	Yes, AMLOC members are provided with advance copies of the meeting materials at least 2 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.

- In addition, the Finance Group, in coordination with other key departments, accommodates requests for information pertaining to the management of the Bank, stockholders rights or any other bank-related issues.

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Audit	Advices/recommendations are provided by the external auditors in their reports or during their meetings with the Audit Committee members.
Risk Management process	The Risk Oversight Committee, shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions.
Board Performance Assessment process	The Corporate Governance Committee may coordinate with external facilitators in carrying out board performance assessment, within the frequency approved by the entire Board. The corporate governance committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
Related Party Transactions Review process	In reviewing proposals endorsed to it, the Related Party Transactions Committee may consult third-party experts if it deems the same necessary.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None.		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Salary adjustments are based on performance for the review period	Salary adjustments are based on performance for the review period
(2) Variable remuneration	none	none
(3) Per diem allowance	Actual expenses may be reimbursed to the senior officer	Actual expenses may be reimbursed to the senior officer
(4) Bonus	The bonuses that form part of the guaranteed pay are based on rank and tenure – the higher the rank, the greater the entitlement as well as a longer tenure means greater premium	The bonuses that form part of the guaranteed pay are based on rank and tenure – the higher the rank, the greater the entitlement as well as a longer tenure means greater premium

(5) Stock Options and other financial instruments	none	none
(6) Others (specify)	none	none

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Directors	Under Sec. 6.08 of the Bank's Amended Code of By-Laws, the Chairman, Vice Chairman and each Director shall receive reasonable per diems for attendance at any meeting of the Board, for each day of session; Provided, however, that nothing herein contained shall be construed to preclude any Director from serving in any other capacity and receiving compensation therefore. The Board shall fix the compensation and other remuneration of any Director or any other officer of the Bank should they be designated to perform executive functions or any special services to the Bank.	Each director receives a monthly professional fee representing per diem and/or transportation allowance for attending the Board and committee meetings.	The Compensation and Remuneration Committee designates the amount of remuneration which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

- No, as the Bank has its Compensation and Remuneration Committee designed to formulate policies and designate reasonable and sufficient remuneration packages for corporate officers and directors.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Please refer to discussion below on Director and Executive compensation and their other benefits.		
(b) Variable Remuneration			
(c) Per diem Allowance			

(d) Bonuses
(e) Stock Options and/or other financial instruments
(f) Others (Specify) – Transportation Allowance
Total

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Please refer to discussion below on Director and Executive compensation and their other benefits.		
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total			

➤ Below is the summary for the Executive Compensation (in millions of PhP):

Name and Principal Position	Year	Salary	Bonus*
Vicente R. Cuna, Jr. – President			
Pascual M. Garcia III – President (<i>retired April 2013</i>)			
Jose Vicente L. Alde – Executive Vice President			
Noli S. Gomez – Senior Vice President			
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President			
Jose Jesus B. Custodio – Senior Vice President			
Yolanda L. Dela Paz, Senior First Vice President (<i>retired November 2013</i>)			
TOTAL FOR THE TOP 5 EXECUTIVES ABOVE	2014	PhP36.78	PhP18.15
	2013	PhP35.24	PhP12.94
	2012	PhP32.67	PhP8.24
TOTAL FOR ALL OFFICERS (AVP & UP) and Directors	2014	PhP 132.82	PhP 42.34
	2013	PhP 134.33	PhP 39.73
	2012	PhP 134.18	PhP 33.63

* In Million Pesos

Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy. The total per diem and transportation allowance paid to directors for their attendance in Board meetings amounted to ₱16.3 million, ₱13.0 million and ₱12.9 million in 2014, 2013 and 2012, respectively. This translates to an average of ₱116,343.00, ₱120,490.00 and ₱119,093.00, per month/per director in 2014, 2013 and 2012, respectively. Aside from said amounts, they have no other compensation plan or arrangement with the Bank.

The executive officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated above. Aside from these, they have no other compensation plan or arrangement with the bank.

There are no warrants or options held by the Bank's officers and directors.

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	None	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	None	N/A

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Jose Vicente L. Alde - Executive Vice President	The executive officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated in item 3) above. Aside from these, they have no other compensation plan or arrangement with the bank.
Noli S. Gomez - Senior Vice President	
Perfecto Ramon Z. Dimayuga, Jr. - Senior Vice President	
Jose Jesus B. Custodio - Senior Vice President	
Emmanuel A. Tuazon – Senior Vice President	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee (2014)	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director	Non-executive Director	Independent Director (ID)				

	(ED)	or (NED)					
Executive	2	1	-	Yes	It regularly reviews and approves credit proposals within its limits	It recommends additional conditions and requirements on loan applications for Board approval	Approval of credit proposals; Recommends to the board of directors any credit exceptions that merit approval provided they are supported by strong business rationale.
Audit	-	3	2 (including the Chair)	Yes	It provides independent oversight of internal controls and financial reporting, risk management, ethical environment, compliance with laws and regulations, and internal and external audit activities	Oversight of audit activities	Oversight of audit activities
Nomination	-	3	2 (including the Chair)	Yes	It reviews and evaluates all nominees to the Board	It promulgates the guidelines or criteria to govern the conduct of nominations. It pre-screens the qualifications and prepares a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the	It pre-screens and shortlists all candidates nominated to become a member of the board of directors.

						nominees for independent directors.	
Remunerati on	-	3	2 (including the Chair)	Yes	It reviews and evaluates remuneration packages of executive and corporate officers and directors	It establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior mgt and other key personnel ensuring that compensation is consistent with the corporate culture, strategy and control environment	Oversight of remuneratio n process
Trust	1	3	1	Yes	Oversees the fiduciary activities of the Bank	Ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices; - Ensures that policies and procedures that translate the Board of Directors' objectives and risk tolerance	Prescribes and approves new fiduciary activities that are in accordance with applicable laws, rules and regulations, and prudent practices; - Prescribes and approve policies and procedures that translate the Board

						<p>into prudent operating standards are in place and continue to be relevant, comprehensive and effective;</p> <ul style="list-style-type: none"> - Oversees the implementation of the risk management framework and ensure that internal controls are in place relative to fiduciary activities; - Adopts an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust department to effectively carry out its functions; - Oversees and evaluate the performance of the Trust Officer; - Conducts regular meetings at least once every quarter, or more frequently as necessary, 	<p>of Directors' objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;</p> <ul style="list-style-type: none"> - Approves new products that adhere to the risk management framework and are covered by internal controls
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						depending on the size and complexity of the fiduciary business; - Reports regularly to the Board of Directors on matters arising from fiduciary activities.	
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Committee (2014)	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Risk Oversight	1	1	1 (the Chair)	ROC Charter	See below		Recommends or endorses to the Board for approval
Corporate Governance	0	1	2 (including the Chair)	CGC Charter	See below		Recommends or endorses to the Board for approval
Related Party Transactions	0	1	2 (including the Chair)	RPTC Charter	See below		Recommends or endorses to the Board for approval
AML Oversight	1	2	1 (the Chair)	AMLOC Charter	See below		Recommends or endorses to the Board for approval

Functions & Key Responsibilities:

Risk Oversight Committee

Function

The ROC is constituted by the Board to be responsible for the development and oversight of the Risk Management Program for the Bank.

Key Responsibilities

1. Identify and evaluate exposures – The ROC shall assess the probability of each risk becoming reality and estimate its possible effect and cost. Priority areas of concern are those risks that are the most likely to occur and costly when they happen.
2. Develop risk management strategies – The ROC shall develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risks become real. These plans are embodied in the Risk Management Framework, Policies and other directives as indicated in the ROC minutes and related documents.

3. Oversee the implementation of the risk management plan – The ROC shall conduct regular discussions on the Bank's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce risks. It shall communicate the risk management plan and loss control procedures to affected parties.
4. Review and revise the plan as needed – The ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The ROC shall report regularly to the Board the Bank's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

Corporate Governance Committee

Function

To assist the Board in fulfilling its corporate governance responsibilities

Key Responsibilities

1. It shall ensure the Board's effectiveness and due observance of corporate governance principles and guidelines.
2. It shall oversee the periodic performance evaluation of the Board and its committees and executive management and shall also conduct an annual self-evaluation of its performance. It may coordinate with external facilitators in carrying out board assessment, within the frequency approved by the entire Board.
3. It shall decide the manner by which the Board's performance shall be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.
4. It shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiples boards.
5. It shall make recommendations to the Board regarding the continuing education of director, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.
6. It shall oversee the implementation of the Bank's Compliance Program and the performance of compliance function.

Related Party Transactions Committee

Function

To assist the Board in ensuring that transactions with related parties are conducted at arms-length terms and that corporate or business resources of the Bank are not misappropriated or misapplied

Key Responsibilities

- Taking off from Compliance Office's initial review, the RPTC shall further review/evaluate proposals on Related Party Transactions endorsed to it by considering the following:
 - Transaction and Transacting Parties – Nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is a Related Party Transaction or not;
 - Terms and Conditions - Whether the terms of the transaction or relationship are no less favorable than terms generally offered or available to an unrelated third party under the same circumstances;
 - Purpose and Rationale - Business purpose, timing, rationale and benefits of the transaction or relationship;
 - Monetary Value - Approximate monetary value of the Related Party's interest in the transaction;

- Valuation Methodology - Valuation methodology used as alternative approaches to valuation of the transaction;
- Potential Counterparties - Information concerning potential counterparties in the transaction;
- Provisions or Limitations - Description of provisions or limitations imposed as a result of entering into the transaction;
- Reputational Risk - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- Director's Independence - Impact to a Director's Independence; and
- Conflict of Interest - Extent that such transaction or relationship would present an improper conflict of interest.

In reviewing proposals endorsed to it, the RPTC may consult third-party experts if it deems the same necessary.

- No director shall participate in any RPTC discussion concerning a related party transaction for which he/she or any member of his/her immediate family is a related party except in order to provide material information on the related party transaction to the RPTC.
- Based on the above review and other factors or circumstances that it deems relevant, the RPTC through the Chief Compliance Officer shall report to the Board of Directors the RPT items reviewed including the RPTC's recommendations if any for the BOD's notation and/or appropriate action.

Anti-Money Laundering Oversight Committee

Function

The AMLOC shall assist the Board of Directors in fulfilling its oversight responsibility over the Bank's compliance management to make sure that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations (RIRRs) and BSP AML regulations to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activity or to facilitate or finance terrorism.

Key Responsibilities

In line with the AMLOC's mandate to assist the Board of Directors in fulfilling its oversight on Bank's compliance with the requirements of AMLA, its RIRRs and BSP AML regulations:

1. It shall provide oversight on AML policy development and execution such that AML Policies & Procedures established by Senior Management, led by Compliance Office and assisted by the AMLCC, are adequate to ensure compliance and are kept updated/remain relevant to best react on the changing AML regulatory scenarios and conditions.
2. As designed, updated/revised and recommended by the Compliance Office/AMLCC, it shall review and endorse to the Board for approval the Bank's Money Laundering & Terrorism Financing Prevention Program (MLTFPP) documenting the policies and procedures of the Bank's compliance with the core components of AMLA, its RIRRs and BSP AML regulations.
3. It shall receive from, review and take action (as necessary) on AML-related reports coming from the Bank's Compliance Office. It may also devise and require new/additional AML reports to ensure that Bank's compliance with AMLA, its RIRRs and BSP AML regulations as well as effective management of AML risks are duly monitored.
4. It shall oversee and ensure the effective performance of the AML/TF functions of the Bank's Compliance Office.
5. It shall oversee and ensure the effective performance of the duties and responsibilities of the Bank's AMLCC by reviewing the results of the AMLCC's annual performance self-evaluation/assessment and directing needed actions to address areas for AMLCC's improvement.
6. It shall report to the Board significant developments, issues and concerns in the Bank's AML compliance as necessary.

2) Committee Members
(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman	Arthur V. Ty	April 2009	1	1	100%	5 yrs. 9 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2013	1	1	100%	1 yr. 9 mos.
Member (ED)	Margaret Ty Cham	April 2004	1	0	0%	10 yrs.
Member	Rosanna F. De Vera (non-director/MBTC representative)	October 2012	1	1	100%	2 yrs. 3 mos.
Member	Maris Lou S.Velicaria (non-director/PSBank representative)	April 2014	1	1	100%	9 mos.

* Aside from Excom meeting, the Bank conducted 43 special routing of accounts in 2014.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Jose T. Pardo	April 2009	12	12	100%	5 yrs. 9 mos.
Member (ID)	Samson C. Lim	April 2008	12	11	92%	6 yrs. 9 mos.
Member (NED)	Joaquin Aligguy *	Nov 2009	4	4	100%	4 yrs. 6 mos.
Member (NED)	Amelia B. Cabal **	April 2014	8	8	100%	9 mos.

* Term expired in April 2014

** Appointed as Member in April 2014

Disclose the profile or qualifications of the Audit Committee members.

- JOSE T. PARDO, Chairman / Independent Director
Chairman since 2003. Chairman/ Independent Director, Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Bank of Commerce. Chairman, EC Pay Network Inc., Franchise Investment Holdings Inc., De La Salle University, Inc., ECOP Council of Business Leaders, PCCI Council of Business Leaders, Philippine Business Center Inc., Foundation for Crime Prevention, Assumption (Antipolo), EDSA People Power Foundation, Philippine-Japan Vocational Technical Foundation. Co-Chairman, De La Salle Philippines. Vice Chairman, EDSA People Power Commission, Office of the President. Independent Director, JG Summit Holdings, Inc. Director, National GRID Corporation of the Philippines and ZNN Radio Veritas. First graduate of the Harvard-DLSU Advisory Program. BS Commerce-Accountancy and MBA, De La Salle University.
- SAMSON C. LIM, Independent Director
Director since 2008. President, Blims Fine Furniture and Canadian Tourism & Hospitality Institute. Chairman, Automatic Appliances Inc., Collins International Trading Corporation and Francorp Philippines. Chairman/ Tourism Committee, Philippine Chamber of Commerce and Industry. Chairman Emeritus/ International Relation, Philippine Franchise Association. Chairman Emeritus, Philippine Retailers Association. BS Liberal Arts, Cum Laude, Ateneo de Manila University. Masters in Business Economics, University of Asia and the Pacific. Exchange Student, Sophia University Tokyo, Japan. Special Training on International Business, Institute of International Studies and Training, Fujinomia, Japan. Top Management Program, Asian Institute of Management.

- AMELIA B. CABAL, Director
 Director since 2014. Independent Director, Deutsche Regis Partners, Inc., Ionics EMS, Inc., Ionics Inc., Bank Supervisor, Metropolitan Bank (China) Ltd. BS Commerce Major – Accounting, Far Eastern University. Advanced Management Program, Harvard Business School. Advanced Management Program, Asian Institute of Management. Pacific Rim Banking Program, Pacific Coast Banking School/ University of Washington, Seattle, USA. Top Management Program- Bangkok.

Describe the Audit Committee’s responsibility relative to the external auditor.

The Audit Committee is delegated with fiduciary functions to assist the Board in fulfilling its oversight responsibility to the shareholders relating to the external audit functions.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Samson C. Lim	April 2009	1	1	100%	5 yrs. 9 mos.
Member (NED)	Arthur V. Ty	April 2004	1	1	100%	10 yrs. 9 mos.
Member (ID)	Jose T. Pardo	April 2012	1	1	100%	2 yrs. 9 mos.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Jose T. Pardo	April 2003	2	2	100%	11 yrs. 9 mos.
Member (NED)	Arthur V. Ty	April 2001	2	2	100%	13 yrs. 9 mos.
Member (ID)	Benedicto Jose R. Arcinas *	April 2012	1	1	100%	2 yrs. 9 mos.
Member (ID)	Samson C. Lim **	April 2014	1	1	100%	9 mos.

* Term expired in April 2014

** Appointed as Member in April 2014

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Corporate Governance Committee (CGC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Samson C. Lim	April 2008	12	12	100%	6 yrs. 9 mos.
Member (ID)	Jose T. Pardo	April 2009	12	12	100%	5 yrs. 9 mos.
Member (NED)	Jeanne T. Chua	April 2013	12	12	100%	1 yr. 9 mos.
Member (NED)	Joaquin Aligguy *	April 2012	4	4	100%	2 yrs.

* Term expired in April 2014

Related Party Transactions Committee (RPTC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
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				(2014)		
Chairman (ID)	Jose T. Pardo	Jan 2012	12	12	100%	3 yrs.
Member (ID)	Benedicto Jose R. Arcinas	April 2012	12	11	92%	2 yrs. 9 mos.
Member (NED)	Joaquin Aligguy *	April 2012	4	4	100%	2 yrs.
Member (NED)	Amelia B. Cabal **	April 2014	8	8	100%	9 mos.
Member	Emma B. Co (non-director/Chief Audit Executive)	Jan 2012	12	12	100%	3 yrs.

* Term expired in April 2014

** Appointed as Member in April 2014

Risk Oversight Committee (ROC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Benedicto Jose R. Arcinas	April 2012	12	11	92%	2 yrs. 9 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2013	12	12	100%	1 yr. 9 mos.
Member (NED)	Joaquin Aligguy *	April 2012	4	4	100%	2 yrs.
Member (NED)	Amelia B. Cabal **	April 2014	8	8	100%	9 mos.
Member	Bernardito M. Lapuz (non-director/MBTC representative)	Sept 2007	12	10	83%	7 yrs. 4 mos.
Member	Edmund A. Go (non-director/adviser)	May 2009	12	10	83%	5 yrs. 8 mos.

*Term expired in April 2014

**Appointed as member in April 2014

Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Benedicto Jose R. Arcinas	June 2012	4	4	100%	2 yrs. 7 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2013	4	4	100%	1 yr. 9 mos.
Member (NED)	Ma. Theresa G. Barretto	April 2008	4	4	100%	6 yrs. 9 mos.
Member (NED)	Jeanne T. Chua	April 2013	4	4	100%	1 yr. 9 mos.

AML Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Benedicto Jose R. Arcinas	April 2014	8	7	87.50%	8 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2014	8	8	100%	8 mos.
Member (NED)	Amelia B. Cabal	April 2014	8	7	87.50%	8 mos.
Member	Jeanne Frances T.	April 2014	8	8	100%	8 mos.

(NED)	Chua					
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3) Changes in Committee Members (as of April 28, 2014 ASM)

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Maris Lou S. Velicaria (inclusion)	Appointed as PSBank Representative and Credit Administration Group Head
Audit	Replacement of Dir. Joaquin Aligguy by Dir. Amelia B. Cabal	Mr. Joaquin Aligguy was no longer elected as director and was replaced by Ms. Amelia B. Cabal in the April 2014 ASM.
Nomination	(none)	(none)
Remuneration	Replacement of Dir. Benedicto R. Arcinas by Dir. Samson C. Lim	Replacement in membership during the April 2014 ASM
Risk Oversight	Replacement of Dir. Joaquin Aligguy by Dir. Amelia B. Cabal	Mr. Joaquin Aligguy was no longer elected as director and was replaced by Ms. Amelia B. Cabal in the April 2014 ASM.
Corporate Governance	Dir. Joaquin Aligguy (exclusion)	No longer elected as director in the April 2014 ASM
Related Party Transactions	Replacement of Dir. Joaquin Aligguy by Dir. Amelia B. Cabal	Mr. Joaquin Aligguy was no longer elected as director and was replaced by Ms. Amelia B. Cabal in the April 2014 ASM.
Trust	(none)	(none)
AML Oversight	New Committee	New Committee

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	➤ Regular review and approval of various loan proposals	➤ Credit deviations/exceptions
Audit	<ul style="list-style-type: none"> ➤ Discussed and approved the overall audit scope and plans of both the Internal Audit Group (IAG) and Sycip Gorres Velayo & Co. (SGV); ➤ Reviewed and discussed the year-end financial statements with SGV, who are responsible for expressing an independent opinion on the audited financial statements and their conformity with Philippine Financial Reporting Standards; ➤ Reviewed with IAG, the results of its evaluation on the adequacy and effectiveness of the Bank's governance, risk management, and control processes and the Bank's compliance with policies, laws, and regulations with the management's action plans for the implementation of recommendations to improve the operations of the branches and head office units including the information systems and security. ➤ Evaluated the process in assessing the significant risks and related-risk mitigation efforts of the Bank; ➤ Reviewed, approved, and endorsed to the Board the revised Audit Committee Charter; ➤ Discussed the results of the external quality assessment review of the Bank's internal audit activity by Punongbayan & Araullo, where IAG obtained "Generally Conforms" rating signifying IAG's conformance with the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing; ➤ Discussed and approved the result of the annual internal quality assessment of IAG's conformance with the international auditing 	

	<p>standards and IA policies;</p> <ul style="list-style-type: none"> ➤ Reviewed the adequacy of resources, staff competencies, activities, and effectiveness of the IAG; ➤ Monitored and assessed the Bank's compliance with applicable laws, rules, regulations, code of conduct as well as the adequacy and effectiveness of internal control system; and ➤ Reviewed the Committee's effectiveness through self-assessment process. 	
Nomination	<ul style="list-style-type: none"> ➤ Review and evaluation of the Nominees to the 2012-2013 Board of Directors 	
Remuneration	<ul style="list-style-type: none"> ➤ Rank and file employees' CBA-based adjustments were effected in January and April ➤ Review/implementation of merit increase, bonuses and other benefits 	
Risk Oversight	<p>Reviewed and endorsed for Board approval the following:</p> <ul style="list-style-type: none"> ➤ Regular review and updating of the ROC Charter and risk management limits, model assumptions, methodologies and policy manuals ➤ Implementation of new segmented credit scoring models for consumer loans 	<ul style="list-style-type: none"> ➤ Amendments/revisions in the limits and manuals are primarily to ensure its continued relevance, comprehensiveness, and effectiveness, taking into consideration changes in the regulatory and operating environment, organizational structure and policies. ➤ New segmented credit scoring models address risks associated with changing borrower profiles.
Corporate Governance	<ul style="list-style-type: none"> ➤ Recommended the creation of AML Oversight Committee (AMLOC) ➤ Drafted the Foreign Account Tax Compliance Act (FATCA) Policies and Procedures ➤ Updated/revised the Bank's Corporate Governance (CG) Manual ➤ Updated/revised the following Board-level Committee Charters: <ul style="list-style-type: none"> - Corporate Governance Committee (CGC) - Related Party Transactions Committee (RPTC) - Nominations Committee (NC) - Compensation and Remunerations Committee (RemCom) ➤ Updated/revised Outsourcing Oversight Committee (OOC) ➤ Created the following Board-level and Management-level Committee Charters: <ul style="list-style-type: none"> A. Board-level: <ul style="list-style-type: none"> - Executive Committee (Excom) - Trust Committee (TrustCom) B. Management-level: <ul style="list-style-type: none"> - Credit Committee (CreCom) - Emergency Committee (EmCom) - Policy Committee (PolCom) - Personnel Committee (PerCom) - Retirement Committee (RetCom) ➤ Updated/revised the Bank's Compliance Charter and its Compliance Program ➤ Updated/revised the Bank's Trust Compliance Program (TCP) ➤ Conducted the Annual Performance Scorecard for all Board-level and Management-level committees 	
Related Party Transactions	<ul style="list-style-type: none"> ➤ Reviewed and evaluated all transactions of the bank with its directors, officers and related interests (DOSRI) and other related parties, for endorsement to the Board for approval. ➤ Updated/revised the Bank's Related Party Transactions Committee Charter ➤ Updated/revised the Bank's RPT Policy Manual ➤ Updated/revised the RPT and DOSRI Determination & Review Checklists 	

	<ul style="list-style-type: none"> ➤ Conducted an Annual CG Scorecard for RPTC
Trust	<ul style="list-style-type: none"> ➤ conducted regular review of Trust activities and performance to ensure that fiduciary activities are in accordance with applicable laws, rules and regulations; ➤ conducted annual review of Trust Manuals to ensure that policies and procedures translate the Board of Directors' objectives and risk tolerance into prudent operating standards which continue to be relevant, comprehensive and effective; ➤ conducted annual review of counterparties and issuers of investment securities to ensure that Trust investment management guidelines are met; ➤ reviewed and approved new product proposals of Trust Division to ensure that the risk management framework and internal controls are in place relative to fiduciary activities; ➤ conducted regular meetings at least once every quarter; and ➤ reported regularly to the Board of Directors on matters arising from fiduciary activities ➤ had overseen and evaluated the performance of the Trust Officer
AML Oversight	<ul style="list-style-type: none"> ➤ Adopted the Customer AML Risk Scorecard (CARS) Tool ➤ Establishment of the Bank's Anti-Money Laundering Oversight Committee Charter ➤ Updated/revised the Bank's Money Laundering and Terrorism Financing Prevention Program (MLTFPP) ➤ Adoption of AML Compliance Risk Rating System (ACRRS) ➤ Conducted an Annual CG Scorecard for Anti-Money Laundering Oversight Committee (AMLOC)

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<ul style="list-style-type: none"> ➤ Reinforcement of effective governance through good credit review and evaluation and ensure that sound credit policies and practices are followed through all the business segments. 	
Audit	<ul style="list-style-type: none"> ➤ The Audit Committee provided oversight for the Bank's financial reporting process, system of internal control and risk management, internal and external audit functions, and monitoring of compliance with Bank policies, applicable laws, rules, regulations and Code of Conduct. 	
Nomination	<ul style="list-style-type: none"> ➤ Continued observance of policies and guidelines to ensure that all recommendations are in accordance with the charters 	
Remuneration		
Risk Oversight	<ul style="list-style-type: none"> ➤ Implementation of the Board-approved Risk Management Plan for 2014 ➤ Continued participation in group-wide risk coordination initiatives, including the BSP Cir. 749-based self-assessment template 	<ul style="list-style-type: none"> ➤ The 2014 plan indicates the tasks to be accomplished in order to fulfill ROC and RMO duties and responsibilities across the major risk areas of Credit, Market, and Operational Risk. ➤ This is aimed at strengthening our parent bank's governance over us and ensuring proper coordination and alignment/sharing of best practices as much as applicable.
Corporate Governance	<ul style="list-style-type: none"> ➤ Review and updating of the Bank's Compliance Program & Charter ➤ Review and updating of the Bank's Corporate Governance Manual & Charter ➤ Review and updating of the Bank's Foreign Account Tax Compliance Act (FATCA) Policy Manual, Policy Against Insider Trading and Trust Compliance Program 	

	(TCP) ➤ Creation of Compliance Program for Consumer Protection pursuant to BSP Circ. No. 855	
Related Party Transactions	➤ Annual review/updating of the Bank's RPTC Charter and Annual Performance Scorecards for all Board-level and Management-level committees ➤ Annual review/updating of the RPT Policy Manual and such other related policies and procedures with due consideration to the minimum requirements set forth in the BSP Exposure Draft on its Proposed Guidelines on Related Party Transactions	
Trust	➤ Ensure that the Trust Committee carries out its duties and responsibilities in accordance with BSP Circular No. 766 (Guidelines in Strengthening Corporate Governance Practices on Trust, Other Fiduciary Business, and Investment Management Activities) which was approved by the Monetary Board last Aug. 17, 2012.	➤ Address all issues/findings/deficiencies cited in the latest BSP examination
AML Oversight	➤ Regular review/updating of the Bank's Money Laundering and Terrorist Financing Prevention Program (MLTFPP) and AMLOC Charter ➤ Adoption of SAS AML System consistent with parent-MBTC ➤ Implementation of the Bank's AML Compliance Risk Rating System ➤ Adoption of other AML-related automation projects ➤ Regular conduct of Independent Compliance Testing (ICT)	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
 - Risk Management is an activity that is critical to the Bank's success and the responsibility for managing risk is shared by each employee. It commences at the highest level of the organization, the Board, and cascades to the line and support functions.
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
 - ROC does an annual self assessment which is submitted to the Corporate Governance Committee, which in turn, reviews the same and reports its assessment to the Board.
- (c) Period covered by the review;
 - Full year
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;
 - Annually
- (e) Where no review was conducted during the year, an explanation why not.
 - Not applicable as the review is regularly conducted

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	The Bank's lending business follows credit policy guidelines set by the ROC and the Board. These guidelines serve as the Bank's	The Bank provides guidance in the extension of credit to ensure a balance of quality and quantity of credit risk in the context of

	minimum standards for extending credit. Everyone engaged in the credit process are required to understand and adhere to these policies.	reward on capital.
Liquidity & Market Risk	<p>Liquidity management emphasizes cashflow management, ability to raise funds, and maintenance of a stock of high quality liquid assets.</p> <p>The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.</p> <p>The Bank's policy is to maintain market risk exposures within the approved position, Value-at-Risk (VAR) and loss limits and within existing regulatory guidelines.</p>	<p>The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.</p> <p>The Bank manages its re-pricing gaps and caps its Earnings-at-Risk (EAR) to ensure that earnings do not drastically decline either immediately or over time as a result of adverse movements against its interest rate profile.</p> <p>The Bank's objective in market risk management is to ensure that risk-taking activities are managed within instituted market risk parameters.</p>
Operational Risk	The Bank constantly strives to maintain: a strong "control culture", prudent use of technology, and effective internal control system, which are key factors towards continuous self-improvement under a "no surprise" operating environment.	To ensure that the Bank manages all operational risks adequately.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Not Applicable, i.e. at the parent bank Metrobank's level		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
In submitting corporate actions to the stockholders for approval, the Company is bound by the voting requirements of the Corporation Code. In addition, out of the 9 directors in the Board, the company has allocated 3 seats for independent directors, which is more than the minimum of two required by the SEC and BSP regulations. The Independent Directors are independent of management and free from business or other relationship that could, or could reasonably be perceived to; materially interfere with his exercise of independent judgment in carrying out his

responsibilities as a director. Independent directors are nominated by stockholders other than the majority stockholders.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Credit risk control and management tools include product limits, credit scoring models, unique customer and group identification for aggregation of exposures, automated loan grading, 10-point credit rating systems, stress testing models, and external ratings. Aggregate exposures of at least P0.1 billion are placed on a special monitoring. Concentration of risk, by borrower, group of borrower, geographical region and industry sector are monitored on a regular basis. The Bank also performs impairment analyses on loans and receivables, on individual and collective basis in accordance with PFRS.	Product manuals are in place and define the product, business plan, parameters, associated risks and mitigating controls. The system of checks includes multiple approval system, ROC review, Internal Audit, and the BOD - through the ExCom, CreCom and ROC, for sound credit policies and practices.
Liquidity & Market Risk	<p>The main tool that the Bank uses for monitoring liquidity is the Maximum Cumulative Outflow (MCO) report. The Bank also projects liquidity positions under different stress scenarios and has in place a Liquidity Contingency Funding Plan (LCFP), to help evaluate funding needs and response strategies under various conditions.</p> <p>The Bank measures interest rate risk based on earnings perspective through the EAR. It is a management tool that evaluates the sensitivity of the accrual portfolio to expected change in interest rates over the next 12 months. The Bank also performs stress-testing analysis to measure the impact of extreme interest rate movements.</p> <p>Market risk exposures arising from</p>	The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

	<p>the trading portfolios are measured daily. The Bank has established position, stop loss, loss trigger, and VaR limits for its trading portfolios. Reports are prepared on a daily basis and are also reported to the ROC and BOD on a monthly basis. Stress testing is also conducted, based on historical and ad-hoc rate shocks to estimate potential losses in extreme or crisis situations.</p>	
Operational Risk	<p>The Bank continually identifies and assesses operational risks across the organization and develops controls to mitigate and manage them as part of continuing efforts to enhance its Operational Risk Management Framework.</p> <p>In coordination with a network of Risk Delegates from the various business and operating units, Operational Risk Self-Assessments (ORSA) and Key Risk Indicators (KRIs), covering the areas of: People Technology, Regulatory, Financial Control, Products and Sales, Service Delivery, Legal, and External Events, are monitored.</p> <p>The Bank likewise has a Business Continuity Plan and a Disaster Recovery Program that are reviewed and tested regularly to ensure their effectiveness in the advent of business disruptions, system failures and disasters.</p>	<p>The Board-approved bankwide organizational chart clearly establishes areas of management responsibility, accountability and reporting lines for all its senior officers. Operational risk management policies and frameworks are continuously reviewed and updated, subject to ROC and Board approvals to ensure that they remain relevant and effective.</p> <p>The Bank's products and operating manuals, policies and procedures spell out internal controls implemented by its business and operating support units.</p> <p>Other than Risk Management, there are many specialized functions that are also engaged in risk management. These include Information Technology, Information Security, Systems Quality Assurance, Financial Control, Legal, Compliance, Human Resources and Security Command. The Internal Audit Group (IAG) regularly reports to the Board's Audit Committee on the effectiveness of internal controls.</p>
Compliance/Business Risk	<p>On the basis of Severity i.e. adverse impact of violation or non-compliance on the Bank's business and Applicability of such requirements to a particular transaction, process/function or activity or to a particular business/operating unit of the Bank vis-à-vis the nature, frequency and volume/materiality of its transactions, processes/functions or activities,</p>	<p>3-pronged risk-based compliance risk management, as follows:</p> <p>1st Prong: Line Units</p> <ul style="list-style-type: none"> ➤ Day-to-day compliance ➤ Department self-testing and compliance certifications <p>2nd Prong: Compliance Office</p> <ul style="list-style-type: none"> ➤ Guidance & education ➤ Independent compliance testing ➤ Issues elevation, reporting and

	compliance/business risk exposures are already pre-assessed (e.g. Extreme, High, Medium or Low) which dictates the monitoring level, the self-testing frequency & coverage of CO's Independent Compliance Testing (ICT).	resolution monitoring 3rd Prong: Internal Audit ➤ Independent compliance validation via regular/special audit ➤ Audit reporting
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(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Not Applicable, i.e. at the parent bank Metrobank's level		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Oversight Committee	The ROC is responsible for the development and oversight of the Bank's risk management program. It reviews and endorses for Board approval the risk management limits, model assumptions, methodologies and policies. It oversees the system of limits that the Board delegates to Management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached. It reports regularly to the Board and ensures that all it endorses to the Board are consistent with the Bank's overall objectives.	<ul style="list-style-type: none"> • Identification and evaluation of risk exposures • Development of risk management strategies • Oversee the implementation of the risk management plan • Review and revision of plans
Executive Committee	<p>The Board – through the Excom, Crecom, and ROC – ensures that all business segments follow sound credit policies and practices.</p> <p>Before extending a loan, the Bank observes a system of checks and balances, including the approval of at least two credit officers through the Crecom, Excom, or the Board.</p>	The Excom and Crecom regularly review and approve credit proposals within their limits. They recommend additional conditions and requirements on loan applications for Board approval.

Audit Committee	Provides independent oversight of internal controls, financial reporting, risk management, ethical environment, compliance with laws and regulations, and the internal and external audit activities.	IAG reports to the AuditCom the results of its independent review of compliance to the Bank's products and operating manuals, policies and procedures which spell out the internal controls implemented by its business and operating support units.
Corporate Governance Committee (CGC)	Oversees the implementation of the Bank's Compliance Program and the performance of compliance function	<ul style="list-style-type: none"> ➤ Review, at least annually, the Bank's Compliance Program in accordance with existing regulatory requirements, in support of the Bank's goals and strategies and recommend approval thereof by the Board; ➤ Monitor the implementation of the Bank's Compliance Program and ensure that compliance issues are resolved expeditiously; ➤ Monitor the Bank's compliance with the applicable laws, regulations and rules of regulatory agencies and recommend to the Board appropriate actions based on the review of the reports submitted to/by Compliance Office; and ➤ Review the regular reports submitted by Compliance Office as well as reports on significant compliance issues, general status of Bank's level of compliance, relevant regulations, updates and other compliance matters.
Related Party Transactions Committee (RPTC)	Assists the Board of Directors in ensuring that transactions with related parties are identified, done at arms-length and reviewed in terms of credit, operational and reputational risks.	<ul style="list-style-type: none"> ➤ Compliance Office's guidance on RPT proponents for the review and endorsement of RPTs to the RPTC ➤ Use of the RPT and DOSRI Determination & Review Checklists facilitates Compliance Office's and the RPTC's review of RPTs

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company -
Internal control system is defined as the framework under which the policies, procedures, and activities established by management and the board are developed and implemented to manage and control a particular risk or business activity to which the Bank is exposed.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate -
Based on the Report of the Audit Committee to the Board of Directors (for the year ended 31 December 2014), the Audit Committee reviewed with the Internal Audit Group (IAG) the results of its examinations and evaluations of internal control processes; and monitored and assessed the adequacy and effectiveness of internal control system.
- (c) Period covered by the review -
The review is for the year ended 31 December 2014.
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system -
Review of internal controls is done by the Audit Committee thru the IAG based on the internal audit reports. Review of control's effectiveness is done per engagement using the IAG's standard audit rating system and the audit programs as criteria.
- (e) Where no review was conducted during the year, an explanation why not. – N/A

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/ Auditing Firm	Reporting process
To provide assurance services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes of the organization.	The scope encompasses, but is not limited to, the evaluation and improvement of the adequacy and effectiveness of the bank's governance, risk management process, and system of internal control to achieve its stated goals and objectives.	In-house	Atty. Emma B. Co	A written report is prepared and issued by the Chief Audit Executive (CAE) or designee following the conclusion of each audit engagement and distributed to the members of the Board of Directors through the Audit Committee, the President, and other appropriate management personnel. The audit report include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

				Management's response includes a timetable for anticipated completion of actions to be taken and an explanation for any corrective action that will not be implemented.
To provide consulting services which are intended to add value and improve the organization's governance, risk management and control processes without assuming management responsibility. (E.g. counsel, advice, facilitation, and training.)	The nature and scope are agreed with the client	In-house	Atty. Emma B. Co	A written report is prepared and issued by the CAE at the end of each consulting engagement.

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?
The appointment, replacement or dismissal of the Chief Audit Executive (CAE) is the responsibility of the Audit Committee. Management may appoint, replace or dismiss the CAE subject to the concurrence of the Audit Committee.

The Audit Committee recommends to the Board the appointment, reappointment and dismissal of external auditors. The committee also approves the in-sourcing and out-sourcing of certain audits or engagements.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?
The CAE heads the IAG and reports directly/functionally to the Audit Committee and administratively to the President.

The IAG, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of PSBank functions, records, physical properties, and personnel relevant to carrying out any engagement. IAG also has direct and unrestricted access to senior management, Audit Committee and the Board.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Charmaine Prades	Transfer to another company
Irving Frederick Ong	Transfer to another company
Ariane Audrey Pipit	Transfer to another company
Ilonorabel Alexis Padua	Transfer to another company
Ritche Atian	Transfer to another company
Mark Gariel Matalog	Work abroad
John Calvin Salvador	Work abroad
Rica Marie Valerio	Requested transfer to Treasury
Jasmine Reyes	Requested transfer to HRG (SPEED participant)

Kristoffer Benzon Valdez	Requested transfer to HRG (SPEED participant)
Kohlea Sales	Transfer within IAG (Branch Audit to HO Audit)
Rubert Oskar Salcedo	Transfer within IAG (HO Audit to IT Audit)
Milagros Bal	Promotion within IAG
Jally Bacay	Promotion within IAG

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	For FY 2014, IAG completed a total of 317 projects against plan of 292. The positive variance was due to the completion of re-assessment reviews by Branch Audit, excess actual cases versus plan by Head Office Audit, and special projects by IT Audit Division using allotted man-days for unanticipated activities.
Issues	Issues are brought to the attention of the auditee thru the Audit Finding Sheet and Summary of Issues and Recommendations; and discussed with the auditees during the exit meetings.
Findings	Significant findings are reported to the Board thru the Audit Committee, Senior Management and Line Management together with the audit recommendations and management action plans.
Examination Trends	Unresolved issue are encoded in the Bank's Exception Management System at the end of each engagement for issue monitoring, tracking of resolution and building-up of issue-database, Regular reporting of the unresolved significant issues is done by IAG to the Audit Committee.

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Risk-Based Audit Planning Framework	Implemented
IAG personnel job descriptions	Implemented
IA charter	Implemented
Rules of engagement	Implemented
Engagement planning procedures	Implemented
Audit Fieldwork	Implemented
Reporting process	Implemented
Audit monitoring and follow-up	Implemented
Audit Rating System	Implemented
Working paper guidelines	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Presence of an Audit Committee-approved IA charter that provides the following:</p> <ul style="list-style-type: none"> ▪ IAG reports functionally to the Audit Committee and administratively to the President. ▪ Internal auditors shall have no direct operational responsibility or authority to any of the activities they review. ▪ Internal auditors shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity which would normally be audited and may impair their judgment. 	<p>The Finance Group, in coordination with other key departments, accommodates requests for information pertaining to the management of the Bank, stockholders rights or any bank related issues. In addition, the Bank ensures that it is transparent to our shareholders by posting the latest public disclosures on the Investor Relations section of its website and press releases.</p>	<p>PSBank engaged the services of investment banks during its Tier 2 Notes issuance in February 2012. Under the terms of agreement, the investment banks - appointed as selling agents - were mandated to ensure that they are fully, completely and exclusively responsible for investor and trade information contained in Tier 2 documents, and that in the performance of their respective functions, they were required to fully comply with the Regulations, including ensuring that the Notes are sold to qualified holders.</p>	<p>PSBank likewise engaged the services of a rating agency as part of its Tier 2 Notes issuance. The rating agency stated its commitment as follows "to express an independent, objective and fair credit opinion, adhering to its credit rating standards and ensuring that the credit rating function shall be performed with utmost professional competence".</p>
<p>Rotation of internal auditors' assignments, whenever it is practicable to do so, to prevent potential and actual conflict of interest.</p>			
<p>Persons transferred to or temporarily engaged by IAG are not assigned to audit those activities they previously had responsibility for at least one year from the date they were reassigned.</p>			
<p>Internal auditors to comply with independence and</p>			


Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>objectivity guidelines by reviewing and signing the Audit Project Independence Statement at the start of each engagement. If there is a probability that the auditor's independence is impaired at the start or during the course of the engagement, this should be reported to the Audit Dept. Head/Division Head who will reassign the auditor. The signed independence statement is filed with the rest of the engagement working papers.</p>			
<p>The Audit Committee evaluates and determines the non-audit works to be performed by the external auditor. Disallows any non-audit work that will conflict with the external auditor's duties or may pose a threat to his independence. Discloses in the Bank's annual report, non-audit work, if allowed.</p>			
<p>External auditor or its lead audit partner primarily responsible for the audit or review of the Bank's financial accounts is rotated at least once every 5 years or such shorter or longer period provided under applicable laws and regulations.</p>			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

- Jose T. Pardo, Chairman of the Board
- Pascual M. Garcia (now Vicente R. Cuna Jr.), President

H. ROLE OF STAKEHOLDERS

1) Disclose the company’s policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<p><u>PSBank Customer Complaints Management</u></p> <ol style="list-style-type: none"> 1. All customer complaints are handled by Customer Experience Division – Customer Engagement Department. 2. Customers may forward/send their complaints via the ff. channels. Contact information is visibly displayed in the branches and on the bank’s website. <ol style="list-style-type: none"> a. Email <ol style="list-style-type: none"> i. customerexperience@psbank.com.ph b. SMS <ol style="list-style-type: none"> i. 998-845-8888 c. Landline <ol style="list-style-type: none"> i. Customer Engagement Department - 8858375/8858322/8858324 ii. Customer Service Hotline – 845-8888 d. PSBank Corpsite e. Mail < Head Office Address> f. Fax < 845-0048> g. Over-the-counter at all branches, Customer Experience Division, or Head Office units 3. Complaints are encoded in an automated system known as RUSH.net (Request Using Service Helpdesk) under Customer Issues following a 3 Step Process. Any PSBank employee can encode in the customer’s behalf: 	 <p>The Customer Issues Process is triggered by customer feedback, issues and complaints encoded in Rush.net that need immediate decision or resolution. It is implemented using 3 steps.</p> <p>STEP 1 ACKNOWLEDGEMENT</p> <ul style="list-style-type: none"> • Customer Issues encoded in Rush.Net will be simultaneously queued to the Service Recovery Team (SRT) cluster and the designated senior officers’ cluster. • The service recovery team will call the customer to acknowledge receipt of issue and gather additional information if necessary. • TAT for this activity is 30 minutes. <p>STEP 2 RESOLUTION</p> <ul style="list-style-type: none"> • Customer Issues encoded in Rush.Net will be simultaneously queued to the Service Recovery Team (SRT) cluster and the designated senior officers’ cluster.

	<ul style="list-style-type: none"> • The designated senior officers are given a 2-hr TAT to encode a decision and mark the activity as done. • An SMS will be automatically sent to the President and Executive Vice President if no decision was encoded and the TAT was breached. <ul style="list-style-type: none"> ○ SMS Script – Pending Customer Issue Rush # <rush request number> • Six senior officers are assigned as the initial members of the pool of designated senior officers’ cluster. <p>STEP 3 INVESTIGATION & ENCODING IN AN AUTOMATED SYSTEM KNOWN AS XMAN (Exception Management)</p> <ul style="list-style-type: none"> • Full investigation of the Customer Issues will be conducted. • Complete details of the investigation are gathered and encoded in XMAN (Exception Management System), an automatic system for tracking exceptions in bank operations. • Assignment and completion of resolution will be tracked thru XMAN. • Closure of the Customer Issues is completed in XMAN. • TAT for this activity is 8 hours. <p>4. A summary report on customer complaints received is sent to the President, EVP, BBG Head, LOG Head on a daily basis.</p>
Supplier/contractor selection practice	<p>Risk-based Outsourcing and Accreditation policies & procedures</p> <ul style="list-style-type: none"> ➤ Preparation by the proponent units of the documentary requirements set forth in the Bank’s Outsourcing & Accreditation Policies & Procedures ➤ Review by Compliance Office of the completeness and propriety of the submitted documentary requirements vis-à-vis requirements set forth by the BSP for entering into outsourcing arrangements ➤ Review by the Bank’s Legal Department of the proposed Service Level Agreements or Memorandum of Agreements vis-à-vis the Bank’s standards ➤ Review and endorsement of all such outsourcing proposals and renewals by the Bank’s Outsourcing Oversight Committee (OOC), a Management-level committee ➤ Approval of the Board of Directors (for new proposals) or the President (for renewals) as endorsed by the OOC ➤ Periodic performance evaluation/appraisal of the Bank’s service providers
Environmentally friendly value-chain	<p><u>WE S.A.V.E. Program</u></p> <p>WE S.A.V.E., which stands for “We Safeguard and Value the Environment”, is an environmental awareness campaign that aims to mobilize PSBankers to avoid waste, conserve resources and, ultimately, save the environment for the future generation.</p> <p>The program was launched last June 5, 2012, World Environment Day, through an environmental film showing and exhibit of PSBank Eco-Art Contest entries. The contest had the theme “Small things you can do at work to help the environment.”</p> <p>Since then, efforts to reduce the</p>

		<p>building's carbon footprint has been implemented, such as turning off office lights every 12:00 to 1:00 PM, and devising a more efficient elevator queuing system every 8:00-9:00 AM. PSBank also continues to attend Earth Hour programs within Metrobank Group.</p>
Community interaction	<p>1. PSBank Educational Assistance Program</p> <p>For over six years now, PSBank has been providing educational grants to 51 less privileged but deserving students of Chiang Kai Shek College (CKSC) and Association of Chinese Filipino Schools in the Phils (ACFSP) under the PSBank Educational Assistance Program. Each ACFSP scholar receives a P10,000 grant every school year while every CKSC scholar is given P10,000/semester. The college scholars are enrolled in Accountancy, IT, Marketing or Nursing programs. They also get priority hiring status in PSBank upon graduation, provided they pass the reasonable qualification requirements and standards set by PSBank. They will also be given preferential accommodation to take their practicum in PSBank as part of their compliance with their course requirements. To date, 12 scholars have graduated from college.</p> <p>2. Save It Forward Program</p> <p>Under the Save It Forward program, PSBank awarded scholarships to benefit children from non-profit organizations such as World Vision and Resources for the Blind. Since the program started, we have been sending these scholars to school until they complete their elementary or high school education. To date, 44 scholars have graduated. World Vision provides opportunities for generous donors to send a less-fortunate child to school for only P600/month or P20/day. The sponsorship makes sure that the child is in good health and goes to school. It also empowers the community by providing them with livelihood to improve their economic status. Resources for the Blind, on the other hand, makes a difference in the lives of visually impaired children by providing special education with the aim of community integration.</p> <p>3. Metrobank Foundation's Annual Search for the Country's Outstanding Police Officers in Service (COPS)</p> <p>To honor the best men and women in uniform and further promote community partnership in preventing and solving crimes, the Metrobank Foundation, Rotary Club of New Manila East, the Philippine National Police and PSBank hold the Annual Search for the Country's Outstanding Police Officers in Service (COPS). On its 12th year, 10 more awardees were added to the roster of outstanding police officers and each received P400,000 in cash prize, a trophy, and a Metrobank Foundation medallion.</p> <p>4. PSBankers join Manila Tytana Fun Run</p> <p>PSBankers participated in the Manila Tytana College's 2nd Founder's Run held in February 2014. The activity was organized by Manila Tytana Colleges in support of survivors of Super Typhoon Yolanda as well as the school's athletic development program.</p> <p>PSBank was among the companies under the Metrobank Group that joined the event, which also mobilized the College's students, faculty, alumni and their family and friends who ran the 5.4-kilometer stretch along Diosdado Macapagal Blvd. in Manila</p> <p>5. Annual financial assistance to the World Vision, Resources for the Blind, Chosen</p>	

	<p>Children Village Foundation i.e. for children who are either special, abandoned or orphaned</p> <p>6. Share-A-Gift program to 4 charitable institutions – Concordia Children Services (which shelters abandoned and orphaned children and provides support to urban poor or street children in the elementary and high school level); Asociacion de Damas Filipinas (which runs a temporary shelter and day care center for orphans); Chosen Children Village (home to abandoned children who are mentally and/or physically challenged); and San Lorenzo Ruiz Home for the Elderly (which shelters and supports abandoned elders)</p>
Anti-corruption programmes and procedures	<p>No specific anti-corruption programs and procedures but this is already captured in the Bank’s Policy & Procedures re: Reporting of Impropriety or Malpractice which is the Bank’s “Whistle Blowing” policy</p> <ul style="list-style-type: none"> ➤ Reporting of noted improprieties/malpractices by discovering personnel/informant whereby all employees of the Bank are duty-bound to report such and failure to report is a punishable administrative offense ➤ Receipt of such report by the informant’s Group Head, HRG Head or the Internal Audit Group (IAG) Head ➤ Investigation of IAG ➤ Disciplinary due process in accordance with the Bank’s Code of Conduct ➤ Reward system for reporting personnel as may be recommended by the IAG Head if the incident resulted to actual or potential monetary/non-monetary loss to the Bank
Safeguarding creditors’ rights	<p>The Bank safeguards creditor’s right by complying to BSP circular 454, which provides guidelines on unfair collection practices.</p> <p>Observance of KYC practices and confidentiality during the collection calls.</p> <p>Adherence to the guidelines set by BSP with regard to collection activities.</p>

Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

➤ Yes.

2) Performance-enhancing mechanisms for employee participation.

(a) What are the company’s policy for its employees’ safety, health, and welfare?

The Bank provides the below listed health benefits per policy.

- Health card for employees and declared dependents
- Medical Subsidy for employees
- Hospital Cash assistance for employees
- Maternity Benefit
- Leave credits for vacation, sickness and emergencies

Subject to Management approval, the Bank also facilitates vaccination programs (flu, cervical, hepatitis, pneumococcal, etc) annually at lower costs and at staggered payment scheme.

In view of promoting safety and wellness of the employees, the Bank also has the following initiatives:

- Complies with the annual fire drill to ensure that all employees are prepared during emergency cases

- Regular maintenance of critical equipments like the elevators, generator sets and air-conditioning systems to ensure that occupants are comfortably served well and safe
- Completion of the rehabilitation of the electrical system of the head office building
- On-going rehabilitation of the centralized air-conditioning systems
- Purified water is made available to all employees
- A housekeeping team by a service provider helps ensure the building and branch premises are clean
- Implemented the no smoking policy within the building in coordination with HRG
- 24-hour security at the head office and selected branches; placement of security alarms

(b) Show data relating to health, safety and welfare of its employees.

Per SEC, no specific data is required.

(c) State the company’s training and development programmes for its employees. Show the data.

The Bank provides the below listed training and development programs.

- New Employees Orientation (NEO) – provided to all newly hired employees
- Staff Professional Enhancement and Educational Development (SPEED) program
- Compliance Training (i.e. AMLA)
- Systems Training
- Functional/Technical Training
- Product Knowledge Orientation
- Behavioral Training (Effective Leadership; Train the Trainers Workshop, etc.)
- Branch Operations Training for (Customer Service Associates; Branch Service and Control Officers and Branch Heads)

Per SEC, no specific data is required.

(d) State the company’s reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Bank provides the below listed programs to its deserving employees.

- Performance Based Merit Increase (MI) program
- Annual and Quarterly Incentive scheme
- Annual and Quarterly Recognition program thru the President’s Cup
- Promotions

3) What are the company’s procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

As mentioned above, an employee who comes to know about an illegal activity, malpractice and/or unethical behavior which are considered violations of the Bank’s Code of Conduct should report to proper authorities, otherwise the same becomes a violation of the Code of Conduct itself.

As far as possible, the identity of the employee is held confidential unless it becomes in itself a violation of the rights of the other. And, when that happens the Bank sees to it that the rights of the whistle blower are protected, including that of retaliatory acts by the complained employee.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

f. Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Metropolitan Bank and Trust Co. Metrobank Plaza, Gil	182,535,895	75.977%	Arthur V. Ty (Chairman of Metrobank)

Puyat Avenue, Makati City (Parent Company of PSBank)			
PCD Nominee Corporation 37 th Floor, Enterprise Bldg., Tower 1, Ayala Avenue, Makati City	18,142,869	7.552%	Various Stockholders via PCD
Danilo L. Dolor # 56 Tamarind Rd., Forbes Park, Makati City	12,610,891	5.249%	Danilo L. Dolor

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy - referred to as reporting of violations in the PSBank AR	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV and Company	Php2,275,000	Php2,020,000

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- Branches, ATMs, Customer Updates newsletter, Statements of Account, SMS and e-mail blasts, Annual Report, Corporate Website, Flyers, Brochures, Sales Kits, Media Releases, PSE disclosures

5) Date of release of audited financial report:

- 28 April 2014

6) Company Website

- www.psbank.com.ph

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value (In thousands of Php)
Retirement Benefit Funds	Retirement Benefit Funds	Equity Investment with PSBank	491,206
		Investment in Money Market Fund	74,456
		Deposit Liabilities	8,663,343
		Accrued Interest Income	7
		Dividends Earned	10,508
		Gain on Sale of Equity Securities	6,541
		Interest Income	38
		Income from Unit Investment Trust Fund (UITF)	155
		Equity Investment to Sumisho Motor Financing Corporation	200,000
Metropolitan Bank and Trust Company	Significant Investor	Interbank Loans Receivables	1,386,320
		Due from other banks	815,107
		Accounts Receivable	7,704
		Accrued interest receivables	14,390
		Miscellaneous Assets	919
		Accounts Payable	1,733
		Miscellaneous Liabilities	6,100
		Interest Income	28,307
		Rental Income	24,919
		Information technology expense	108,956
		Trading and securities loss	(44,209)
		Interest expense	407
		Outright purchases of investments	1,869,342
		Outright sales of investments	3,700,000
Investment securities pledge by the Bank to secure payroll	50,000		
Toyota Financial Services Philippines Corporation	Associate	Share in net income	72,129

RPT	Relationship	Nature	Value (In thousands of Php)
		Interest expense-deposit	32
Sumisho Motor Financing Corporation	Joint Venture	Equity investment	668,607
		Accounts Receivable	46
		Deposit Liabilities	79,528
		Miscellaneous liabilities	2,610
		Rental Income	9,790
		Share in net income	4,827
		Interest expense-deposit	2,585
Charter Ping An Insurance Corporation	Other Related Party	Accounts Receivable	925
		Prepaid Expense Others	13
		Prepaid Insurance	6,904
		Deposit Liabilities	13,420
		Accounts Payable	130
		Insurance expense	34,511
		Interest Expense	12
Federal Brent Retail, Inc.	Other Related Party	Miscellaneous Assets	333
		Rent Expense	1,500
First Metro Asset Mgt, Inc.	Other Related Party	Accounts Receivable	1,112
		Miscellaneous Liabilities	1,504
		Rental Income	6,265
First Metro Investment Corp.	Other Related Party	Purchase of Investment	1,031,278
		Sale of investment	1,894,720
		Trading and securities loss	(6,627)
		Interest Income	3,831
		Interest Expense	5,843
First Metro Save & Learn Balanced Fund	Other Related Party	Deposit Liabilities	87
		Interest Expense	28
First Metro Save & Learn Equity Fund	Other Related Party	Deposit Liabilities	829
		Interest Expense	1,137
First Metro Save & Learn Fixed Income Fund	Other Related Party	Deposit Liabilities	50
		Interest Expense	19
First Metro Save and Learn – Money Market Fund	Other Related Party	Interest Expense	449
First Metro Securities Brokerage Co	Other Related Party	Accounts Receivable	829
		Deposit Liabilities	3,270
		Miscellaneous Liabilities	603
		Rental Income	2,680
		Interest Expense	81
GT Capital Holdings Inc.	Other Related Party	Gain on sale of investment in an associates	558,163
Horizon Land Property	Other Related Party	Miscellaneous Assets	661

RPT	Relationship	Nature	Value (In thousands of Php)
Dev. Corp.		Rent Expense	1,866
Metrobank Card Corporation (A Finance Company)	Other Related Party	Accounts Receivable	400
		Deposit Liabilities	60,630
		Bank Commission	35,798
		Interest Income	572
		Interest Expense	25
Orix Metro Leasing & Finance Corp.	Other Related Party	Accounts Receivable	35
		Deposit Liabilities	13,613
		Interest Income	217
		Interest Expense	4
Orix Rental Corporation	Other Related Party	Deposit Liabilities	138
		Interest Expense	11
Phil. Axa Life Insurance Corp.	Other Related Party	Deposit Liabilities	180,087
		Accrued Other Expense Payable	5,165
		Insurance expense	2,661
		Interest Expense	3,129
SMBC Metro Investment Corporation	Other Related Party	Deposit Liabilities	231,000
		Interest Expense	2,574
Taal Land, Inc.	Other Related Party	Deposit Liabilities	46,810
		Interest Expense	737
Toyota Cubao Inc.	Other Related Party	Deposit Liabilities	847
		Interest Expense	4
Toyota Manila Bay	Other Related Party	Deposit Liabilities	90
		Interest Expense	2
Toyota Motor Phil. Corp.	Other Related Party	Deposit Liabilities	5,283,052
		Interest Expense	87,393
Toyota San Fernando Pampanga, Inc.	Other Related Party	Deposit Liabilities	17,464
		Interest Expense	241
Batangas Sugar Central Inc	Other Related Party	Outstanding Loan	395,878
		Interest Income	44,501
Casa Medica Inc	Other Related Party	Outstanding Loan	4,300
		Interest Income	187
Escudero, Janice Genevieve U.	Other Related Party	Outstanding Loan	1,787
		Interest Income	176
Bautista, Marie Dell L.	Other Related Party	Outstanding Loan	899
		Interest Income	61
Uy, Jonathan George	Other Related Party	Outstanding Loan	200
		Interest Income	2
Key Management	Key Management	Short term employee benefits	203,553

RPT	Relationship	Nature	Value (In thousands of Php)
Personnel	Personnel		
		Post employment pension benefits	5,100
		Directors Fees	16,270
		Outstanding Loan	11,690
		Interest Income	913

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Please refer to the Bank's policies & procedures in the handling of RPTs as earlier discussed in item B. 4) (a).

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Under Sec. 5.04 of the Amended Code of By-Laws, the quorum at any meeting of the stockholders as of record shall consist of the majority of stock entitled to vote represented in person or by proxy; less than a quorum may adjourn any meeting from time to time, and the meeting may be continued as adjourned without further notice; unless there be a quorum at such meeting no business may be transacted.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Under Sec. 5.05 of the Amended Code of By-Laws, at any stockholders' meeting, voting shall be by shares of stock and not "per capita" unless the law provides otherwise. Cumulative voting shall be used in the election of the members of the Board of Directors and in ratifying corporate acts.
Description	<p>Voting Procedures:</p> <ol style="list-style-type: none"> 1) Majority vote is required for the approval of the Minutes of the Annual Meeting of Stockholders and confirmation of all acts of the Board of Directors, the Executive Committee and the Management. 2) Majority vote is required for the election of a member of the Board of Directors. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed that number of shares registered in his name in the books of the bank as of the record date multiplied by the whole number of directors elected. 3) Every stockholder entitled to vote on the particular question or matter involved shall be entitled to one vote (1) vote for each share of stock in his name. Voting shall be made <i>viva voce</i>, through the raising of hands, and counted manually by the Corporate Secretary, unless there is a motion duly made and seconded for voting to be made via balloting.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
None	None

Dividends

Quarterly Dividends	Declaration Date	Record Date	Payment Date
4Q2013	24-Jan-14	5-Mar-14	20-Mar-14
1Q2014	28-Apr-14	1-Jul-14	16-Jul-14
2Q2014	22-Jul-14	2-Sep-14	17-Sep-14

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Open Forum	Right after the presentation of the annual report to the stockholders, the President opens the floor and invites the stockholders for an open discussion on any issues / concerns / comments / feedbacks they want to raise to the Board / top management.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution – All amendments to the Bank's By-Laws are either approved during the ASM or through a Special Stockholders meeting organized for the purpose of discussing the proposed amendments. Per Article XVI of the Bank's By-Laws, the By-Laws may be amended or repealed, or new By-Laws adopted by majority vote of the Board of Directors and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose. The owners of two-thirds (2/3) of the outstanding capital stock, however, may delegate this power to the Board of Directors.
 - b. Authorization of additional shares – same as item a.
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company – same as item a. – same as item a.
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes
 - a. Date of sending out notices: 27 March 2014
 - b. Date of the Annual/Special Stockholders' Meeting: 28 April 2014
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions and Answers at the 2014 ASM

Stockholder Guillermo F. Gili Jr. asked a copy of the minutes of the previous ASM. President Vicente R. Cuna Jr. said the minutes were provided to all stockholders through the Definitive Information Statement (DIS). He directed one of the officers to provide Mr. Gili with a DIS copy.

After the President's Report, stockholder Philip Turner asked about the increase in PSBank's unrealized

gains in 2013 versus 2012, and what accounts for the difference. President Cuna explained the increase was brought about by the sale of the Bank's investment portfolio. He said there was Php 11 billion worth of securities that had appreciated and that the Bank decided that it was good time to sell the securities and realize gains from them

Stockholder Turner noted the reduction in the Bank's NPLs in 2013 and asked about the status of NPAs. President Cuna explained that NPLs are considered a sub-component of NPAs, together with ROPA or foreclosed properties that result from the Bank's lending business. He said that ratios for these have improved in 2013.

Stockholder Turner also noted that it is expensive to produce Annual Reports and suggested that better, more biodegradable materials be used in next year's Annual Report. President Cuna said the Bank will seriously consider his suggestion.

During the period allotted for Other Matters, stockholder Turner asked about the various charities that the Bank supports and its practice of ensuring that allocated funds are able to reach proper recipients. President Cuna said that the Bank channels its CSR activities mostly through Metrobank Foundation which has strict accreditation procedures. He further explained that on its own, PSBank has CSR activities that are geared mostly towards children and that these charities are evaluated on an annual basis. He added that the PSBank employees themselves are involved in these projects such as in the case of Operation Smile, which helps children with cleft palates.

Stockholder Gili asked the President how the bank is preparing for ASEAN integration, and to discuss any of its positive and negative aspects. President Cuna said that ASEAN banking integration is inevitable and the Bank is already preparing for it. He noted that the local banking landscape is challenging as it is, but is expected to become even more challenging with the ASEAN banking integration. He explained that PSBank is taking steps to address this through the use of technology to improve the service that the Bank provides and through further improvements in the efficiency of its operations. President Cuna said that these are two important areas that will allow the Bank to remain competitive for that eventuality.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolutions (2014)	Approving	Dissenting	Abstaining
1. Approval of the Minutes of the ASM held last 19 April 2013	Majority	None	None
2. Annual Report to the Stockholders	Majority	None	None
3. Ratification of all corporate acts of the BOD, the Executive Comm and the Management	Majority	None	None
4. Designation of the External Auditor	Majority	None	None
5. Election of the members of the BOD	Majority	None	None
6. Amendment of PSBank's Principal Office Address	Majority	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
28 April 2014 via PSE Edge and 19 April 2013 via PSE Odisy

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	N/A

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Jose T. Pardo 2. Arthur V. Ty 3. Vicente R. Cuna Jr. 4. Samson C. Lim 5. Jeanne Frances T. Chua 6. Ma. Theresa G. Barretto 7. Margaret T. Cham 8. Joaquin Aligguy 9. Benedicto Jose R. Arcinas 10. All PSBank officers with a rank of AVP and up	28 April 2014	Cumulative Voting	74.72%	1.25%	75.97%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SsMs? – The Bank uses Cumulative Voting in the ASM.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. – Yes.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, on forms prescribed by the Board of Directors and sealed with the corporate seal, at his request, shall be furnished by the Secretary of the Bank
Notary	Not required
Submission of Proxy	Shall be filed with the Secretary before or at the time of the meeting.

Several Proxies	Last submission shall be recognized.
Validity of Proxy	Proxies should be acknowledged before the Secretary of the Bank or a notary public
Proxies executed abroad	At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, on forms prescribed by the Board of Directors and sealed with the corporate seal, at his request, shall be furnished by the Secretary of the Bank
Invalidated Proxy	These may be unsigned proxies or those with incomplete information.
Validation of Proxy	The Presiding Officer shall not be required to recognize the proxies executed on forms not furnished by the Secretary unless he is satisfied of the authenticity. His decision is final.
Violation of Proxy	None noted.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Given by registered mail, at least 5 days before such meeting and shall be considered complete upon deposit in the post office, postage pre-paid, addressed to each stockholder as his last know place of residence appearing on the book of the Bank of a sealed envelope containing written or printed notice stating the date, hour, and place of such meeting	Sending out of DIS copies to all stockholders as of the record date no less than 21 days prior to the ASM

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,574 for 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	27 March 2014 for 2014; 26 March 2013 for 2013
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	27 March 2014 for 2014; 26 March 2013 for 2013
State whether CD format or hard copies were distributed	Hard copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes

An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
	<p>Under Section 6 (Shareholders' Benefit) of the Bank's Manual on Corporate Governance, the Bank recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors:</p> <p>6.1 INVESTORS' RIGHTS AND PROTECTION</p> <p>6.1.1 Rights of Investors/Minority Interests stockholders:</p> <p>6.1.2 Voting Right</p> <p>6.1.2.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</p> <p>6.1.2.2 Cumulative voting shall be used in the election of directors.</p> <p>6.1.2.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p> <p>6.1.3 Pre-emptive Right</p> <p>All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.</p> <p>6.1.4 Power of Inspection</p> <p>All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.</p> <p>6.1.5 Right to Information</p> <p>6.1.5.1 The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <p>6.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p>

6.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

6.1.6 Right to Dividends

6.1.6.1 Shareholders shall have the right to receive dividends subject to the discretion of the Board.

6.1.6.2 The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid- in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

6.1.7 Appraisal Right

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

6.1.8 It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

- Yes. Voting procedures allow minority stockholders to influence Board composition i.e. nominate candidates to the Board.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

- The Bank's external and internal communications policy is contained in the Corporate Communications Manual, which was approved by the Board in 2009. The contents of the manual are periodically reviewed and are now due for updating / revision. Major company announcements are reviewed and approved by the SVP/Chief Finance Officer and the President.

- 2) Describe the company’s investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To continually build up the trust and confidence of stakeholders; being fair and transparent in all dealings; provide reliable and better service in response to the ever-growing expectations of customers; and working with integrity and accountability.
(2) Principles	Striving for higher standards and pursue new approaches ensure greater transparency and integrity in all endeavors.
(3) Modes of Communications	PSE Odyssey, Media Releases, Annual Report, Corporate Website, Mails
(4) Investors Relations Officer	Perfecto Ramon Z. Dimayuga Jr.

- 3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? – The Bank conducts due diligence for extraordinary transactions and may engage the services of the financial advisor in the process. The emphasis is always in areas of possible synergy and benefits to the institution, while maintaining strict adherence to regulatory rules and regulations. The Bank also looks into the long-term prospects of a prospective investment or transaction, and the compliance of the new venture to regulations in its own industry.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. – The appointment of third parties is dependent on the requirements of the transaction. Among the firms that PSBank has engaged in past transactions include KPMG and ING Bank. However, the transactions ultimately did not push through due to reasons beyond the control of the Bank.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<p>Donation to Operation Smile’s 30th anniversary mission</p> <p>PSBank and its employees pooled financial resources to fund the corrective surgeries of 43 children born with cleft lip, cleft palate and other facial deformities.</p> <p>A donation of Php648,000 was turned over to Operation Smile which marked its 30th anniversary in 2012. Of the total amount, PSBank donated Php450,000 while employees raised Php198,000 from individual pledges and salary deductions.</p>	Operation Smile
<p>PSBank Educational Assistance Program</p> <p>For over six years now, PSBank has been providing educational grants to 51 less privileged but deserving students of Chiang Kai Shek College (CKSC) and Association of Chinese Filipino Schools in the Phils (ACFSP) under the PSBank Educational Assistance Program. Each ACFSP scholar receives a P10,000 grant every school year while every CKSC scholar is given P10,000/semester. The college scholars are enrolled in Accountancy, IT, Marketing or Nursing programs. They also get priority hiring status in PSBank upon</p>	<p>Association of Chinese-Filipino Schools in the Philippines (ACFSP)</p> <p>Chiang Kai Shek College</p>

<p>graduation, provided they pass the reasonable qualification requirements and standards set by PSBank. They will also be given preferential accommodation to take their practicum in PSBank as part of their compliance with their course requirements. To date, 12 scholars have graduated from college.</p>	
<p>Save It Forward scholars</p> <p>Under the Save It Forward program, PSBank awarded scholarships to benefit children from non-profit organizations such as World Vision and Resources for the Blind. Since the program started, we have been sending these scholars to school until they complete their elementary or high school education. To date, 44 scholars have graduated. World Vision provides opportunities for generous donors to send a less-fortunate child to school for only P600/month or P20/day. The sponsorship makes sure that the child is in good health and goes to school. It also empowers the community by providing them with livelihood to improve their economic status. Resources for the Blind, on the other hand, makes a difference in the lives of visually impaired children by providing special education with the aim of community integration.</p>	<p>World Vision, Resources for the Blind</p>
<p>Annual support to child-friendly agencies</p> <p>Aside from our scholarship programs, we also sustained our annual financial assistance to three child-friendly organizations: World Vision, Resources for the Blind, and the Chosen Children Village Foundation. This would go a long way in taking care of children who are special, abandoned or orphaned.</p> <p>Country's Outstanding Police Officers in Service (COPS)</p> <p>To honor the best men and women in uniform and further promote community partnership in preventing and solving crimes, the Metrobank Foundation, Rotary Club of New Manila East, the Philippine National Police and PSBank hold the Annual Search for the Country's Outstanding Police Officers in Service (COPS). On its 12th year, 10 more awardees were added to the roster of outstanding police officers and each received P400,000 in cash prize, a trophy, and a Metrobank Foundation medallion.</p>	<p>World Vision, Resources for the Blind and Chosen Children Village Foundation</p> <p>The program is an initiative of Metrobank Foundation and PSBank is a program partner, together with Rotary Club of New Manila East and PNP.</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Annual performance evaluation of the Board as a Body is handled by the Corporate Governance Committee (CGC) using a checklist scorecard accomplished by each of the CGC members whereby ratings are averaged to get the overall performance ratings. Results are then reported to the Board of Directors.	Ratings ranging from 1 – 5 (with 1 as the lowest and 5 as the highest) in the following component areas: <ul style="list-style-type: none"> ○ Composition & Skills ○ Independence ○ Roles & General Responsibilities ○ Specific Duties & Responsibilities ○ Resources ○ Performance ○ Board Committees
Board Committees	Annual performance evaluation of each of the Board Committees is handled by the concerned committees using a checklist scorecard accomplished by each of the committee members whereby ratings are averaged to get the overall performance ratings and reviewed by the CGC. Results are then reported to the Board of Directors.	Ratings ranging from 1 – 5 (with 1 as the lowest and 5 as the highest) in different component areas applicable to each of the Board Committees
Individual Directors	Annual performance evaluation of the individual directors is handled on a self-rating basis using a checklist scorecard accomplished by each of the directors whereby ratings are averaged to get the overall performance ratings and reviewed by the CGC. Results are then reported to the Board of Directors.	Ratings ranging from 1 – 5 (with 1 as the lowest and 5 as the highest) in the following component areas: <ul style="list-style-type: none"> ○ Duty of Obedience ○ Duty of Diligence ○ Duty of Loyalty
CEO/President	As provided in the Nominations Committee Charter, the CEO appraisal is being done by the Nominations Committee.	

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violations by directors, officers, management and employees on any of the provisions of the Bank's Corporate Governance Manual.	<p>The following penalties shall be imposed after notice and hearing:</p> <ul style="list-style-type: none"> • In case of first violation, the subject person shall be reprimanded. • Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. • For third violation, the maximum penalty of removal from office shall be imposed and payment of penalties that maybe imposed by concerned regulating bodies.

	<p>The commission of a third violation against the Bank's CG Manual by any member of the Board or officer shall be a sufficient cause for removal from directorship or officership.</p> <p>The Corporate Governance Committee shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>
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PHILIPPINE SAVINGS BANK
777 Paseo de Roxas Ave., corner Sedeño St., Makati City

SECRETARY'S CERTIFICATE

I, **POCHOLO V. DELA PEÑA**, of legal age, Filipino citizen, with office address at Metrobank Plaza, Sen. Gil J. Puyat Ave., Makati City, after having been sworn in accordance with law, depose and state that:

1. I am the duly elected and qualified Corporate Secretary of **PHILIPPINE SAVINGS BANK**, a banking institution duly organized and existing under and in accordance with the laws of the Philippines, with principal office at PSBANK Center, 777 Paseo de Roxas Ave., corner Sedeño St., Makati City.
2. I hereby certify that the following items were approved by the Board of Directors (BOD):

Items	Board Resolution No.	Date of BOD Meeting
1. Creation of Board-level Anti-Money Laundering Oversight Committee (AMLOC) and Establishment of its Charter	2014-030	February 21, 2014
2. Approval of the Updated Information Technology (IT) Steering Committee Charter	2014-032	February 21, 2014
3. Approval of the Revised Audit Committee Charter	2014-044	February 21, 2014
4. Approval of the Revised Internal Audit Charter	2014-045	February 21, 2014
5. Approval of the Revised PSBank Corporate Governance Manual	2014-055	March 24, 2014
6. Approval of the ff. Updated Board-level and Management-level Committee Charters: (1) Corporate Governance Committee (CGC) Charter (2) Related Party Transactions Committee (RPTC) Charter (3) Nominations Committee (NomCom) Charter (4) Compensation and Remunerations Committee (RemCom) Charter (5) Outsourcing Oversight Committee (OOC) Charter	2014-056	March 24, 2014
7. Approval of the ff. Board-level and Management-level Committee Charters: (1) Executive Committee Charter (2) Trust Committee Charter (3) Credit Committee Charter (4) Emergency Committee Charter (5) Policy Committee Charter (6) Personnel Committee Charter (7) Retirement Committee Charter	2014-068	March 24, 2014
8. Approval of the Annual Performance Scorecards for Board-level and Management-level Committees	2014-069	March 24, 2014
9. Declaration of Regular Cash Dividends for the First Quarter of 2014	2014-082	March 24, 2014
10. Adoption of the Customer AML Risk Scorecard (CARS)	2014-093	May 22, 2014
11. Updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP)	2014-094	May 22, 2014



Items	Board Resolution No.	Date of BOD Meeting
12. Approval of Updated PSBank Corporate Governance Manual	2014-105	June 24, 2014
13. Approval of Foreign Account Tax Compliance Act (FATCA) Policy Manual	2014-106	June 24, 2014
14. Approval on the Hiring of Mr. Emmanuel A. Tuazon as SVP for Marketing	2014-111	June 24, 2014
15. Approval of the Updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP)	2014-122	July 22, 2014
16. Approval of the Updated Bank Compliance Charter and Updated Bank Compliance Program	2014-123	July 22, 2014
17. Approval on the Declaration of Regular Cash Dividends for the Second Quarter of 2014	2014-125	July 22, 2014
18. Sale of Bank's 25% Equity in TFSPC to GT Capital Holdings Inc.	2014-135	August 26, 2014
19. Approval of Policy Manual Against Insider Trading	2014-146	September 23, 2014
20. Approval on the Declaration of Regular Cash Dividends for the Third Quarter of 2014	2014-170	October 30, 2014
21. Approval of the Revised Related Party Transactions (RPT) Policy	2014-187	November 18, 2014
22. Approval of the Updated Trust Compliance Program (TCP)	2014-188	November 18, 2014
23. Approval of the Updated Corporate Governance Manual	2014-202	December 9, 2014
24. Approval of the Adoption of Branch AML Compliance Risk Rating (ACRR) System	2014-203	December 9, 2014


3. I am executing this Certificate in compliance with the requirements of the Securities and Exchange Commission in relation to the Annual Corporate Governance Report.

Makati City, Philippines, JAN 05 2015.


POCHOLO V. DELA PEÑA
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 05 2015, **MAKATI CITY** day of _____, _____ by affiant who exhibited to me SSS No. 03-9209362-8.

Doc No. 75
 Page No. 20
 Book No. 01
 Series of 2015.


ATTY. ROMDAS M. ALSINUYA, JR.
 NOTARY PUBLIC FOR MAKATI CITY
 AFFIDAVIT NO. N-13 UNTIL DECEMBER 31, 2016
 UNIT 236 CITY LAND CONDO. B. NO. 88 G. FUTA, MAKATI CITY
 MCLE COMPLIANCE NO. V-0003774, SEPT. 25 '14
 IBP NO. 975893, 10 / 21 / 14 MAKATI CITY
 PTR NO. 4748523 / 01 / 05 / 15 / MAKATI CITY
 IBP ROLL NO. 45164



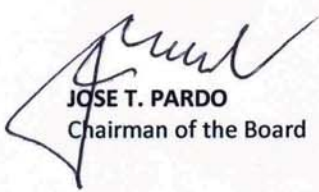
SECURITIES AND EXCHANGE COMMISSION
SEC Building EDSA, Greenhills
Mandaluyong City, Metro Manila

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

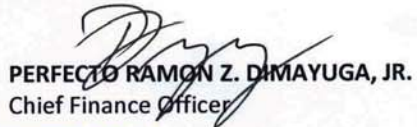
The management of Philippine Savings Bank is responsible for the preparation and fair presentation of the financial statements as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, including the additional components attached therein, in accordance with 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 & Co., the independent auditors, appointed by the stockholders for the period December 31, 2014 and 2013, respectively, 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.


JOSE T. PARDO
Chairman of the Board


VICENTE R. CUNA, JR.
President


PERFECTO RAMON Z. DIMAYUGA, JR.
Chief Finance Officer

MAR 06 2015 MAKATI CITY

SUBSCRIBED AND SWORN TO before me this _____ affiants exhibiting to me their passports as follow:

Name	Passport No.	Date of Issue	Place of Issue
Jose T. Pardo	EB6622316	10/23/2012	Manila
Vicente R. Cuna, Jr.	EB6579723	10/17/2012	Manila
Perfecto Ramon Z. Dimayuga, Jr.	EB6350218	09/15/2012	Manila

*Doc No 312
Page No 104
Book No 10
Series of 2015*


ATTY. ROMEO S. MASANGYA, JR.
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-13 UNTIL DECEMBER 31, 2016
UNIT 236 CITYLAND CONDO. B. NO. 98 G. FUYAT MAKATI CITY
MCLE COMPLIANCE NO. V-0003774. SEPT. 25 '14
IBP NO. 975893. 10/21/17 MAKATI CITY
PTR NO. 4748523/01/05/15/MAKATI CITY
IBP ROLL NO. 45164

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	5	5	2						
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Company Name

P	H	I	L	I	P	P	I	N	E	S	A	V	I	N	G	S	B	A	N	K										

Principal Office (No./Street/Barangay/City/Town/Province)

P	S	B	a	n	k	C	e	n	t	e	r	,	7	7	7	P	a	s	e	o	d	e	R	o	x	a	s			
c	o	r	n	e	r	S	e	d	e	ñ	o	S	t	r	e	e	t	,	M	a	k	a	t	i	C	i	t			
y																														

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

--

Company's Telephone Number/s

885-8208

Mobile Number

--

No. of Stockholders

1,552

Annual Meeting Month/Day

04/28

Fiscal Year Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Perfecto Ramon Z. Dimayuga Jr.

Email Address

pzdimayuga@ psbank.com.ph

Telephone Number/s

885-8208 local 8535

Mobile Number

--

Contact Person's Address

--

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City



Report on the Financial Statements

We have audited the accompanying financial statements of Philippine Savings Bank, which comprise the statements of condition as at December 31, 2014 and 2013 and the statements of income, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philippine Savings Bank as at December 31, 2014 and 2013 and its financial performance and its 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 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Savings Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas

Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4751290, January 5, 2015, Makati City

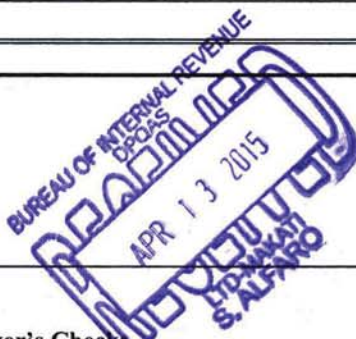
February 26, 2015



PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December 31	
	2014	2013
ASSETS		
Cash and Other Cash Items	P4,174,756,446	P3,157,499,370
Due from Bangko Sentral ng Pilipinas (Note 16)	23,997,102,406	7,401,657,444
Due from Other Banks (Note 29)	3,382,662,578	8,491,340,954
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Notes 7 and 32)	2,186,320,000	14,527,000,000
Fair Value Through Profit or Loss Investments (Note 8)	278,909,438	184,607,411
Available-for-Sale Investments (Note 8)	6,083,317,341	5,649,063,231
Held-to-Maturity Investments (Note 8)	1,683,128,162	-
Loans and Receivables (Note 9)	95,759,749,830	82,917,120,994
Investments in an Associate and a Joint Venture (Notes 10 and 29)	668,606,533	1,346,142,412
Property and Equipment (Note 11)	2,469,507,446	2,389,780,404
Investment Properties (Note 12)	2,933,068,849	2,589,408,311
Deferred Tax Assets (Note 27)	731,937,469	243,119,247
Goodwill and Intangible Assets (Note 13)	369,140,026	292,832,054
Other Assets (Note 14)	888,822,949	836,302,917
	P145,607,029,473	P130,025,874,749
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Note 16)		
Demand	P10,609,490,126	P9,050,826,107
Savings	18,502,557,268	16,181,291,134
Time	87,415,706,427	81,286,386,669
	116,527,753,821	106,518,503,910
Subordinated Notes (Note 17)	5,946,901,321	2,972,366,024
Treasurer's, Cashier's and Manager's Checks	1,253,781,718	1,110,517,230
Accrued Taxes, Interest and Other Expenses (Note 18)	1,128,438,120	1,099,730,994
Income Tax Payable	7,134,677	132,339
Other Liabilities (Notes 19 and 24)	3,012,717,598	2,061,548,773
	127,876,727,255	113,762,799,270
Equity		
Common Stock (Note 21)	2,402,524,910	2,402,524,910
Capital Paid in Excess of Par Value	2,818,083,506	2,818,083,506
Surplus Reserves (Note 30)	1,035,275,317	1,035,275,317
Surplus (Note 21)	11,803,283,969	10,205,364,827
Net Unrealized Gain on Available-for-Sale Investments (Note 8)	26,600,463	22,289,515
Equity in Net Unrealized Gain on Available-for-Sale Investments of an Associate (Note 10)	-	25,000
Remeasurement Losses on Retirement Plan (Note 24)	(312,363,737)	(178,577,793)
Equity in Remeasurement Losses on Retirement Plan of a Joint Venture (Note 10)	(1,445,728)	(479,690)
Equity in Cash Flow Hedge Reserve of an Associate (Note 10)	-	(335,158)
Cumulative Translation Adjustment	(41,656,482)	(41,094,955)
	17,730,302,218	16,263,075,479
	P145,607,029,473	P130,025,874,749

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
INTEREST INCOME			
Loans and receivables (Note 9)	P8,814,815,985	P8,122,435,842	P7,081,892,924
Interbank loans receivable and securities purchased under resale agreements (Note 7)	858,982,128	478,936,597	336,035,526
Investment securities (Note 8)	363,963,140	375,404,035	1,336,840,933
Due from Bangko Sentral ng Pilipinas	57,292,813	42,216,693	26,549,545
Due from other banks	18,355,744	8,242,444	4,945,432
	10,115,409,810	9,027,235,611	8,786,264,360
INTEREST EXPENSE			
Deposit liabilities (Note 16)	2,115,632,785	2,157,685,611	2,961,531,016
Subordinated notes (Note 17)	276,587,317	175,251,074	152,868,079
Bills payable	10,807,483	7,479,125	75,000
	2,403,027,585	2,340,415,810	3,114,474,095
NET INTEREST INCOME	7,710,382,225	6,686,819,801	5,671,790,265
Service fees and commission income (Note 22)	1,151,818,925	1,040,395,077	938,869,881
Service fees and commission expense (Note 22)	73,928,520	77,836,620	60,245,557
NET SERVICE FEES AND COMMISSION INCOME	1,077,890,405	962,558,457	878,624,324
OTHER OPERATING INCOME (CHARGES)			
Gain on sale of investment in an associate (Notes 10 and 29)	558,663,928	-	-
Gain on foreclosure and sale of chattel mortgage properties - net (Notes 2 and 14)	316,813,642	378,583,708	312,570,714
Gain on foreclosure and sale of investment properties - net (Note 12)	298,854,312	269,751,500	140,024,754
Trading and securities gains - net (Note 8)	209,952,831	4,070,899,035	2,573,600,581
Gain on sale of property and equipment (Note 11)	45,013,382	138,464,473	5,846,354
Foreign exchange gain (loss)	7,813,164	(3,877,015)	12,116,898
Miscellaneous (Notes 12 and 23)	343,567,618	181,271,100	142,950,201
	1,780,678,877	5,035,092,801	3,187,109,502
TOTAL OPERATING INCOME	10,568,951,507	12,684,471,059	9,737,524,091
OTHER EXPENSES			
Compensation and fringe benefits (Note 24)	2,395,951,076	2,159,694,707	1,976,264,543
Provision for credit and impairment losses (Notes 2 and 15)	1,743,821,080	2,649,072,916	1,616,888,157
Taxes and licenses (Note 27)	1,061,593,720	1,053,840,964	836,834,289
Occupancy and equipment-related costs (Note 25)	627,737,333	559,762,849	552,790,599
Depreciation (Note 11)	504,628,955	483,260,520	489,770,896
Security, messengerial and janitorial services	287,079,453	252,382,828	234,655,918
Amortization of intangible assets (Note 13)	82,368,321	68,454,285	57,238,221
Miscellaneous (Notes 12 and 26)	1,646,584,153	1,458,908,377	1,153,147,180
	8,349,764,091	8,685,377,446	6,917,589,803
INCOME BEFORE SHARE IN NET INCOME (LOSS) OF AN ASSOCIATE AND A JOINT VENTURE AND INCOME TAX	2,219,187,416	3,999,093,613	2,819,934,288
SHARE IN NET INCOME (LOSS) OF AN ASSOCIATE AND A JOINT VENTURE (Notes 10 and 29)	76,956,073	109,569,160	(18,323)
INCOME BEFORE INCOME TAX	2,296,143,489	4,108,662,773	2,819,915,965
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	408,948,263	358,673,718	428,830,779
Deferred	(431,481,389)	821,500,247	116,501,297
	(22,533,126)	1,180,173,965	545,332,076
NET INCOME	P2,318,676,615	P2,928,488,808	P2,274,583,889
Basic/Diluted Earnings Per Share (Note 28)	P9.65	P12.19	P9.47

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
NET INCOME	₱2,318,676,615	₱2,928,488,808	₱2,274,583,889
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that recycle to profit or loss in subsequent periods:</i>			
Net unrealized gain (loss) from AFS investments (Note 8)	4,310,948	(183,863,692)	(2,193,594,598)
Equity in net unrealized gain (loss) on available-for-sale investments of an associate (Note 10)	(25,000)	25,000	-
Equity in cash flow hedge reserve of an associate (Note 10)	335,158	(335,158)	-
Cumulative translation adjustment	(561,527)	26,316,053	(13,096,563)
	4,059,579	(157,857,797)	(2,206,691,161)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan (Note 24)	(191,122,777)	(132,829,377)	11,858,289
Equity in remeasurement losses on retirement plan of a joint venture (Note 10)	(966,038)	(298,348)	(181,342)
Income tax effect	57,336,833	39,848,813	(3,557,487)
	(134,751,982)	(93,278,912)	8,119,460
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(130,692,403)	(251,136,709)	(2,198,571,701)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱2,187,984,212	₱2,677,352,099	₱76,012,188

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY

BUREAU OF INTERNAL REVENUE
 DEPARTMENT OF TREASURY
 APR 13 2015
 MANILA

	Common Stock (Note 21)	Paid in Excess of Par Value	Capital Reserves (Note 30)	Surplus (Note 21)	Net Unrealized Gain on Available-for-Sale Investments (Note 8)	Remeasurement Losses on Retirement Plan Investments of an Associate (Note 24)	Equity in Net Unrealized Gain on Available-for-Sale Investments of an Associate (Note 10)	Remeasurement Losses on Retirement Plan of a Joint venture (Note 10)	Equity in Cash Flow Hedge Reserve of an Associate (Note 10)	Cumulative Translation Adjustment	Total
Balance at January 1, 2014	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱10,205,364,827	₱22,289,515	₱178,577,793	₱25,000	₱479,690	₱335,158	₱41,094,955	₱16,263,075,479
Total comprehensive income (loss) for the year	-	-	-	2,318,676,615	4,310,948	(133,785,944)	(25,000)	(966,038)	335,158	(561,527)	2,187,984,212
Cash dividends (Note 21)	-	-	-	(720,757,473)	-	-	-	-	-	-	(720,757,473)
Balance at December 31, 2014	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱11,803,283,969	₱26,600,463	₱312,363,737	₱-	₱1,445,728	₱-	₱41,656,482	₱17,730,302,218
Balance at January 1, 2013	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱8,718,390,965	₱206,153,207	₱85,597,229	₱-	₱181,342	₱-	₱67,411,008	₱15,027,238,326
Total comprehensive income (loss) for the year	-	-	-	2,928,488,808	(183,863,692)	(92,980,564)	25,000	(298,348)	(335,158)	26,316,053	2,677,352,099
Cash dividends (Note 21)	-	-	-	(1,441,514,946)	-	-	-	-	-	-	(1,441,514,946)
Balance at December 31, 2013	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱10,205,364,827	₱22,289,515	₱178,577,793	₱25,000	₱479,690	₱335,158	₱41,094,955	₱16,263,075,479
Balance at January 1, 2012	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱7,020,413,054	₱2,399,747,805	₱93,898,031	₱-	₱-	₱-	₱54,314,445	₱15,527,832,116
Total comprehensive income (loss) for the year	-	-	-	2,274,583,889	(2,193,594,598)	8,300,802	₱-	(181,342)	₱-	(13,096,563)	76,012,188
Cash dividends (Note 21)	-	-	-	(576,605,978)	-	-	-	-	-	-	(576,605,978)
Balance at December 31, 2012	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱8,718,390,965	₱206,153,207	₱85,597,229	₱-	₱181,342	₱-	₱67,411,008	₱15,027,238,326

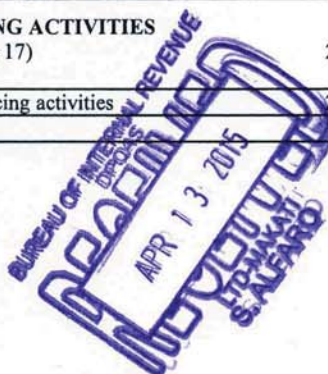
See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,296,143,489	₱4,108,662,773	₱2,819,915,965
Adjustments to reconcile income before income tax to net cash used in operations:			
Provision for credit and impairment losses (Note 15)	1,743,821,080	2,649,072,916	1,616,888,157
Gain on sale of investment in an associate (Notes 10 and 29)	(558,663,928)	-	-
Depreciation (Note 11)	504,628,955	483,260,520	489,770,896
Gain on foreclosure and sale of:			
Chattel mortgage properties (Note 14)	(316,813,642)	(378,583,708)	(312,570,714)
Investment properties (Note 12)	(298,854,312)	(269,751,500)	(140,024,754)
Accretion of premium (discount) on available-for-sale and held-to-maturity investments	(118,028,620)	40,050,334	(2,910,809)
Realized gain on sale of available-for-sale investments (Note 8)	(99,084,970)	(4,101,920,941)	(2,578,092,037)
Amortization of:			
Intangible assets (Note 13)	82,368,321	68,454,285	57,238,221
Debt issuance costs (Note 17)	3,963,190	2,568,682	2,023,042
Share in net (income) loss of an associate and a joint venture (Notes 10 and 29)	(76,956,073)	(109,569,160)	18,323
Gain on sale of property and equipment (Note 11)	(45,013,382)	(138,464,473)	(5,846,354)
Unrealized trading loss (gain) on fair value through profit or loss investments (Note 8)	1,108,328	69,370,851	(13,400,988)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Fair value through profit or loss investments	(95,418,879)	(133,230,508)	(52,637,331)
Loans and receivables	(16,072,062,154)	(16,277,467,836)	(14,585,502,550)
Other assets	(171,483,937)	31,368,117	151,514,571
Increase (decrease) in:			
Deposit liabilities	10,008,975,239	11,907,147,369	(6,932,460,575)
Accrued taxes, interest and other expenses	21,703,285	45,518,923	(153,862,579)
Treasurer's, cashier's and manager's checks	143,264,488	353,887,876	102,115,675
Other liabilities	582,183,755	374,312,509	280,200,275
Cash used in operations	(2,464,219,767)	(1,275,312,971)	(19,257,623,566)
Income taxes paid	(401,945,925)	(358,541,379)	(581,027,268)
Net cash used in operating activities	(2,866,165,692)	(1,633,854,350)	(19,838,650,834)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
Held-to-maturity investments	(1,683,973,367)	-	(2,310,836,826)
Available-for-sale investments	(3,247,058,476)	(9,442,031,365)	(2,547,631,076)
Other intangible assets (Note 13)	(158,676,293)	(129,544,501)	(33,800,631)
Property and equipment (Note 11)	(458,939,120)	(341,390,933)	(392,518,800)
Proceeds from sale of:			
Available-for-sale investments (Note 8)	3,034,958,920	24,316,107,434	18,318,874,717
Investment in an associate (Notes 10)	1,312,500,000	-	-
Chattel mortgage properties (Note 14)	1,235,235,293	898,623,700	675,530,031
Investment properties (Note 12)	478,248,446	616,169,468	494,197,154
Property and equipment (Note 11)	89,695,109	240,849,912	34,217,685
Proceeds from redemption of held-to-maturity investments at maturity date	-	227,265,497	1,059,435,743
Increase in interbank loans receivable (Notes 7 and 32)	(1,386,320,000)	-	-
Net cash provided by (used in) investing activities	(784,329,488)	16,386,049,212	15,297,467,997
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of subordinated notes (Note 17)	2,970,572,107	-	2,967,774,300
Dividends paid (Note 21)	(542,898,772)	(1,615,857,451)	(435,302,807)
Net cash provided by (used in) financing activities	2,427,673,335	(1,615,857,451)	2,532,471,493
Effect of exchange rate differences	(154,493)	12,824,117	(3,909,711)

(Forward)



	Years Ended December 31		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(₱1,222,976,338)	₱13,149,161,528	(₱2,012,621,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	3,157,499,370	2,811,064,294	3,921,289,371
Due from Bangko Sentral ng Pilipinas (Note 16)	7,401,657,444	5,514,832,823	4,303,595,290
Due from other banks	8,491,340,954	6,002,439,123	3,736,072,634
Interbank loans receivable and securities purchased under resale agreements (Note 7)	14,527,000,000	6,100,000,000	10,480,000,000
	33,577,497,768	20,428,336,240	22,440,957,295
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	4,174,756,446	3,157,499,370	2,811,064,294
Due from Bangko Sentral ng Pilipinas (Note 16)	23,997,102,406	7,401,657,444	5,514,832,823
Due from other banks	3,382,662,578	8,491,340,954	6,002,439,123
Interbank loans receivable and securities purchased under resale agreements (Notes 7 and 32)	800,000,000	14,527,000,000	6,100,000,000
	₱32,354,521,430	₱33,577,497,768	₱20,428,336,240
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid	₱2,423,202,798	₱2,384,095,368	₱3,141,671,886
Interest received	9,808,205,933	9,089,387,982	7,762,993,426

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of December 31, 2014 and 2013, the Bank had 245 and 224 branches, respectively. In 2014, the Bank added 44 Automated Telling Machines (ATMs) in Metro Manila and in provincial locations, bringing its total number of ATMs to 595 as of December 31, 2014 from 551 as of December 31, 2013.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the board of directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock approved the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9). This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of December 31, 2014, the Bank is seventy-six percent (76%) owned by Metropolitan Bank & Trust Company (MBTC), its ultimate parent company.

2. Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis except for fair value through profit or loss (FVPL) investments and available-for-sale (AFS) investments that have been measured at fair value. All values are rounded to the nearest peso unless otherwise stated.

The accompanying financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated



accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of condition at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Bank presents its statement of condition in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than twelve (12) months after the statement of condition date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount reported in the statement of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretation, which were adopted as of January 1, 2014.

The following new and amended standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Bank:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
- Philippine Interpretation 21, *Levies*

Annual Improvements to PFRSs (2011-2013 cycle)

- PFRS 1, First-time Adoption of PFRS

Standards that have been adopted and are deemed to have an impact in the financial statements or the performance of the Bank are described below.

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

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



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

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

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as it has not novated its derivatives during the current or prior periods.

Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Bank's financial position or performance as it presents its short-term receivables and payables at carrying value.

Chattel Mortgage Properties

In January 2014, the Bank changed its method of recording foreclosure of repossessed vehicles to align with Metrobank Group's policy. With the new method, any gains or losses on the foreclosure representing the difference between the net carrying value of loan and the fair value of chattel mortgage properties are recognized as 'Gain on foreclosure and sale of chattel mortgage properties - net'. Prior to the change, the Bank recovers the previously provided allowance on the loan before recognizing gain or loss on foreclosure of assets. Gain or loss on foreclosure is recognized as the difference between the fair value of the chattel mortgage property and gross amount of the loan. The change has an effect only on the presentation in the statement of income as shown below and has no effect on the net income.

The changes have been applied retrospectively. The effects of adoption on the financial statements are as follows (in thousands):

	December 31, 2013		
	As previously reported	Effect of retrospective application	As restated
Statement of Income			
Gain on foreclosure and sale of chattel mortgage properties - net	(P130,927)	P509,511	P378,584
Provision for credit and impairment losses	2,139,562	509,511	2,649,073
	December 31, 2012		
	As previously reported	Effect of retrospective application	As restated
Statement of Income			
Gain on foreclosure and sale of chattel mortgage properties - net	(P159,596)	P472,167	P312,571
Provision for credit and impairment losses	1,144,721	472,167	1,616,888

The change has no impact on the basic/diluted earnings per share.



Summary of Significant Accounting Policies

Foreign Currency Translation

The financial statements are presented in Philippine Peso, which is the Bank's functional and presentation currency.

The books of accounts of the RBU are maintained in Philippine Peso, while those of the FCDU are maintained in USD.

RBU

As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated in Philippine Peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the exchange rates as at the dates of the transactions. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against profit or loss in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated to the Bank's presentation currency (the Philippine Peso) at the PDS closing rate prevailing at the statement of condition date, and its income and expenses are translated using the exchange rates as at the dates of the transactions. Exchange differences arising on translation to the presentation currency are taken to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement

The Bank measures financial instruments, such as FVPL investments, AFS investments and derivatives, and non-financial assets such as investment properties, at fair value at each statement of condition date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



If an asset or a liability measured at fair value has a bid price and an ask price (e.g. an input from a dealer market), the price between the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and loans are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for FVPL investments and liabilities, the initial measurement of financial instruments includes transaction costs. The Bank classifies its financial assets in the following categories: FVPL investments, AFS investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified into liabilities at FVPL and other financial liabilities at amortized cost. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of condition date. As of December 31, 2014 and 2013, the Bank had no financial liabilities at FVPL.



Derivatives recorded at FVPL

Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of December 31, 2014 and 2013, derivatives consist of Republic of the Philippines (ROP) paired warrants acquired to lower the risk weighted assets and improve the capital adequacy ratio of the Bank.

For purposes of hedge accounting, hedges, if any, are classified primarily as either: a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or b) a hedge of the exposure to variability in cash flows attributable to an asset or a liability or a forecasted transaction (cash flow hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow, or net investment hedge provided certain criteria are met.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly as 'Cash flow hedge reserve' in the statement of comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the statement of income.

Amounts recognized as other comprehensive income (OCI) are transferred to the statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in the statement of comprehensive income are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. If the related transaction is no longer expected to occur, the amount is recognized in the statement of income.

Hedge effectiveness testing

To qualify for hedge accounting, the Bank requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Bank adopts for assessing hedge effectiveness will depend on its risk management strategy.



For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated.

The Bank's associate has designated its cross currency interest rate swaps as cash flow hedges of the foreign currency and interest rate risks arising from floating interest rate foreign currency-denominated liabilities. In 2014 and 2013, the Bank has recognized its equity in the cash flow hedge reserve of its associate in its OCI.

Financial assets or financial liabilities held-for-trading (HFT)

Other financial assets or financial liabilities held for trading (classified as FVPL investments) are recorded in the statement of condition at fair value. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other operating income under 'Miscellaneous' when the right to receive payment has been established.

Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term.

Designated financial assets or financial liabilities at FVPL

Designated financial assets or financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flow that would otherwise be required by the contract.

Designated financial assets and financial liabilities at FVPL are recorded in the statement of condition at fair value. Changes in fair value are recorded in 'Trading and securities gains - net'. Interest earned or incurred is recorded in interest income or interest expense using the effective interest rate (EIR), while any dividend income is recorded in other operating income under 'Miscellaneous' according to the terms of the contract, or when the right of the payment has been established.

As of December 31, 2014 and 2013, the Bank had no designated financial assets or financial liabilities at FVPL.

Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;



- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at fair value through profit or loss.

The Bank assesses whether embedded derivatives are required to be separated from host contracts when the Bank first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Bank determines whether a modification to the cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative and the host contract has changed, and whether the change is significant relative to the previously expected cash flow on the contract.

As of December 31, 2014 and 2013, the Bank does not have any embedded derivatives required to be separated from the host contract.

AFS investments

AFS investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as HFT nor designated at FVPL. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in market conditions. The Bank has not designated any loans and receivables as AFS.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, are reported in other operating income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported as 'Net unrealized gain (loss) from AFS investments' in OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gains - net' in the statement of income. Where the Bank holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR. Dividends earned on holding AFS equity investments are recognized in the statement of income as other operating income under 'Miscellaneous' when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the statement of income and removed from 'Net unrealized gain (loss) from AFS investments' in OCI.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the positive intention and ability to hold until maturity. After initial measurement, HTM investments are subsequently measured at amortized cost using the effective interest amortization method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income on investment securities' in the statement of income. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of restatement on foreign currency-denominated HTM investments are recognized in the statement of income.



If the Bank were to sell or reclassify more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as AFS investments. Furthermore, the Bank would be prohibited from classifying any financial asset as HTM investments during the following two years.

Loans and receivables

This accounting policy relates to the Bank's 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from Other Banks', 'Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)', and 'Loans and Receivables'. These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at FVPL;
- those that the Bank, upon initial recognition, designates as AFS; and
- those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable and SPURA' and 'Loans and Receivables' are subsequently measured at amortized cost using the effective interest amortization method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

Other financial liabilities carried at amortized cost

This category represents issued financial instruments or their components, which are not designated at FVPL and comprises 'Deposit Liabilities', 'Subordinated Notes', 'Treasurer's, Cashier's and Manager's Checks', 'Accrued Taxes, Interest and Other Expenses', 'Accounts Payable', 'Bills Purchased - Contra', 'Other credits', 'Due to BSP', 'Dividends Payable', 'Due to the Treasurer of the Philippines' and 'Deposits for Keys - Safety Deposit Boxes (SDB)', where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified as and not designated as FVPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The residual amount determined after deducting the fair value of the debt component is assigned to the equity component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.



Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
 - a. the Bank has transferred substantially all the risks and rewards of the asset, or
 - b. the Bank has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank’s continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (‘repos’) are not derecognized from the statement of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statement of condition as a loan to the Bank, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date (‘reverse repos’) are not recognized in the statement of condition. The consideration paid, including accrued interest, is recognized in the statement of condition as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest amortization method.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of condition if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.



Reclassification of Financial Assets

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of comprehensive income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value on the date of reclassification, and the difference between its carrying amount and fair value shall be recognized in other comprehensive income.

Impairment of Financial Assets

The Bank assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization; and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, which includes loans and receivables, due from banks and HTM investments, the Bank first assesses individually at each statement of condition date whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. Assets individually assessed for impairment for which no impairment loss was measured are also collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be accrued on the reduced



carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral have been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recovery from charged-off assets' in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry and age of receivables.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

The details of credit and impairment losses on financial assets carried at amortized cost are disclosed in Note 15.

Restructured loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repricedable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statement of income.



AFS investments

For AFS investments, the Bank assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of debt instruments classified as AFS investments, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income.

In the case of equity investments classified as AFS investments, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. The Bank treats 'significant' generally as 20.00% and 'prolonged' generally as greater than twelve (12) months. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized in the statement of comprehensive income.

Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as hold-out on deposits, real estate, receivables and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception. Non-financial collateral, such as real estate and chattel, is valued based on data provided by third parties such as independent appraisers.

Revenue Recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Bank and revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms and payment excluding taxes or duty. The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income and expense

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS and financial instruments designated at FVPL, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.



The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income' for financial assets and 'Interest expense' for financial liabilities.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR used to discount future cash flows for the purpose of measuring the impairment loss.

Service fees and commission income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include fiduciary fees, credit-related fees and other service and management fees.

Income from sale of property and equipment, investment property and chattel mortgage properties

Income from sale of properties is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

Trading gains (losses)

Trading gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of financial assets held for trading.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains and losses on disposals of financial instruments at FVPL are calculated using weighted average method. It represents the difference between an instrument's initial carrying amount and disposal amount.

Rental income

Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statement of income under 'Other operating income'.

Dividends

Dividend income is recognized when the Bank's right to receive payment is established, which is generally when shareholders approve the dividend.

Expense Recognition

Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and in banks, amounts due from BSP and interbank loans receivable and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents wherein drawings can be made to meet the Bank's cash requirements, as allowed by the BSP.



Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the statement of income in the year of acquisition.

Goodwill is initially measured at cost being the excess of the acquisition cost over the share in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The Bank's goodwill arose from past purchases of branch business/offices from the Parent Company.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of the CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the acquired other assets or liabilities are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Investments in an Associate and a Joint Venture

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Bank's investment in an associate represents its 25.00% interest in Toyota Financial Services Philippines Corporation (TFSPC), an entity not listed in the PSE.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Bank's investment in a joint venture represents its 40.00% interest in Sumisho Motor Finance Corporation (SMFC), an entity not listed in the PSE.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.



The statement of income reflects the Bank's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Bank's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of a joint venture are prepared for the same reporting period as the Bank. The reporting period of TFSPC is a fiscal year ending March 31. However, TFSPC prepares financial statements for a 12-month period ending December 31 for the use of the Bank in applying the equity method. The length of the reporting period is the same from period to period. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share in net income (loss) of an associate and a joint venture' in the statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

In 2014, the Bank has sold its 25.00% interest in TFSPC.

Property and Equipment

Land is stated at cost less any impairment in value and depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.



Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	3-5 years depending on the type of assets
Leasehold improvements	5 years or the term of the related leases, whichever is shorter

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or CGU are written down to their recoverable amount (see policy on Impairment of Non-financial Assets).

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties from foreclosure date. Expenditures incurred after the investment properties are recognized, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment in value, except for land which is stated at cost less impairment in value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the investment properties.

The estimated useful life of building and condominium units ranges from 10 to 40 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in 'Gain on foreclosure and sale of investment properties - net' in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.



Chattel Mortgage Properties

Chattel mortgage properties comprise repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Chattel mortgage properties acquired are initially recognized at fair value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Intangible Assets

The Bank's intangible assets include branch licenses and computer software. An intangible asset is recognized only when the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income under 'Amortization of intangible assets'.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Branch licenses

Branch licenses arise from the acquisition of branches from local banks and licenses to operate new branches from the BSP. Branch licenses have indefinite useful lives and are tested for impairment on an annual basis.

Software costs

Software costs are carried at cost less accumulated amortization and any impairment in value. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short. Software costs are amortized on a straight-line basis over five years but maybe shorter depending on the period over which the Bank expects to use the asset.



Impairment of Non-financial Assets

Property and equipment, investment properties and chattel mortgage properties

At each statement of condition date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of condition date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized. Such reversal is recognized in the statement of income. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Bank performs its annual impairment test of goodwill as at December 31 of each year.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 of each year, either individually or at the CGU level, as appropriate.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.



Investments in an associate and a joint venture

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on the Bank's investment in an associate and a joint venture. The Bank determines at each statement of condition date whether there is any objective evidence that the investment in an associate and a joint venture are impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the investment in the associate and joint venture and the carrying amount and recognizes such amount in the statement of income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;
or,
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Bank as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Bank as a lessor

Leases where the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as income in the period in which they are earned.

Retirement Cost

The Bank has a funded, non-contributory defined benefit retirement plan, administered by the Retirement Committee, covering their permanent employees.

Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- a. service cost;
- b. net interest on the net defined benefit liability or asset; and
- c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual



reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments are included in the measurement basis of the underlying debt instruments and are amortized as an adjustment to the interest on the underlying debt instruments using the effective interest method.

Income Taxes

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items recognized directly in the statement of comprehensive income.

Current tax

Current income tax is the expected tax payable on the taxable income for the period, using the tax rates enacted at the statement of condition date, together with adjustments to tax payable in respect to prior years.

Deferred tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of condition date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses and MCIT can be utilized.



The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of condition date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Current income tax and deferred income tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits, if any, declared during the year. As of December 31, 2014 and 2013, there were no potential common shares with dilutive effect on the basic EPS of the Bank.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after the statement of condition date are dealt with as subsequent events.

Subsequent Events

Post year-end events that provide additional information about the Bank's position at the statement of condition date (adjusting events) are reflected in the financial statements.

Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Segment Reporting

The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Bank's assets generating revenues are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements, where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.



New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2014

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing consists of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have significant impact on its financial statements.

New and Amended Standards

PFRS 9, Financial Instruments – Classification and Measurement (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

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

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but will have no impact on the classification and measurement of financial liabilities.

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Bank.



Effective 2015

The following standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

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

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. The Bank does not expect the amendment to have an impact since it has a noncontributory defined benefit plan.

Annual Improvements to PFRSs (2010-2012 cycle)

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

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

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

This amendment does not apply to the Bank as it has no share-based payments.

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

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Bank shall consider the amendment for future business combinations.

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

The amendments are applied retrospectively and clarify that:

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



The amendments affect disclosures only and the Bank does not expect that PFRS 8 will have material financial impact in future financial statements.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Bank's financial position or performance.

PAS 24, Related Party Disclosures – Key Management Personnel

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Bank's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

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

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

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

PFRS 13, Fair Value Measurement – Portfolio Exception

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, Investment Property

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Bank's financial position or performance.

Effective 2016 onwards

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption



permitted. These amendments are not expected to have any impact to the Bank since it does not use a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank as it does not have any bearer plants.

PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that the amendment would be relevant to the Bank.

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

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

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



The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

PFRS 14, Regulatory Deferral Accounts

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

PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

PFRS 9, Financial Instruments (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the final version of PFRS 9, however, is still for approval by BOA.



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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally. This new standard issued by the IASB has not yet been adopted by the FRSC.

Annual Improvements to PFRSs (2012-2014 cycle)

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

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal

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

PFRS 7, Financial Instruments: Disclosures – Servicing Contracts

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

PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, Employee Benefits – regional market issue regarding discount rate

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the



country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The effects of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Bank’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) Classification of operating leases

Bank as lessor

The Bank has entered into leases on its properties. The Bank has determined based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and the lease term is not for the major part of the asset’s economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee

The Bank has entered into leases on the premises it uses for its operations. The Bank has determined, based on an evaluation of the terms and conditions of the lease agreements, that all significant risks and rewards of ownership of the properties it leases on operating lease are not transferable to the Bank.



(b) *Fair value of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of condition cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility for longer-dated derivatives and discount rates, prepayments and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 4.

(c) *Classification of HTM investments*

The classification to HTM investment requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than in certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire portfolio to AFS investments. The investments would therefore be measured at fair value and not at amortized cost.

(d) *Financial assets not quoted in an active market*

The Bank classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(e) *Functional currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- b. the currency in which funds from financing activities are generated; and
- c. the currency in which receipts from operating activities are usually retained.

(f) *Change in use of assets*

PAS 40 requires management to use its judgment to determine whether a property qualifies as an investment property. The Bank has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Bank is accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cashflows as a stand-alone asset are accounted for as property and equipment.

The Bank assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties.



Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Credit losses on loans and receivables

The Bank reviews its loans and receivables at each statement of condition date to assess whether an impairment loss should be recorded in the statement of income. In particular, judgment made by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, at which event, the Bank adjusts the impairment loss and ensures that allowance for it remains adequate.

In addition to specific allowance against individually significant loans and receivables, the Bank also provides a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on changes in factors that are indicative of incurred losses, such as deterioration in payment status and underlying property prices, among others.

The carrying value of loans and receivables and allowance for credit losses on loans and receivables are disclosed in Notes 9 and 15, respectively.

(c) Valuation of unquoted AFS equity investments

The Bank's investments in equity securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

As of December 31, 2014 and 2013, the carrying amounts of unquoted equity securities amounted to ₱1.4 million (Note 8).

(d) Impairment of quoted AFS equity investments

The Bank treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Bank treats 'significant' generally as 20.00% or more of the original cost of the investment, and 'prolonged', greater than twelve (12) months. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities.

The carrying values of the Bank's AFS equity investments are disclosed in Note 8.



(e) *Impairment of non-financial assets*

Property and equipment, investment properties and chattel mortgage properties

The Bank assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less costs to sell for property and equipment, investment properties and chattel mortgage properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's property and equipment, investment properties and chattel mortgage properties are disclosed in Notes 11, 12 and 14, respectively.

Investments in an associate and a joint venture

The Bank assesses impairment on its investment in an associate and a joint venture whenever events or changes in circumstances indicate that the carrying amount of said asset may not be recoverable. Among others, the factors that the Bank considers important which could trigger an impairment review on its investments in an associate and a joint venture include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes (i.e., technological, market, economic, or legal environment in which the associate or joint venture operates with an adverse effect on the associate or joint venture have taken place during the period, or will take place in the near future).

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined based on the asset's value in use. As of December 31, 2014 and 2013, the carrying values of the Bank's investments in an associate and a joint venture amounted to ₱0.7 billion and ₱1.3 billion, respectively (Note 10).

Goodwill

The Bank's management conducts an annual review for any impairment in value of goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Bank used its weighted average cost of capital in discounting the expected cash flows from specific CGUs. Future cash flows from the business are estimated based on the theoretical annual income of the CGUs. Average growth rate was derived from the average increase in annual income during the last five (5) years.



The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 11.43%.

Key assumptions in the value-in-use calculation of CGUs are most sensitive to the following assumptions: a) interest margin; b) discount rates; and c) projected growth rates used to extrapolate cash flows beyond the budget period.

As of December 31, 2014 and 2013, the Bank's goodwill amounted to ₱53.6 million (Note 13).

Intangible assets

The Bank's management conducts an annual review for any impairment in value of its intangible assets. Intangible assets are written down for impairment where the recoverable amount is insufficient to support its carrying value. Intangible assets with finite useful lives are assessed for impairment in the same manner as other depreciable non-financial assets. In the case of intangible assets with indefinite useful lives, at a minimum, these are subject to an annual impairment test and more frequently whenever there is an indication that said asset may be impaired. The carrying value of intangible assets is disclosed in Note 13.

(f) Fair value of investment properties

The fair values of the Bank's investment properties have been derived on the basis of recent sales of similar properties in the same areas where the investment properties are located, and taking into account the economic conditions prevailing at the time the valuations were made.

The fair value of the Bank's investment properties are disclosed in Note 12.

(g) Present value of retirement obligation

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The details of assumptions used in the actuarial valuation are disclosed in Note 24.

As of December 31, 2014 and 2013, the net pension liability of the Bank amounted to ₱620.2 million and ₱429.5 million, respectively (Note 24).

(h) Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.



Estimates of future taxable income indicate that temporary differences will be realized in the future. Net deferred tax assets as of December 31, 2014 and 2013 amount to ₱731.9 million and ₱243.1 million, respectively (Note 27).

(i) *Contingent liabilities*

The Bank is a defendant in legal actions arising from its normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not have a material effect on the Bank's financial statements (Note 31).

(j) *Estimated useful lives of property and equipment, investment properties, intangible assets and chattel mortgage properties*

The Bank estimates the useful lives of its property and equipment, investment properties, intangible assets and chattel mortgage properties. This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment, investment properties, software cost and chattel mortgage properties. The estimated useful lives of property and equipment, investment properties, chattel mortgage properties and software cost are disclosed in Note 2. The carrying value of property and equipment, investment properties, intangible assets and chattel mortgage properties are disclosed in Notes 11, 12, 13 and 14, respectively.

4. Fair Value Measurement

The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, returned checks and other cash items (RCOCI), shortages, and petty cash fund - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services, or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Quoted AFS equity investments - Fair values are based on quoted prices published in markets.

Unquoted AFS equity investments - Fair values could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. Hence, these investments are carried at cost less allowance for impairment losses.

Currently, there is no available market to sell these unquoted AFS equity investments. The Bank will hold onto these investments until management decides to sell them when there will be offers to buy out such investments or the appearance of an available market where the investments can be sold.

Derivative instruments (included under FVPL) - Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models.



Receivable from customers and other receivables except accounts receivable, accrued interest receivable, bills purchased and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased - contra, other credits, due to the Treasurer of the Philippines, deposits for keys - SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Subordinated notes and time deposits - Fair values are estimated using the discounted cash flow methodology using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The Bank's nonperformance risk as at December 31, 2014 was assessed to be insignificant.

Investment Properties - Fair values of the investment properties have been derived on the basis of recent sales of similar properties in the same areas where the investment properties are located, and taking into account the economic conditions prevailing at the time the valuations were made.

The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the hierarchy described in Note 2 for determining and disclosing the fair value of financial instruments by valuation technique (in thousands):

	2014				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	₱278,909	₱278,909	₱-	₱-	₱278,909
AFS investments					
Government debt securities	3,068,906	2,531,241	537,665	-	3,068,906
Private debt securities	3,010,068	3,010,068	-	-	3,010,068
Quoted equity securities	2,925	2,925	-	-	2,925
	₱6,360,808	₱5,823,143	₱537,665	₱-	₱6,360,808
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Private	₱1,683,128	₱1,648,500	₱-	₱-	₱1,648,500
Loans and receivables					
Receivables from customers					
Consumption loans	45,501,498	-	48,490,205	-	48,490,205
Real estate loans	33,992,035	-	36,757,985	-	36,757,985
Commercial loans	12,015,811	-	13,292,661	-	13,292,661
Personal loans	3,120,326	-	3,605,699	-	3,605,699
Other receivables					
Sales contract receivable	232,266	-	250,251	-	250,251
Other assets					
Security deposits	114,005	-	115,974	-	115,974
Non-Financial Assets					
Investment properties	2,933,069	-	3,372,177	-	3,372,177
	₱99,592,138	₱1,648,500	₱105,884,952	₱-	₱107,533,452
Financial Liabilities					
Deposit liabilities					
Time	₱87,415,706	₱-	₱91,696,880	₱-	₱91,696,880
Subordinated notes	5,946,901	-	5,785,495	-	5,785,495
	₱93,362,607	₱-	₱97,482,375	₱-	₱97,482,375



	2013				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	P184,607	P184,607	P-	P-	P184,607
AFS investments					
Government debt securities	5,562,123	4,205,436	1,356,687	-	5,562,123
Private debt securities	81,627	81,627	-	-	81,627
Quoted equity securities	3,895	3,895	-	-	3,895
	P5,832,252	P4,475,565	P1,356,687	P-	P5,832,252
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Receivables from customers					
Consumption loans	P37,963,039	P-	P41,855,955	P-	P41,855,955
Real estate loans	28,013,908	-	28,072,874	-	28,072,874
Commercial loans	12,418,050	-	13,235,241	-	13,235,241
Personal loans	3,329,976	-	3,949,190	-	3,949,190
Other receivables					
Sales contract receivable	257,155	-	276,879	-	276,879
Unquoted debt securities	198,000	-	204,499	-	204,499
Other assets					
Security deposits	97,034	-	104,499	-	104,499
Non-Financial Assets					
Investment properties	2,589,408	-	2,985,199	-	2,985,199
	P84,866,570	P-	P90,684,336	P-	P90,684,336
Financial Liabilities					
Deposit liabilities					
Time	P81,286,387	P-	P87,724,257	P-	P87,724,257
Subordinated notes	2,972,366	-	3,504,468	-	3,504,468
	P84,258,753	P-	P91,228,725	P-	P91,228,725

There have been no transfers between Level 1 and Level 2 in 2014 and 2013.

As of December 31, 2014 and 2013, the fair value of the Bank's ROP warrants is classified as Level 3. Due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices, the Bank determined the market value of its warrants to be zero.

5. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.



Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

BOD

The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

ROC

The ROC is composed of at least three members of the Board, including at least one (1) independent director, and a chairperson who is a non-executive member. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, a non-executive director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

RMO

The RMO, headed by the Chief Risk Officer, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;
- spearheading the regular review of the Bank's risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO's role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.



The Risk Management Function is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;
- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President

The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management

The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

a. Credit risk and concentration of assets and liabilities and off-balance sheet items

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank's lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

Credit Approval

Credit approval is the documented acceptance of credit risk in the credit proposal or application.



The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI), and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Senior Credit Officer together with the Credit Risk Manager.

Borrower Eligibility

The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.

Loan Structure

The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history. These are sourced from the databases of the Banker's Association of the Philippines and the Credit Management Association of the Philippines.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.



Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit Management

The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱0.1 billion are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators. In 2014, new segmented credit scoring models were implemented for consumer loans.

Maximum Exposure to Credit Risk

The tables below show the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statement of condition and related notes already represent the financial instrument's maximum exposure to credit risk, after taking into account collateral held or other credit enhancements (in thousands):

	2014			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱815,107	₱53,767	₱761,340	₱53,767
Interbank loans receivable and SPURA	2,186,320	2,923,182	-	2,186,320
Receivables from customers				
Consumption loans	45,501,498	65,022,102	12,845	45,488,653
Real estate loans	33,992,035	64,126,090	-	33,992,035
Commercial loans	4,057,917	7,733,953	1,366,720	2,691,197
Other receivables				
Accrued interest receivable	762,560	1,362,296	-	762,560
Sales contract receivable	232,266	515,454	-	232,266
Total credit exposure	₱87,547,703	₱141,736,844	₱2,140,905	₱85,406,798



	2013			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,021,853	₱3,327,117	₱–	₱1,021,853
Interbank loans receivable and SPURA	14,527,000	15,674,389	–	14,527,000
Receivables from customers				
Consumption loans	37,963,039	55,640,634	10,058	37,952,981
Real estate loans	28,013,908	54,334,022	–	28,013,908
Commercial loans	3,725,021	7,008,866	1,049,932	2,675,089
Other receivables				
Accrued interest receivable	631,068	1,232,799	–	631,068
Sales contract receivable	257,155	552,811	–	257,155
Total credit exposure	₱86,139,044	₱137,770,638	₱1,059,990	₱85,079,054

Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

- For Due from other banks: investment securities
- For SPURA: investment securities
- For commercial lending: mortgages over real estate properties, deposit accounts and securities
- For consumer lending: mortgages over real estate and chattel

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for credit and impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are updated every two years and when a loan is assessed to be impaired, whenever applicable. Generally, collateral is not held over loans and advances to banks except for SPURA. The Bank is not allowed to sell or re-pledge collateral held under SPURA in the absence of default by the counterparty. Collateral usually is not held against holdings in investment securities, and no such collateral was held as of December 31, 2014 and 2013.

Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of December 31, 2014 and 2013, the maximum credit exposure to any borrower amounted to ₱2.6 billion and ₱2.7 billion, respectively, before taking into account any collateral or other credit enhancement.



The distribution of the Bank's financial assets before taking into account any collateral held or other credit enhancements can be analyzed by the following geographical regions (in thousands):

	2014			
	Banking Activities	Trading Activities	Others	Total
Luzon	₱32,902,219	₱9,544,190	₱82,817,100	₱125,263,509
Visayas	1,970	132,197	5,798,703	5,932,870
Mindanao	18,757	177,582	6,940,640	7,136,979
	32,922,946	9,853,969	95,556,443	138,333,358
Less allowance for credit and impairment losses	866,532	80,363	3,738,376	4,685,271
Total	₱32,056,414	₱9,773,606	₱91,818,067	₱133,648,087

	2013			
	Banking Activities	Trading Activities	Others	Total
Luzon	₱38,346,605	₱11,497,740	₱62,453,231	₱112,297,576
Visayas	205,388	364,293	4,896,313	5,465,994
Mindanao	273,548	662,488	5,504,665	6,440,701
	38,825,541	12,524,521	72,854,209	124,204,271
Less allowance for credit and impairment losses	968,416	291,240	3,588,816	4,848,472
Total	₱37,857,125	₱12,233,281	₱69,265,393	₱119,355,799

Others include counterparties that are in real estate, public utilities, mining and quarrying, services, agriculture and other community, social and personal activities.

Additionally, the tables below show the distribution of the Bank's financial assets and off-balance sheet items before taking into account any collateral or other credit enhancements analyzed by industry sector as of December 31, 2014 and 2013 (in thousands):

	2014				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	₱52,228,173	₱-	₱-	₱-	₱52,228,173
Real estate activities	32,205,553	-	-	-	32,205,553
Financial and insurance activities	3,523,586	29,566,085	8,047,544	198,273	41,335,488
Other service activities	5,581,189	-	-	24,624	5,605,813
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,939,562	-	-	-	1,939,562
Information and communication	1,758,612	-	-	-	1,758,612
Manufacturing	875,967	-	-	-	875,967
Transportation and storage	530,595	-	-	-	530,595
Construction	361,617	-	-	54,000	415,617
Electricity, gas, steam and air-conditioning supply	257,760	-	-	-	257,760
Human health and social work activities	231,011	-	-	-	231,011
Accommodation and food service activities	230,777	-	-	-	230,777
Water supply, sewage, waste management and remediation activities	223,656	-	-	-	223,656
Administrative and support service activities	170,648	-	-	-	170,648
Professional, scientific and technical services	145,693	-	-	-	145,693

(Forward)



2014					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Education	₱144,616	₱-	₱-	₱-	₱144,616
Agricultural, forestry and fishing	16,052	-	-	-	16,052
Arts, entertainment and recreation	15,555	-	-	-	15,555
Mining and quarrying	2,210	-	-	-	2,210
	100,442,832	29,566,085	8,047,544	276,897	138,333,358
Less allowance for credit and impairment losses	4,683,082	-	2,189	-	4,685,271
Total	₱95,759,750	₱29,566,085	₱8,045,355	₱276,897	₱133,648,087

2013					
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	₱46,594,697	₱-	₱-	₱-	₱46,594,697
Real estate activities	26,138,987	-	-	-	26,138,987
Financial and insurance activities	4,527,249	30,419,998	5,879,681	111,596	40,938,524
Other service activities	4,547,803	-	-	19,413	4,567,216
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,497,304	-	-	-	1,497,304
Information and communication	1,773,963	-	-	-	1,773,963
Manufacturing	806,179	-	-	-	806,179
Transportation and storage	429,451	-	-	-	429,451
Construction	283,490	-	-	54,000	337,490
Electricity, gas, steam and air-conditioning supply	71,171	-	-	-	71,171
Human health and social work activities	167,751	-	-	-	167,751
Accommodation and food service activities	170,953	-	-	-	170,953
Water supply, sewage, waste management and remediation activities	230,264	-	-	-	230,264
Administrative and support service activities	160,545	-	-	-	160,545
Professional, scientific and technical services	143,821	-	-	-	143,821
Education	139,152	-	-	-	139,152
Agricultural, forestry and fishing	12,626	-	-	-	12,626
Arts, entertainment and recreation	16,627	-	-	-	16,627
Mining and quarrying	7,550	-	-	-	7,550
	87,719,583	30,419,998	5,879,681	185,009	124,204,271
Less allowance for credit and impairment losses	4,802,462	-	46,010	-	4,848,472
Total	₱82,917,121	₱30,419,998	₱5,833,671	₱185,009	₱119,355,799

* Composed of due from BSP, due from other banks, interbank loans receivable and SPURA.

** Composed of FVPL investments, AFS investments and HTM investments.

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines.

Credit Quality

Description of the loan grades for loans, receivables and stand-by credit lines:

Interim Credit Rating System

The Bank rates accounts on a scale of 1 to 10, with 1 being the best, based on the Board-approved interim credit rating system which utilizes both the credit scoring results and BSP loan grading system.



Neither Past Due nor Individually Impaired

The Bank classifies those accounts under current status having the following loan grades:

High Grade (ICRS 1 - 4)

1 - Excellent

This is considered as normal risk by the Bank. An excellent rating is given to a borrower who has the ability to meet credit obligation in full and is never delinquent.

2 - Strong

This is also considered as normal risk by the Bank. Borrower has the ability to meet credit obligation in full, except that the borrower had history of 1-29 days delinquency at worst.

3 - Good

This rating is given to a borrower who has the ability to meet credit obligation in full, except that the borrower had history of rating of Loans Especially Mentioned (ICRS=7) at worst.

4 - Satisfactory

This rating is given to a borrower who has the ability to meet credit obligation in full, except that the borrower had history of rating of Substandard (ICRS=8) at worst.

Standard Grade (ICRS 5 - 7)

5 - Acceptable

An acceptable rating is given to a borrower who meets present obligations, except that the borrower had history of Doubtful (ICRS=9) at worst.

6 - Watchlist

This rating is given to a borrower who meets present obligations, except that the borrower had history of Loss (ICRS=10) at worst.

7 - Loan Especially Mentioned

This rating is given to a borrower who has potential weaknesses which when left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Bank.

Substandard Grade (ICRS 8)

8 - Substandard

A substandard rating is given to a borrower whose loan or portion thereof involves a substantial and an unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. These loans show possibility of future loss to the Bank unless given closer supervision and well-defined weaknesses that jeopardize the loan liquidation.

Past Due but Not Individually Impaired

These are accounts which are classified as delinquent but are not subject to individual impairment as of statement of condition date.

9 - Doubtful

This rating is given to a borrower whose loans have characteristics where collection and liquidation in full is highly improbable and in which substantial loss is probable.

10 - Loss

This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted.



Unrated grade

Other credit assets which cannot be classified as High, Standard or Sub-standard are tagged as Unrated.

Individually Impaired

Accounts which are subject to individual impairment as of statement of condition date.

The tables below show the credit quality per class of financial assets under loans and receivables (in thousands)*:

	2014							Total
	Neither Past Due nor Individually Impaired				Past Due but not		Total	
	High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired		
Loans and advances to banks								
Due from BSP	₱23,997,102	₱-	₱-	₱-	₱-	₱-	₱23,997,102	
Due from other banks	-	3,382,663	-	-	-	-	3,382,663	
Interbank loans receivable and SPURA	-	2,186,320	-	-	-	-	2,186,320	
Receivables from customers								
Consumption loans	37,697,997	553,663	61,922	-	7,676,887	335,197	46,325,666	
Real estate loans	27,537,182	831,210	867,136	-	4,273,636	1,135,546	34,644,710	
Commercial loans	11,751,661	667,539	266,540	-	253,125	760,404	13,699,269	
Personal loans	2,834,322	96,382	101,463	-	700,073	37,906	3,770,146	
Other receivables								
Accrued interest receivable	489,886	145,025	6,269	-	172,594	320,221	1,133,995	
Accounts receivable	41,322	170	159	-	266,576	211,874	520,101	
Sales contract receivable	211,161	-	874	-	35,754	18,313	266,102	
Bills purchased	-	-	-	82,844	-	-	82,844	
Other assets								
Security deposits	-	-	-	114,005	-	-	114,005	
RCOCI	-	-	-	82,867	-	-	82,867	
Shortages	-	-	-	1,401	-	-	1,401	
Total	₱104,560,633	₱7,862,972	₱1,304,363	₱281,117	₱13,378,645	₱2,819,461	₱130,207,191	

*Shown gross of allowance for credit and impairment losses

	2013							Total
	Neither Past Due nor Individually Impaired				Past Due but not		Total	
	High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired		
Loans and advances to banks								
Due from BSP	₱-	₱7,401,657	₱-	₱-	₱-	₱-	₱7,401,657	
Due from other banks	-	8,491,341	-	-	-	-	8,491,341	
Interbank loans receivable and SPURA	-	14,527,000	-	-	-	-	14,527,000	
Receivables from customers								
Consumption loans	27,193,171	5,035,722	98,884	-	6,216,732	617,970	39,162,479	
Real estate loans	18,657,065	3,891,189	1,170,497	-	4,028,029	1,028,991	28,775,771	
Commercial loans	11,227,170	338,138	765,668	-	318,221	785,505	13,434,702	
Personal loans	2,771,258	529,121	207,640	-	658,165	78,531	4,244,715	
Other receivables								
Accrued interest receivable	353,910	159,237	14,214	-	113,710	305,749	946,820	
Accounts receivable	57,482	294	206	-	284,391	180,568	522,941	
Unquoted debt instruments	200,000	-	-	-	-	95,611	295,611	
Sales contract receivable	230,901	-	17,865	-	19,796	18,313	286,875	
Bills purchased	-	-	-	49,669	-	-	49,669	
Other assets								
Security deposits	-	-	-	97,034	-	-	97,034	
RCOCI	-	-	-	14,270	-	-	14,270	
Shortages	-	-	-	291	-	-	291	
Total	₱60,690,957	₱40,373,699	₱2,274,974	₱161,264	₱11,639,044	₱3,111,238	₱118,251,176	

*Shown gross of allowance for credit and impairment losses



External Ratings

In ensuring quality investment portfolio, the Bank uses the credit risk rating based on the rating of Moody's Investors Service (Moody's rating) as follows:

Credit Quality	External Rating									
High grade	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2	B3				
Substandard grade	Caa1	Caa2	Caa3	Ca	C					

High grade - represents those investments which fall under any of the following grade:

Aaa - fixed income obligations are judged to be of the highest quality, with the smallest degree of risk.

Aa1, Aa2, Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1, A2, A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.

Standard grade - represents those investments which fall under any of the following grade:

Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.

B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.

Substandard grade - represents those investments which fall under any of the following grade:

Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.

Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.



The tables below show the credit quality per class of investment securities (in thousands)*:

	2014							Total
	Neither Past Due nor Individually Impaired				Past Due but not Individually Impaired			
	High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired		
FVPL investments								
HFT - government securities	₱278,909	₱-	₱-	₱-	₱-	₱-	₱278,909	
AFS investments								
Government debt securities	3,068,906	-	-	-	-	-	3,068,906	
Private debt securities	-	3,010,068	-	-	-	-	3,010,068	
Quoted equity securities	-	-	-	-	-	5,114	5,114	
Unquoted equity securities	-	-	-	-	-	1,418	1,418	
HTM investments								
Private debt securities	-	6,083,317	-	-	-	-	6,083,317	
Total	₱3,347,815	₱9,093,385	₱-	₱-	₱-	₱6,532	₱12,447,732	

*Shown gross of allowance for credit and impairment losses

	2013							Total
	Neither Past Due nor Individually Impaired				Past Due but not Individually Impaired			
	High Grade	Standard Grade	Substandard Grade	Unrated	Individually Impaired	Individually Impaired		
FVPL investments								
HFT - government securities	₱-	₱184,607	₱-	₱-	₱-	₱-	₱184,607	
AFS investments								
Government debt securities	-	5,562,123	-	-	-	-	5,562,123	
Private debt securities	-	81,627	-	-	-	-	81,627	
Quoted equity securities	-	-	5,311	-	-	773	6,084	
Unquoted equity securities	-	-	-	-	-	45,239	45,239	
Total	₱-	₱5,828,357	₱5,311	₱-	₱-	₱46,012	₱5,879,680	

*Shown gross of allowance for credit and impairment losses

Impairment Assessment

Impairment losses are recognized based on the results of a specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened or when there is inability to pay principal or interest overdue beyond a threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

Individually assessed allowances

The Bank determines the allowances appropriate for each significant loan or advance on an individual basis. Items considered when determining amounts of allowances include an account's age, payment and collection history, timing of expected cash flows and realizable value of collateral.

The Bank sets criteria for specific loan impairment testing and uses the discounted cash flow methodology to compute for impairment loss. Accounts subjected to specific impairment and that are found to be impaired shall be excluded from the collective impairment computation.

Collectively assessed allowances

Allowances are assessed collectively for losses on commercial loans and advances that are not individually significant or are found to be not individually impaired. Impairment losses are estimated by taking into consideration the historical losses using a lookback period of five years on the portfolio and the expected receipts and recoveries once impaired. The Bank is responsible for deciding the length of historical loss period which can extend for as long as five years. The impairment allowance is then reviewed by the Bank to ensure alignment with the Bank's overall policy.



The Bank uses the Net Flow Rate method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets. The method applies to consumer loans, as well as salary and home equity loans granted to employees of the Bank. For commercial loans, the Bank uses Historical Loss Rate method in determining the credit loss rate based on the actual historical loss experienced by the Bank on each specific industry type.

Aging Analysis of Past Due but not Individually Impaired Loans per Class of Financial Assets

The succeeding tables show the total aggregate amount of gross past due but not individually impaired loans and receivables per delinquency bucket. Under PFRS, a financial asset is past due when the counterparty has failed to make a payment when contractually due (in thousands)*:

	2014					Total
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	
Loans and receivables						
Receivables from customers						
Consumption loans	₱4,076,702	₱1,639,227	₱697,052	₱675,595	₱588,311	₱7,676,887
Real estate loans	2,915,657	931,654	311,813	76,920	37,592	4,273,636
Commercial loans	158,696	25,749	17,497	19,220	31,963	253,125
Personal loans	245,868	51,242	29,532	72,277	301,154	700,073
Other receivables						
Accounts receivable	7,309	842	2,262	254,228	1,935	266,576
Accrued interest receivable	65,019	31,818	18,068	34,153	23,536	172,594
Sales contract receivable	14,203	4,271	4,766	1,767	10,747	35,754
Total	₱7,483,454	₱2,684,803	₱1,080,990	₱1,134,160	₱995,238	₱13,378,645

*Shown gross of allowance for impairment and credit losses

	2013					Total
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	
Loans and receivables						
Receivables from customers						
Consumption loans	₱3,260,783	₱1,193,254	₱471,740	₱373,342	₱917,613	₱6,216,732
Real estate loans	2,185,064	663,816	222,951	135,392	820,806	4,028,029
Commercial loans	121,785	50,158	3,594	5,218	137,466	318,221
Personal loans	77,210	29,592	27,816	85,930	437,617	658,165
Other receivables						
Accounts receivable	2,771	4,048	916	2,589	274,067	284,391
Accrued interest receivable	40,001	20,071	10,168	11,319	32,151	113,710
Sales contract receivable	-	-	-	6,378	13,418	19,796
Total	₱5,687,614	₱1,960,939	₱737,185	₱620,168	₱2,633,138	₱11,639,044

*Shown gross of allowance for impairment and credit losses

b. Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk. The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.



Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities

The Bank's trading portfolios are currently composed of peso and dollar-denominated sovereign debt securities that are marked-to-market daily. The Bank also uses VaR to measure the extent of market risk exposure arising from these portfolios.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model uses historical simulation for Peso and USD HFT portfolios with confidence level at 99.00% and a 1 day holding period. It utilizes a 260 days rolling data most recently observed daily percentage changes in price for each asset class in its portfolio.

VaR reports are prepared on a daily basis and submitted to Treasury and RMO. VaR is also reported to the ROC and BOD on a monthly basis. The President, ROC and BOD are advised of potential losses that exceed prudent levels or limits.

When there is a breach in VaR limits, Treasury is expected to close or reduce their position and bring it down within the limit unless approval from the President is obtained to retain the same. All breaches are reported to the President for regularization. In addition to the regularization and approval of the President, breaches in VaR limits and special approvals are likewise reported to the ROC and BOD for their information and confirmation.

Back-testing is employed to verify the effectiveness of the VaR model. The Bank performs back-testing to validate the VaR model and stress testing to determine the impact of extreme market movements on the portfolios. Results of backtesting are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted, based on historical maximum percentage daily movement and on an ad-hoc rate shock to estimate potential losses in a crisis situation.

The Bank has established limits, VaR, stop loss limits and loss triggers, for its trading portfolios. Daily profit or losses of the trading portfolios are closely monitored against loss triggers and stop-loss limits.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

- a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
- c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and
- d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts



therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in thousands):

	January 1 to March 31, 2014 ¹		April 1 to December 31, 2014 ²		January 1 to May 31, 2013 ³		June 1 to December 31, 2013 ¹	
	Peso	USD	Peso	USD	Peso	USD	Peso	USD
Year-end	-	-	1,469	639	3,820	-	-	-
Average	5,631	424	3,460	805	3,914	41,168	-	-
High	24,695	1,089	9,125	3,145	10,063	1,154	7,638	-
Low	320	267	645	197	1,790	507	1,213	-

¹ Using Spreadsheet-based model Historical Simulation VaR

² Using METRISK Historical Simulation VaR

³ Using Bloomberg Historical Simulation VaR

Non-trading activities

Interest Rate Risk

The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of "gap" analysis. This analysis provides the Bank with a static view of the maturity and repricing characteristics of the positions in its statement of condition. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates, whichever is earlier. Non-maturing deposits are considered as non-interest rate sensitive liabilities; no loan pre-payments assumptions are used. The difference in the amount of assets and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between the repricing dates of assets and liabilities. The Bank's sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.

The Bank uses sensitivity gap model to estimate Earnings-at-Risk (EaR) should interest rates move against its interest rate profile. The Bank's EaR limits are based on a percentage of the Bank's projected earnings for the year and capital. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EAR and stress testing reports are prepared on a monthly basis.

The ALCO is responsible for managing the Bank's structural interest rate exposure. The ALCO's goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank's interest rate risks.



The tables below demonstrate the sensitivity of net interest income and equity to reasonably possible changes in interest rates. Net interest income sensitivity was calculated by assuming interest rate shifts upon repricing of floating-rate financial instruments. Equity sensitivity was computed by calculating mark-to-market changes of AFS debt instruments, assuming a parallel shift in the yield curve.

2014							
Change in basis points	Sensitivity of net interest income	Sensitivity of Equity				Total	
		0 up to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	More than 5 years		
(Amounts in Pesos)							
Currency							
PHP	+10	(32,521,348)	–	36,712	(84,054)	(14,943,066)	(14,990,408)
USD	+10	(1,828,640)	–	–	(269,545,472)	3,258,555	(266,286,917)
Currency							
PHP	-10	32,521,348	–	49,546	14,474,228	(2,966,865)	11,556,909
USD	-10	1,828,640	–	–	(259,793,377)	4,494,810	(255,298,567)
2013							
Change in basis points	Sensitivity of net interest income	Sensitivity of Equity				Total	
		0 up to 6 months	Over 6 months to 1 year	Over 1 year to 5 years	More than 5 years		
(Amounts in Pesos)							
Currency							
PHP	+10	(27,291,526)	–	(36,357)	(4,182,201)	(45,161,855)	(49,380,413)
USD	+10	2,131,666	–	–	(56,988)	(860,699)	(917,687)
Currency							
PHP	-10	27,291,526	–	7,473	3,965,105	44,137,954	48,110,532
USD	-10	(2,131,666)	–	–	57,084	878,646	935,730

The impact on the Bank's equity excludes the impact on transactions affecting the statement of income.

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities.

The Bank's policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period. The Bank's VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	January 1 to March 31, 2014 ¹	April 1 to December 31, 2014 ²	January 1 to May 31, 2013 ³	June 1 to December 31, 2013 ¹
As of year-end		₱1,535		₱426
Average	₱991	443	₱22	15
High	2,025	1,917	1,569	1,956
Low	196	2	251	14

¹ Using Spreadsheet-based model Historical Simulation VaR

² Using METRISK Historical Simulation VaR

³ Using Bloomberg Historical Simulation VaR



The table below summarizes the Bank's exposure to foreign exchange risk as of December 31, 2014 and 2013. Included in the table are the Bank's assets and liabilities at carrying amounts (in thousands):

	2014	2013
Assets		
Cash	\$1,505	\$1,708
Due from other banks	61,039	178,904
Interbank Loans	31,000	-
FVPL investments	5,171	-
AFS investments	66,014	3,968
HTM investments	3,940	-
Other assets	2,335	81
Total assets	171,004	184,661
Liabilities		
Deposit liabilities		
Savings	33,231	31,001
Time	133,392	151,114
Accrued taxes, interest and other expenses	912	1,230
Other liabilities	2,179	1,355
Total liabilities	169,714	184,700
Net exposure	\$1,290	(\$39)

c. Liquidity Risk

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, and maintenance of a stock of high quality liquid assets. These three approaches complement one another with greater weight being given to a particular approach, depending upon the circumstances. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The MCO is a useful tool in measuring and analyzing the Bank's cash flow projections and monitoring liquidity risks. The liquidity gap report shows the projected cash flows of assets and liabilities representing estimated funding sources and requirements under normal conditions, which also forms the basis for the Bank's Contingency Funding Plan (CFP). The CFP projects the Bank's funding position during both temporary and long-term liquidity changes to help evaluate the Bank's funding needs and strategies under changing market conditions.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits. ALCO is responsible for managing the liquidity of PSBank while RMO and ROC review and oversee the Bank's overall liquidity risk management.



To mitigate potential liquidity problems caused by unexpected withdrawals of significant deposits, the Bank takes steps to cultivate good business relationships with clients and financial institutions, maintains high level of liquid assets, monitors the deposit funding concentrations and regularly updates the Liquidity Contingency Funding Plan.

Financial assets

Analysis of equity and debt securities at FVPL and AFS investments into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

Analysis of Financial Assets and Liabilities by Remaining Maturities

The tables below show the maturity profile of the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations (in millions):

	2014							Total
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	
Financial Assets								
FVPL investments								
HFT - government securities	₱-	₱2	₱2	₱-	₱4	₱8	₱347	₱355
AFS investments								
Government securities	-	79	18	6	112	215	3,458	3,673
Private debt securities	-	7	38	31	76	152	4,664	4,816
Quoted equity securities	-	-	-	-	-	-	5	5
Unquoted equity securities	-	-	-	-	-	-	1	1
HTM investments								
Government bonds	-	7	20	40	79	146	2,207	2,353
Loans and receivables								
Loans and advances to banks								
Due from BSP	9,697	14,302	-	-	-	23,999	-	23,999
Due from other banks	1,762	180	1,443	-	-	3,385	-	3,385
Interbank loans receivable and SPURA	-	802	-	1,414	-	2,216	-	2,216
Receivables from customers								
Consumption loans	106	611	1,276	2,087	5,023	9,103	62,525	71,628
Real estate loans	118	313	809	1,304	2,942	5,486	56,788	62,274
Commercial loans	1,158	533	518	934	2,130	5,273	13,908	19,181
Personal loans	945	265	422	640	1,442	3,714	1,626	5,340
Other receivables								
Accrued interest receivable	198	6	15	259	656	1,134	-	1,134
Accounts receivable	502	4	3	2	3	514	6	520
Sales contract receivable	26	2	4	8	15	55	333	388
Unquoted debt instruments	-	-	-	-	-	-	-	-
Other assets								
Security deposits	-	5	3	6	13	27	87	114
RCOCI	83	-	-	-	-	83	-	83
Shortages	1	-	-	-	-	1	-	1
	₱14,596	₱17,118	₱4,571	₱6,731	₱12,495	₱55,511	₱145,955	₱201,466



	2014							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Liabilities								
Deposit liabilities								
Demand	₱10,609	₱-	₱-	₱-	₱-	₱10,609	₱-	₱10,609
Savings	18,503	-	-	-	-	18,503	-	18,503
Time	-	17,633	45,244	4,057	1,677	68,611	23,086	91,697
	29,112	17,633	45,244	4,057	1,677	97,723	23,086	120,809
Subordinated notes	-	-	85	84	169	338	8,521	8,859
Treasurer's, cashier's and manager's checks	1,254	-	-	-	-	1,254	-	1,254
Accrued interest payable	-	-	109	36	-	145	-	145
Accrued other expenses payable	983	-	-	-	-	983	-	983
Other liabilities								
Accounts payable	-	-	-	1,201	-	1,201	-	1,201
Other credits	439	-	-	-	-	439	-	439
Dividends payable	-	177	-	-	-	177	-	177
Bills purchased - contra	83	-	-	-	-	83	-	83
Due to the Treasurer of the Philippines	11	-	-	-	-	11	-	11
Deposit for keys	1	-	-	-	-	1	-	1
Others	3	-	-	-	-	3	-	3
	₱31,886	₱17,810	₱45,438	₱5,378	₱1,846	₱102,358	₱31,607	₱133,965

	2013							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
FVPL investments								
HFT - government securities	₱185	₱-	₱-	₱-	₱-	₱185	₱-	₱185
AFS investments								
Government securities	-	12	41	90	194	337	8,637	8,974
Private debt securities	-	1	1	1	3	6	196	202
Quoted equity securities	-	-	-	-	-	-	5	5
Unquoted equity securities	-	-	-	-	-	-	1	1
Loans and receivables								
Loans and advances to banks								
Due from BSP	7,402	-	-	-	-	7,402	-	7,402
Due from other banks	8,491	-	-	-	-	8,491	-	8,491
Interbank loans receivable and SPURA	-	14,538	-	-	-	14,538	-	14,538
Receivables from customers								
Consumption loans	93	-	101	326	1,280	1,800	39,721	41,521
Real estate loans	183	-	378	674	1,656	2,891	26,086	28,977
Commercial loans	1,025	-	443	354	1,476	3,298	10,213	13,511
Personal loans	884	102	318	503	1,223	3,030	1,446	4,476
Other receivables								
Accrued interest receivable	851	-	15	22	60	948	-	948
Accounts receivable	459	56	3	3	2	523	-	523
Sales contract receivable	20	-	-	1	9	30	258	288
Unquoted debt instruments	-	-	-	205	-	205	96	301
Other assets								
Security deposits	-	6	4	8	18	36	61	97
RCOCI	14	-	-	-	-	14	-	14
	₱19,607	₱14,715	₱1,304	₱2,187	₱5,921	₱43,734	₱86,720	₱130,454



	2013							Total
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	
Financial Liabilities								
Deposit liabilities								
Demand	₱9,051	₱-	₱-	₱-	₱-	₱9,051	₱-	₱9,051
Savings	16,181	-	-	-	-	16,181	-	16,181
Time	-	54,747	7,639	1,560	1,901	65,847	20,459	86,306
	25,232	54,747	7,639	1,560	1,901	91,079	20,459	111,538
Subordinated notes	-	-	43	43	86	172	4,251	4,423
Treasurer's, cashier's and manager's checks	1,111	-	-	-	-	1,111	-	1,111
Accrued interest payable	-	-	150	20	-	170	-	170
Accrued other expenses payable	871	-	-	-	-	871	-	871
Other liabilities								
Accounts payable	-	-	-	1,067	-	1,067	-	1,067
Other credits	297	-	-	-	-	297	-	297
Dividends payable	-	2	-	-	-	2	-	2
Bills purchased - contra	50	-	-	-	-	50	-	50
Due to the Treasurer of the Philippines	11	-	-	-	-	11	-	11
Deposit for keys	1	-	-	-	-	1	-	1
Others	2	-	-	-	-	2	-	2
	₱27,575	₱54,749	₱7,832	₱2,690	₱1,987	₱94,833	₱24,710	₱119,543

6. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

- a. Consumer Banking - principally provides consumer-type loans generated by the Home Office;
- b. Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;
- c. Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
- d. Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.



The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the years ended December 31, 2014, 2013 and 2012 follows (in thousands):

	2014				Total
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	
Operating income					
Interest income	₱2,096,566	₱513,270	₱5,825,439	₱1,678,135	₱10,113,410
Service fees and commission	272,034	47,454	832,331	–	1,151,819
Other operating income	472,611	81,951	1,008,351	217,766	1,780,679
Total operating income	2,841,211	642,675	7,666,121	1,895,901	13,045,908
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	992,493	(55,175)	850,325	(43,822)	1,743,821
Depreciation	107,781	8,429	387,800	619	504,629
Amortization of other intangible assets	22,430	3,171	56,437	330	82,368
Total non-cash expenses	1,122,704	(43,575)	1,294,562	(42,873)	2,330,818
Interest expense	–	–	1,558,925	844,103	2,403,028
Service fees and commission expense	17,460	3,046	53,423	–	73,929
Subtotal	17,460	3,046	1,612,348	844,103	2,476,957
Compensation and fringe benefits	480,544	88,291	1,815,143	11,973	2,395,951
Taxes and licenses	158,764	25,720	729,633	147,477	1,061,594
Occupancy and equipment-related costs	37,755	4,239	585,687	56	627,737
Security, messengerial and janitorial services	36,307	3,673	246,524	575	287,079
Miscellaneous	257,548	38,099	1,312,900	38,037	1,646,584
Subtotal	970,918	160,022	4,689,887	198,118	6,018,945
Income before share in net income of an associate and a joint venture and income tax	730,129	523,182	69,324	896,553	2,219,188
Share in net income of an associate and a joint venture	–	76,956	–	–	76,956
Income before income tax	730,129	600,138	69,324	896,553	2,296,144
Benefit from income tax	–	–	–	–	22,533
Net income					₱2,318,677
Segment assets	₱62,641,227	₱10,065,356	₱35,673,726	₱35,826,176	₱144,206,485
Investments in an associate and a joint venture	–	–	–	–	668,607
Deferred tax assets	–	–	–	–	731,937
Total assets					₱145,607,029
Segment liabilities	₱1,024,056	₱110,243	₱91,831,563	₱34,910,865	₱127,876,727

	2013 (As restated - Note 2)				Total
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	
Operating income					
Interest income	₱1,798,034	₱492,637	₱6,128,314	₱608,251	₱9,027,236
Service fees and commission	220,196	49,405	770,794	–	1,040,395
Other operating income	310,194	157,687	500,190	4,067,022	5,035,093
Total operating income	2,328,424	699,729	7,399,298	4,675,273	15,102,724
Non-cash expenses					
Provision for credit and impairment losses	1,012,341	91,839	1,544,893	–	2,649,073
Depreciation	106,655	11,038	364,415	1,153	483,261
Amortization of other intangible assets	26,650	4,793	36,451	560	68,454
Total non-cash expenses	1,145,646	107,670	1,945,759	1,713	3,200,788
Interest expense	–	–	1,703,983	636,432	2,340,415
Service fees and commission expense	16,474	3,696	57,667	–	77,837
Subtotal	16,474	3,696	1,761,650	636,432	2,418,252
Compensation and fringe benefits	395,481	89,349	1,664,982	9,883	2,159,695
Taxes and licenses	210,690	28,738	462,779	351,634	1,053,841
Occupancy and equipment-related costs	48,048	8,216	503,494	5	559,763
Security, messengerial and janitorial services	46,550	5,455	199,554	824	252,383
Miscellaneous	463,682	77,420	905,158	12,648	1,458,908
Subtotal	1,164,451	209,178	3,735,967	374,994	5,484,590

(Forward)



	2013 (As restated - Note 2)				Total
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	
Income (loss) before share in net income of an associate and a joint venture and income tax	₱1,853	₱379,185	(₱44,078)	₱3,662,134	₱3,999,094
Share in net income of an associate and a joint venture	–	109,569	–	–	109,569
Income (loss) before income tax	1,853	488,754	(44,078)	3,662,134	4,108,663
Provision for income tax	–	–	–	–	(1,180,174)
Net income	–	–	–	–	₱2,928,489
Segment assets	₱49,098,520	₱10,296,750	₱33,326,752	₱35,714,592	₱128,436,614
Investments in an associate and a joint venture	–	–	–	–	1,346,142
Deferred tax assets	–	–	–	–	243,119
Total assets	–	–	–	–	₱130,025,875
Segment liabilities	₱455,304	₱99,653	₱85,968,305	₱27,239,537	₱113,762,799

	2012 (As restated - Note 2)				Total
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	
Operating income					
Interest income	₱1,598,928	₱326,587	₱5,901,663	₱959,086	₱8,786,264
Service fees and commission	140,696	64,531	733,643	–	938,870
Other operating income (loss)	261,670	(30,143)	369,865	2,585,718	3,187,110
Total operating income	2,001,294	360,975	7,005,171	3,544,804	12,912,244
Non-cash expenses					
Provision for credit and impairment losses	801,919	49,558	765,411	–	1,616,888
Depreciation	122,139	14,777	351,396	1,459	489,771
Amortization of other intangible assets	21,668	3,987	31,018	565	57,238
Total non-cash expenses	945,726	68,322	1,147,825	2,024	2,163,897
Interest expense	–	–	1,549,662	1,564,812	3,114,474
Service fees and commission expense	9,028	4,142	47,076	–	60,246
Subtotal	9,028	4,142	1,596,738	1,564,812	3,174,720
Compensation and fringe benefits	327,360	83,857	1,553,056	11,992	1,976,265
Taxes and licenses	122,060	29,295	477,227	208,252	836,834
Occupancy and equipment-related costs	36,165	6,153	510,473	–	552,791
Security, messengerial and janitorial services	41,270	4,418	188,400	568	234,656
Miscellaneous	312,846	34,307	790,742	15,252	1,153,147
Subtotal	839,701	158,030	3,519,898	236,064	4,753,693
Income before share in net loss of an associate and a joint venture and income tax	206,839	130,481	740,710	1,741,904	2,819,934
Share in net loss of an associate and a joint venture	–	(18)	–	–	(18)
Income before income tax	206,839	130,463	740,710	1,741,904	2,819,916
Provision for income tax	–	–	–	–	(545,332)
Net income	–	–	–	–	₱2,274,584
Segment assets	₱23,916,405	₱10,280,884	₱46,723,289	₱32,978,433	₱113,899,011
Investments in an associate and a joint venture	–	–	–	–	1,237,182
Deferred tax assets	–	–	–	–	1,024,771
Total assets	–	–	–	–	₱116,160,964
Segment liabilities	₱556,440	₱144,985	₱72,686,179	₱27,746,122	₱101,133,726

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of the following:

	2014	2013
Interbank loans receivable (Note 32)	₱1,386,320,000	₱–
SPURA	800,000,000	14,527,000,000
	₱2,186,320,000	₱14,527,000,000

The outstanding balance of interbank loans receivable represents term placements with MBTC, the Bank's parent company (Note 29).



SPURA are lending to counterparties collateralized by government securities. The Bank is not permitted to sell or repledge the related collateral in the absence of default by the counterparty.

Interest income on interbank loans receivable and SPURA are as follows:

	2014	2013	2012
Interbank loans receivable	₱38,147,079	₱25,619,027	₱74,202,957
SPURA	820,835,049	453,317,570	261,832,569
	₱858,982,128	₱478,936,597	₱336,035,526

8. Fair Value Through Profit or Loss, Available-for-Sale and Held-to-Maturity Investments

FVPL investments consist of securities held-for-trading amounting to ₱278.9 million and ₱184.6 million in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the Bank has outstanding ROP paired warrants which give the Bank the option or right to exchange its holdings of ROP Global Bonds (Paired Bonds) into peso-denominated government securities upon occurrence of a pre-determined credit event. Paired Bonds shall be risk weighted at 0.00%, provided that the 0.00% risk weight shall be applied only to the Bank's holdings of Paired Bonds equivalent to not more than 50.00% of the total qualifying capital. Further, the Bank's holdings of said warrants, booked in the FVPL category, are likewise exempted from capital charge for market risk as long as said instruments are paired with ROP Global Bonds up to a maximum of 50.00% of the total qualifying capital. As of December 31, 2014 and 2013, the Bank wrote down the carrying value of its ROP warrants to zero due to the absence of an active market.

On August 19, 2009, the BSP approved the Bank's application for Type 3 Limited User Authority for plain vanilla foreign exchange (FX) forwards, which is limited to outright buying or selling of FX forwards at a specific price and date in the future and do not include non-deliverable forwards.

As of December 31, 2014 and 2013, the Bank has no outstanding forward buy and sell contracts.

AFS investments consist of the following:

	2014	2013
Government securities (Notes 29 and 30)	₱3,068,906,157	₱5,562,123,285
Private debt securities	3,010,068,344	81,627,315
Equity securities		
Quoted	5,114,005	6,083,796
Unquoted	1,417,500	45,239,002
	6,085,506,006	5,695,073,398
Less allowance for impairment losses (Note 15)	2,188,665	46,010,167
	₱6,083,317,341	₱5,649,063,231

As of December 31, 2014 and 2013 there were no movements in the allowance for impairment losses on AFS quoted equity securities amounting to ₱2.2 million (Note 15).



Movements in the net unrealized gain on AFS investments follow:

	2014	2013
Balance at beginning of year	₱22,289,515	₱206,153,207
Gain from sale of AFS investments realized in profit or loss	(99,084,970)	(4,101,920,941)
Changes in fair values of AFS investments	103,395,918	3,918,057,249
	4,310,948	(183,863,692)
Balance at end of year	₱26,600,463	₱22,289,515

In 2013, the Bank sold a significant portion of its government securities classified as AFS investments, resulting in net realized trading gain of ₱4.1 billion.

In 2014, the Bank sold its unquoted equity securities amounting to ₱43.8 million. The Bank realized net trading gain amounting to ₱191.9 million from the sale.

As of December 31, 2014 and 2013, National Food Authority bonds classified as AFS investments with total face value of ₱50.0 million are pledged by the Bank to MBTC to secure its payroll account with MBTC (Note 29).

HTM investments consist of private bonds amounting to ₱1.7 billion as of December 31, 2014.

Interest income on investment securities consists of:

	2014	2013	2012
FVPL investments	₱13,330,603	₱3,897,789	₱9,367,598
AFS investments	301,938,725	208,967,472	352,849,005
HTM investments	48,693,812	162,538,774	974,624,330
	₱363,963,140	₱375,404,035	₱1,336,840,933

Peso-denominated AFS investments bear nominal annual interest rates ranging from 1.63% to 9.13% in 2014, 2.13% to 9.13% in 2013, and 0.00% to 9.13% in 2012 while foreign currency-denominated AFS investments bear nominal annual interest rates ranging from 3.88% to 9.38% in 2014, 4.00% to 8.88% in 2013, and 9.00% in 2012. Effective interest rates on AFS investments as of December 31, 2014, 2013, and 2012 range from 1.22% to 3.14%, 3.84% to 5.22%, and 4.70% to 6.23%, respectively.

On the other hand, peso-denominated HTM investments bear nominal annual interest rates ranging from 5.21% to 5.61% in 2014 and from 6.38% to 18.25% in 2012, while foreign currency-denominated HTM investments bear nominal annual interest rates ranging from 6.00% to 6.38% in 2014 and from 5.00% to 10.63% in 2012.



Trading and securities gains - net on investment securities consist of:

	2014	2013	2012
FVPL investments (Note 29)			
Realized	(₱5,598,282)	₱38,348,945	(₱17,892,444)
Unrealized	(1,108,328)	(69,370,851)	13,400,988
	(6,706,610)	(31,021,906)	(4,491,456)
AFS investments (Note 29)	99,084,970	4,101,920,941	2,578,092,037
Unquoted debt instruments (Note 9)	117,574,471	–	–
	₱209,952,831	₱4,070,899,035	₱2,573,600,581

Reclassification of Financial Assets

In March 2013, as approved by its BOD, the Bank reclassified the entire HTM portfolio to AFS investments as the Bank no longer intends to hold them up to their maturity but rather stands ready to sell such investments.

Such change of intention was primarily driven by the need to increase the Bank's capital position in view of the following directions set forth in BSP Circular No. 781:

- significant increase in the industry's regulatory capital requirements in view of the early implementation of Basel III minimum capital requirements effective 2014;
- inclusion of loss absorbency feature in the issuance of additional Tier 2 capital instruments; and,
- ineligibility of the Bank's ₱3.0 billion subordinated notes as part of Tier 2 capital.

The change in intention and eventual disposal of the said HTM investments portfolio in response to the significant increase in regulatory capital requirements is one of the conditions permitted under PAS 39, *Financial Instruments: Recognition and Measurement* and thus is exempt from the tainting rule.

As of March 2013, the total carrying value of HTM investments classified to AFS investments amounted to ₱13.3 billion, with unrealized gains of ₱4.1 billion deferred under 'Net unrealized gain (loss) on AFS investments' under OCI.

Subsequent to the reclassification, the Bank sold a substantial portion of the portfolio resulting in realized trading gain of ₱4.0 billion in 2013 while the remaining securities were all redeemed in 2014 at par.



9. Loans and Receivables

This account consists of:

	2014	2013
Receivables from customers		
Consumption loans	₱47,043,267,594	₱41,146,099,807
Real estate loans	34,644,709,631	28,775,771,200
Commercial loans	13,699,269,088	13,434,702,204
Personal loans (Note 29)	3,771,500,037	4,275,070,444
	99,158,746,350	87,631,643,655
Less unearned discounts	718,956,205	2,013,976,038
	98,439,790,145	85,617,667,617
Other receivables		
Accrued interest receivable (Note 29)	1,133,995,187	946,819,930
Accounts receivable (Note 29)	520,100,839	522,941,011
Sales contract receivables	266,102,363	286,874,761
Bills purchased (Note 19)	82,843,873	49,669,238
Unquoted debt instruments	-	295,610,552
	100,442,832,407	87,719,583,109
Less allowance for credit losses (Note 15)	4,683,082,577	4,802,462,115
	₱95,759,749,830	₱82,917,120,994

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

Unquoted debt instruments represent investments in convertible notes and private bonds. As of December 31, 2013, the convertible notes amounting to ₱95.6 million are provided with 100.00% allowance for credit losses.

As of December 31, 2014, 2013 and 2012, 33.09%, 29.52% and 24.59%, respectively, of the total receivables from customers are subject to periodic interest repricing. Remaining receivables earn average annual fixed interest rates of 15.72%, 12.95% and 12.78% in 2014, 2013 and 2012, respectively.

As of December 31, 2014, 2013 and 2012, receivable from customers earned interest income at an effective interest rate ranging from 9.42% to 10.46%, 9.70% to 10.95%, and 9.94% to 11.89%, respectively.

Interest income on loans and receivables consists of:

	2014	2013	2012
Receivables from customers			
Consumption loans	₱4,294,068,021	₱3,784,845,069	₱3,056,755,626
Real estate loans	2,551,584,794	2,237,204,178	1,960,362,055
Personal loans	964,681,596	1,063,057,436	1,023,481,594
Commercial loans	937,409,641	904,187,371	942,512,827
Other receivables			
Unquoted debt instruments	45,250,664	105,929,392	60,751,965
Sales contract receivables	21,821,269	27,212,396	38,028,857
	₱8,814,815,985	₱8,122,435,842	₱7,081,892,924



Interest income accreted on impaired loans and receivables classified under real estate loans and commercial loans amounted to ₱83.5 million, ₱73.3 million and ₱89.1 million in 2014, 2013 and 2012, respectively.

Interest income from restructured loans amounted to ₱51.6 million, ₱61.8 million and ₱76.8 million in 2014, 2013 and 2012, respectively.

Included in the loan portfolio are receivables purchased from a third party amounting to ₱86.6 million and ₱117.0 million as of December 31, 2014 and 2013, respectively.

BSP Reporting

The breakdown of loans and receivables from customers (gross of unearned discounts and allowance for credit losses) as to secured and unsecured and as to type of security follows:

	2014	%	2013	%
Secured by:				
Chattel	₱47,043,267,594	47.44	₱41,146,099,807	46.95
Real estate	26,104,394,467	26.33	28,383,931,714	32.39
Deposit hold-out	422,019,221	0.43	438,595,244	0.50
Others	400,376,181	0.40	420,249,261	0.48
	73,970,057,463	74.60	70,388,876,026	80.32
Unsecured	25,188,688,887	25.40	17,242,767,629	19.68
	₱99,158,746,350	100.00	₱87,631,643,655	100.00

Details of NPLs follow:

	2014	2013
Secured	₱3,025,836,063	₱2,698,250,112
Unsecured	839,843,258	957,170,661
	₱3,865,679,321	₱3,655,420,773

Generally, NPLs refer to loans and receivables whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans and receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans and receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total receivable balance.

Loans and receivables are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Receivables are not reclassified as performing until interest and principal payments are brought to current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured. Further, as provided for by BSP Circular No. 772 which is effective starting



January 1, 2013, the nonperforming loans to be disclosed shall be presented net of unearned interest and discounts.

Restructured loans and receivables, which do not meet the requirements to be treated as performing receivables, shall also be considered as NPLs.

Current banking regulations allow banks with no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit and impairment losses, provided that interest on said receivables shall not be accrued.

The NPLs of the Bank not fully covered by allowance for credit losses follow:

	2014	2013
Total NPLs	₱3,865,679,321	₱3,655,420,773
NPLs fully covered by allowance for credit losses	803,282,005	1,056,313,169
	₱3,062,397,316	₱2,599,107,604

Restructured loans as of December 31, 2014 and 2013 amounted to ₱715.5 million and ₱577.9 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱2.6 billion and ₱15.0 billion as of December 31, 2014 and 2013, respectively.

Loan concentration as to economic activity follows (gross of unearned discounts and allowance for credit losses):

	2014	%	2013	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	₱52,467,594,164	52.91	₱48,292,813,955	55.11
Real estate activities	31,914,207,647	32.18	25,844,098,847	29.49
Financial and insurance activities	2,632,250,027	2.65	3,600,815,917	4.11
Wholesale and retail trade, repair of motor vehicles and motorcycles	1,796,926,963	1.81	1,388,718,716	1.58
Information and communication	1,753,452,568	1.77	1,769,072,128	2.02
Manufacturing	871,202,817	0.88	503,363,085	0.57
Transportation and storage	523,667,298	0.53	419,204,282	0.48
Construction	349,174,323	0.35	270,072,863	0.31
Electricity, gas, steam and air-conditioning supply	235,892,452	0.24	50,127,859	0.06
Accommodation and food service activities	227,255,543	0.23	165,567,067	0.19
Human health and social work activities	224,657,958	0.23	160,987,498	0.18
Water supply, sewerage, waste management and remediation activities	220,167,705	0.22	226,729,987	0.26
Administrative and support service activities	167,302,064	0.17	160,005,734	0.18
Professional, scientific and technical activities	145,333,737	0.15	144,410,181	0.16
Education	142,260,130	0.14	137,202,832	0.16
Agriculture, forestry and fishing	15,925,192	0.02	12,540,799	0.01
Arts, entertainment and recreation	15,532,833	0.02	16,717,412	0.02
Mining and quarrying	2,189,961	0.00	7,497,053	0.01
Other service activities	5,453,752,968	5.50	4,461,697,440	5.09
	₱99,158,746,350	100.00	₱87,631,643,655	100.00

Others relate to economic activities construction, health and social work, public administration and defense, extra-territorial organization and bodies, and education and fishing.

Thrift banks are not covered by the loan concentration limit of 30.00% prescribed by the BSP.



10. Investments in an Associate and a Joint Venture

The composition of this account follows:

	2014	2013
Investment in an associate	P-	P681,396,600
Investment in a joint venture	668,606,533	664,745,812
	P668,606,533	P1,346,142,412

Investment in an Associate

As of December 31, 2013, the Banks owns 2,500,000 shares of TFSPC representing 25.00% ownership. TFSPC is involved in financing and leasing services for customers of Toyota vehicles, as well as inventory stock financing for Toyota dealers.

On August 29, 2014, the Bank sold its 25.00% interest in TFSPC to GT Capital Holdings, Inc. for a total consideration of P1.3 billion. The sale is in line with the Bank's capital planning initiatives under the new Basel III regime. The gain on sale of the investment in TFSPC amounted to P558.7 million (Note 29).

The following table illustrates the summarized financial information of TFSPC:

	2013
Current assets	P10,766,542,100
Non-current assets	18,809,486,168
Current liabilities	11,005,313,543
Non-current liabilities	15,845,128,328
Net assets	2,725,586,397
Revenues	1,931,061,460
Costs and expenses	1,494,253,157
Net income for the year	436,808,303

Movement in this account follows:

	2014	2013
Acquisition cost	P270,546,789	P270,546,789
Accumulated equity in net income		
Balance at beginning of year	411,159,969	301,957,893
Share in net income	72,129,314	109,202,076
Balance at end of year	483,289,283	411,159,969
Share in cash flow hedge reserve	-	(335,158)
Share in unrealized gain on available-for-sale investments	-	25,000
	753,836,072	681,396,600
Disposal	(753,836,072)	-
Balance at year end	P-	P681,396,600

In 2013, TFSPC entered into a cross-currency interest rate swap agreement to hedge the foreign currency and interest rate risks on its foreign loan. As of December 31, 2013, the effective fair value changes on the swaps that were recognized as part of OCI under 'Equity in Cash Flow Hedge Reserve of an Associate' of the Bank amounted to an unrealized loss of P0.3 million in 2013. No ineffectiveness was recognized during the fiscal year 2013.



Investment in a Joint Venture

The Bank owns 8,000,000 shares of SMFC representing 40.00% ownership. SMFC is engaged in the business of lending or leasing to retail customers for their purchase of motorcycles.

The following table illustrates the summarized financial information of SMFC:

	2014	2013
Current assets	₱1,619,467,944	₱1,565,184,683
Non-current assets	145,678,969	174,111,665
Current liabilities	75,001,882	67,298,173
Non-current liabilities	18,490,108	9,968,173
Net assets	1,671,654,923	1,662,030,002
Revenues	378,391,901	329,252,972
Costs and expenses	366,325,004	328,335,262
Net income for the year	12,066,897	917,710
Provision for income tax	41,595,367	697,132

Movement in this account follows:

	2014	2013
Acquisition cost	₱800,000,000	₱800,000,000
Accumulated equity in net losses		
Balance at beginning of year	(135,254,188)	(135,322,924)
Share in net income	4,826,759	367,084
Balance at end of year	(130,427,429)	(134,955,840)
Share in unrealized loss on remeasurement of retirement liability	(966,038)	(298,348)
	(131,393,467)	(135,254,188)
	₱668,606,533	₱664,745,812

SMFC is a private company and there is no quoted market price available for its shares. The net assets of SMFC consist mainly of financial assets and financial liabilities.

The Bank has no share in any contingent liabilities or capital commitments of TFSPC and SMFC as of December 31, 2014 and 2013. There are also no agreements entered into by TFSPC and SMFC that may restrict dividends and other capital contributions to be paid, loans and advances to be made or repaid to or from the Bank as of the said dates.



11. Property and Equipment

The composition of and movements in this account follow:

	2014				
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱976,443,676	₱1,026,931,283	₱1,956,227,265	₱597,589,277	₱4,557,191,501
Acquisitions	–	60,767,590	249,066,190	149,105,340	458,939,120
Disposals	–	(38,567,760)	(114,737,078)	–	(153,304,838)
Balance at end of year	976,443,676	1,049,131,113	2,090,556,377	746,694,617	4,862,825,783
Accumulated Depreciation					
Balance at beginning of year	–	306,470,310	1,502,624,135	358,316,652	2,167,411,097
Depreciation	–	32,312,062	206,613,113	95,605,176	334,530,351
Disposals	–	(27,498,781)	(81,124,330)	–	(108,623,111)
Balance at end of year	–	311,283,591	1,628,112,918	453,921,828	2,393,318,337
Net Book Value	₱976,443,676	₱737,847,522	₱462,443,459	₱292,772,789	₱2,469,507,446

	2013 (As restated)				
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱965,804,775	₱971,382,328	₱1,846,292,521	₱513,341,242	₱4,296,820,866
Acquisitions	10,638,901	79,841,998	166,661,999	84,248,035	341,390,933
Disposals	–	(237,755,694)	(56,727,255)	–	(294,482,949)
Reclassifications/transfer	–	213,462,651	–	–	213,462,651
Balance at end of year	976,443,676	1,026,931,283	1,956,227,265	597,589,277	4,557,191,501
Accumulated Depreciation					
Balance at beginning of year	–	290,981,189	1,307,790,253	285,712,034	1,884,483,476
Depreciation	–	36,557,566	221,150,065	72,604,618	330,312,249
Disposals	–	(165,781,327)	(26,316,183)	–	(192,097,510)
Reclassifications/transfer	–	144,712,882	–	–	144,712,882
Balance at end of year	–	306,470,310	1,502,624,135	358,316,652	2,167,411,097
Net Book Value	₱976,443,676	₱720,460,973	₱453,603,130	₱239,272,625	₱2,389,780,404

In 2002, the Bank acquired a piece of property under a condominiumized set-up. It has subsequently established complete legal and effective ownership over the land and its common areas in 2006. The cost of the land was presented as part of building's cost although this has not been depreciated in the Bank's books.

As of December 31, 2014 and 2013, the value of the land was independently reported from the aggregate cost of the building as this was considered a separable asset. The reclassified value of the land, distinct from the building's aggregate cost, amounted to ₱710.1 million.

In 2013, the Bank reclassified units from previously leased out properties to Bank premises amounting to ₱213.5 million (Note 12).

Gain on sale of property and equipment amounted to ₱45.0 million, ₱138.5 million and ₱5.8 million in 2014, 2013 and 2012, respectively.



The details of depreciation under the statements of income follow:

	2014	2013	2012
Property and equipment	₱334,530,351	₱330,312,249	₱333,962,197
Investment properties (Note 12)	68,816,313	60,291,941	64,715,180
Chattel mortgage properties (Note 14)	101,282,291	92,656,330	91,093,519
	₱504,628,955	₱483,260,520	₱489,770,896

As of December 31, 2014 and 2013, property and equipment of the Bank with gross carrying amounts of ₱1.1 billion and ₱0.7 billion, respectively, are fully depreciated but are still being used.

12. Investment Properties

The composition of and movements in this account follow:

	2014		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,446,154,992	₱1,714,942,739	₱3,161,097,731
Additions (Note 32)	304,496,006	573,714,584	878,210,590
Disposals	(261,803,912)	(257,826,042)	(519,629,954)
Balance at end of year	1,488,847,086	2,030,831,281	3,519,678,367
Accumulated Depreciation			
Balance at beginning of year	–	264,943,189	264,943,189
Depreciation (Note 11)	–	68,816,313	68,816,313
Disposals	–	(54,320,105)	(54,320,105)
Balance at end of year	–	279,439,397	279,439,397
Allowance for Impairment Losses			
Balance at beginning of year	180,779,171	125,967,060	306,746,231
Provisions for the year (Note 15)	423,890	–	423,890
Balance at end of year	181,203,061	125,967,060	307,170,121
Net Book Value	₱ 1,307,644,025	₱ 1,625,424,824	₱2,933,068,849
	2013		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,508,037,942	₱1,751,564,150	₱3,259,602,092
Additions (Note 32)	270,272,251	481,977,191	752,249,442
Disposals	(332,155,201)	(305,135,951)	(637,291,152)
Reclassification	–	(213,462,651)	(213,462,651)
Balance at end of year	1,446,154,992	1,714,942,739	3,161,097,731
Accumulated Depreciation			
Balance at beginning of year	–	395,166,942	395,166,942
Depreciation (Note 11)	–	60,291,941	60,291,941
Disposals	–	(45,802,812)	(45,802,812)
Reclassification	–	(144,712,882)	(144,712,882)
Balance at end of year	–	264,943,189	264,943,189
Allowance for Impairment Losses			
Balance at beginning of year	158,471,002	83,045,276	241,516,278
Provisions for the year (Note 15)	22,308,169	45,000,000	67,308,169
Disposals	–	(2,078,216)	(2,078,216)
Balance at end of year	180,779,171	125,967,060	306,746,231
Net Book Value	₱1,265,375,821	₱1,324,032,490	₱2,589,408,311



The details of the net book value of investment properties follow:

	2014	2013
Real estate properties acquired in settlement of loans and receivables	₱2,823,595,785	₱2,467,913,918
Bank premises leased to third parties and held for capital appreciation	109,473,064	121,494,393
	₱2,933,068,849	₱2,589,408,311

As of December 31, 2014 and 2013, the aggregate fair value of investment properties amounted to ₱3.4 billion and ₱3.0 billion, respectively.

Gain on foreclosure of investment properties amounted to ₱285.9 million, ₱243.0 million and ₱155.1 million in 2014, 2013 and 2012, respectively. The Bank realized gain on sale of investment properties amounting to ₱12.9 million in 2014, ₱26.8 million in 2013 and a loss on sale amounting to ₱15.1 million in 2012, respectively.

Rental income on investment properties included in miscellaneous income amounted to ₱47.8 million, ₱45.0 million and ₱63.5 million in 2014, 2013 and 2012, respectively (Notes 23 and 25).

Operating expenses incurred in maintaining investment properties (included under miscellaneous expense) amounted to ₱11.9 million, ₱9.8 million and ₱10.1 million in 2014, 2013 and 2012, respectively.

13. Goodwill and Intangible Assets

This account consists of:

	2014	2013
Goodwill	₱53,558,338	₱53,558,338
Intangible assets		
Software costs	280,057,951	207,949,979
Branch licenses	35,523,737	31,323,737
	315,581,688	239,273,716
	₱369,140,026	₱292,832,054

The movements in intangible assets follow:

	2014		Total
	Software Costs	Branch Licenses	
Balance at beginning of year	₱207,949,979	₱31,323,737	₱239,273,716
Additions	154,476,293	4,200,000	158,676,293
Amortization	(82,368,321)	-	(82,368,321)
Balance at end of year	₱280,057,951	₱35,523,737	₱315,581,688



	2013		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱147,059,763	₱31,123,737	₱178,183,500
Additions	129,344,501	200,000	129,544,501
Amortization	(68,454,285)	–	(68,454,285)
Balance at end of year	₱207,949,979	₱31,323,737	₱239,273,716

Amortization of software costs in 2012 amounted to ₱57.2 million.

14. Other Assets

This account consists of:

	2014	2013
Chattel mortgage properties - net	₱377,674,410	₱503,637,099
Prepayments	179,520,230	113,065,859
Security deposits (Note 29)	114,004,619	97,034,227
RCOCI	82,866,713	14,270,316
Sundry debits	60,380,740	17,517,652
Documentary stamps on hand	26,875,404	27,281,589
Stationeries and supplies on hand	21,924,014	16,775,678
Deferred charges	19,563,815	12,136,991
Creditable withholding tax	148,106	27,666,752
Others	5,864,898	6,916,754
	₱888,822,949	₱836,302,917

Prepayments represent prepaid insurance, prepaid rent, prepaid taxes and other prepaid expenses.

The movements in chattel mortgage properties - net follow:

	2014	2013
Cost		
Balance at beginning of year	₱589,732,311	₱503,221,482
Additions (Note 32)	1,286,282,783	1,025,399,887
Disposals	(1,436,108,858)	(938,889,058)
Balance at the end of year	439,906,236	589,732,311
Accumulated Depreciation		
Balance at beginning of year	85,479,122	68,179,099
Depreciation (Note 11)	101,282,291	92,656,330
Disposals	(125,145,677)	(75,356,307)
Balance at the end of year	61,615,736	85,479,122
Allowance for Impairment Losses		
Balance at beginning and end of year (Note 15)	616,090	616,090
Net Book Value	₱377,674,410	₱503,637,099



Gain on foreclosure of chattel mortgage properties amounted to ₱392.5 million, ₱343.5 million and ₱334.1 million in 2014, 2013 and 2012, respectively. The Bank realized loss on sale of chattel mortgage properties amounting to ₱75.7 million in 2014, and a gain on sale of ₱35.1 million in 2013 and a loss on sale amounting to ₱21.5 million in 2012.

15. Allowance for Credit and Impairment Losses

Changes in the allowance for credit and impairment losses follow:

	2014					Total
	AFS Investments - Equity Securities		Loans and Receivables	Investment Properties	Other Assets	
	Quoted	Unquoted				
Balance at beginning of year	₱2,188,665	₱43,821,502	₱4,802,462,115	₱306,746,231	₱616,090	₱5,155,834,603
Provision for credit and impairment losses	-	-	1,743,397,190	423,890	-	1,743,821,080
Reversal of allowance on assets sold/settled	-	(43,821,502)	(780,105,569)	-	-	(823,927,071)
Accounts written off	-	-	(1,082,671,159)	-	-	(1,082,671,159)
Balance at end of year	₱2,188,665	₱-	₱4,683,082,577	₱307,170,121	₱616,090	₱4,993,057,453

	2013 (As restated - Note 2)					Total
	AFS Investments - Equity Securities		Loans and Receivables	Investment Properties	Other Assets	
	Quoted	Unquoted				
Balance at beginning of year	₱2,188,665	₱43,821,502	₱5,063,866,121	₱241,516,278	₱616,090	₱5,352,008,656
Provision for credit and impairment losses	-	-	2,581,764,747	67,308,169	-	2,649,072,916
Reversal of allowance on assets sold/settled	-	-	(778,527,761)	(2,078,216)	-	(780,605,977)
Accounts written off	-	-	(2,064,640,992)	-	-	(2,064,640,992)
Balance at end of year	₱2,188,665	₱43,821,502	₱4,802,462,115	₱306,746,231	₱616,090	₱5,155,834,603



A reconciliation of the allowance for credit losses by class of loans and receivables is as follows (in thousands):

	2014											
	Receivables from Customers					Other Receivables						
	Consumption	Real Estate	Commercial	Personal	Accrued Interest Receivable	Accounts Receivable	Contract Receivable	Sales Contract Receivable	Unquoted Instruments	Debt Instruments	Bills Purchased	Total
Balance at beginning of year	₱1,199,440	₱761,863	₱1,016,652	₱914,740	₱315,752	₱465,382	₱29,719	₱29,719	₱97,611	₱1,303	₱1,303	₱4,802,462
Provisions for the year charged against profit or loss	791,812	40,812	516,806	275,857	105,684	8,310	4,117	4,117	-	-	-	1,743,398
Reversal of allowance	(625,190)	-	-	-	(50,000)	(7,305)	-	-	(97,611)	-	-	(780,106)
Amounts written off	(541,896)	-	-	(540,775)	-	-	-	-	-	-	-	(1,082,671)
Reclassification	-	(150,000)	150,000	-	-	-	-	-	-	-	-	-
Balance at end of year	₱824,166	₱652,675	₱1,683,458	₱649,822	₱371,436	₱466,387	₱33,836	₱33,836	₱-	₱1,303	₱1,303	₱4,683,083
Individual impairment	₱223,786	₱585,129	₱480,461	₱25,655	₱157,412	₱211,874	₱18,888	₱18,888	₱-	₱-	₱-	₱1,703,205
Collective impairment	600,380	67,546	1,202,997	624,167	214,024	254,513	14,948	14,948	-	1,303	1,303	2,979,878
	₱824,166	₱652,675	₱1,683,458	₱649,822	₱371,436	₱466,387	₱33,836	₱33,836	₱-	₱1,303	₱1,303	₱4,683,083
Gross amount of loans individually impaired, before deducting any individual impairment allowance	₱335,197	₱1,135,546	₱760,404	₱37,906	₱320,221	₱211,874	₱18,313	₱18,313	₱-	₱-	₱-	₱2,819,461

2013 (As restated - Note 2)

	2013 (As restated - Note 2)											
	Receivables from Customers					Other Receivables						
	Consumption	Real Estate	Commercial	Personal	Accrued Interest Receivable	Accounts Receivable	Contract Receivable	Sales Contract Receivable	Unquoted Instruments	Debt Instruments	Bills Purchased	Total
Balance at beginning of year	₱715,116	₱269,045	₱1,212,053	₱1,930,901	₱347,726	₱465,334	₱26,777	₱26,777	₱95,611	₱1,303	₱1,303	₱5,063,866
Provisions for the year charged against profit or loss	1,362,163	492,818	54,599	430,152	118,026	119,065	2,942	2,942	2,000	-	-	2,581,765
Reversal of allowance	(509,511)	-	-	-	(150,000)	(119,017)	-	-	-	-	-	(778,528)
Amounts written off	(618,328)	-	-	(1,446,313)	-	-	-	-	-	-	-	(2,064,641)
Reclassification	250,000	-	(250,000)	-	-	-	-	-	-	-	-	-
Balance at end of year	₱1,199,440	₱761,863	₱1,016,652	₱914,740	₱315,752	₱465,382	₱29,719	₱29,719	₱97,611	₱1,303	₱1,303	₱4,802,462
Individual impairment	₱617,970	₱708,027	₱539,193	₱78,531	₱158,873	₱180,568	₱18,313	₱18,313	₱95,611	₱-	₱-	₱2,397,086
Collective impairment	581,470	53,836	477,459	836,209	156,879	284,814	11,406	11,406	2,000	1,303	1,303	2,405,376
	₱1,199,440	₱761,863	₱1,016,652	₱914,740	₱315,752	₱465,382	₱29,719	₱29,719	₱97,611	₱1,303	₱1,303	₱4,802,462
Gross amount of loans individually impaired, before deducting any individual impairment allowance	₱617,970	₱1,028,991	₱785,505	₱78,531	₱305,749	₱180,568	₱18,313	₱18,313	₱95,611	₱-	₱-	₱3,111,238



16. Deposit Liabilities

Interest expense on deposit liabilities consists of:

	2014	2013	2012
Time (Note 29)	₱1,941,865,601	₱2,013,767,393	₱2,789,481,681
Demand (Note 29)	90,918,211	74,094,382	111,147,863
Savings	82,848,973	69,823,836	60,901,472
	₱2,115,632,785	₱2,157,685,611	₱2,961,531,016

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 6.00% in 2014 and 0.00% to 6.00% in 2013 and 0.00% to 7.00% in 2012, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.50% to 6.00% in 2014, 0.25 to 5.50% in 2013 and 0.25% to 6.00% in 2012. Effective interest rate on deposit liabilities as of December 31, 2014, 2013, and 2012 ranges from 1.69% to 2.32%, 1.78% to 2.93%, and 2.94% to 3.46%, respectively.

As of December 31, 2014, Due from BSP amounting to ₱9.7 billion was set aside as reserves for deposit liabilities, as reported to the BSP.

17. Subordinated Notes

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value	
			2014	2013
2022	February 20, 2022	₱3,000,000,000	₱2,975,089,454	₱2,972,366,024
2024	August 23, 2024	3,000,000,000	2,971,811,867	—
			₱5,946,901,321	₱2,972,366,024

Unamortized debt issuance costs on these notes amounted to ₱53.1 million and ₱27.6 million as of December 31, 2014 and 2013, respectively.

5.75%, ₱3.0 Billion Unsecured Subordinated Notes

On December 29, 2011, the Bank obtained approval from the BSP to issue and sell ₱3.0 billion in Unsecured Subordinated Notes due 2022 (the Notes) and issued them on February 20, 2012 with an interest rate of 5.75%.

Among the significant terms and conditions of the issuance of the Notes are:

- Issue price at 100.00% of the face value of each Note;
- The Notes bear interest at the rate of 5.75% per annum from and including February 20, 2012 but excluding February 20, 2022. The interest shall be payable quarterly in arrears at the end of each interest period on every 20th of May, August, November and February of each year, commencing on February 20, 2012 until the maturity date;



- c. The Notes will constitute direct, unconditional and unsecured obligations of the Bank. The Notes will be subordinated in right of payment of principal and interest to all depositors and other creditors of the Issuer and will rank pari passu and without any preference among themselves, but in priority to the rights and claims of holders of all classes of equity securities of the Bank, including holders of preferred shares, if any;
- d. Subject to satisfaction of certain regulatory approval requirements, the Bank may redeem the Notes in whole and not only in part at a redemption price equal to 100.00% of the principal amount together with the accrued and unpaid interest upon at least thirty (30) days notice prior to call option date, which is the Banking Day immediately following the fifth anniversary of the issue date of the Notes or February 21, 2017.
- e. The Bank may, but is not obliged to, redeem the Notes, in whole but not in part, at the Call Option Amount, on the Call Option Date, subject to the prior approval of the BSP and the compliance by the Bank with the Regulations and prevailing requirements for the granting by the BSP of its consent therefor, including (i) the capital adequacy ratio of the Bank is well above the required minimum ratio after redemption; or (ii) the Note is simultaneously replaced, on or prior to the Call Option Date, with issues of new capital which is of the same or of better quality and is done under conditions which are sustainable for the income capacity of the Bank; and (iii) a 30 Banking Day prior written notice to the then Holder on record. Any tax due on interest income already earned by the Holders on the Notes shall be for the account of the Bank.

5.50%, ₱3.0 Billion Unsecured Subordinated Notes

On April 14, 2014, the Bank obtained approval from the BSP to issue and sell ₱3.0 billion in Unsecured Subordinated Notes due August 23, 2024 (the Notes) and issued them on May 23, 2014 with an interest rate of 5.50%.

Among the significant terms and conditions of the issuance of the Notes are:

- a. Issue price at 100.00% of the face value of each Note;
- b. The Notes bear interest at the rate of 5.50% per annum from and including May 23, 2014 to but excluding August 23, 2024. Unless the Notes are earlier redeemed upon at least 30 days prior notice to August 23, 2019, the Call Option Date. Interest shall be payable quarterly in arrears at the end of each Interest Period on August 23, November 23, February 23 and May 23 of each year, commencing on August 23, 2014 until the Maturity Date;
- c. The Notes will constitute direct, unconditional and unsecured obligations of the Bank. The Notes will be subordinated in right of payment of principal and interest to all depositors and other creditors of the Bank and will rank pari passu and without any preference among themselves, but in priority to the rights and claims of holders of all classes of equity securities of the Bank, including holders of preferred shares, if any;
- d. The Notes have a loss absorption feature, which means the Notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions set out in the "Terms and Conditions of the Notes - Loss Absorption Due to Non-Viability Event; Non-Viability Write-Down", when the Bank or its parent company is considered non-viable as determined by the BSP. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or the inability of the Bank or its parent company to continue business or any other event as determined by the BSP, whichever



comes earlier. A non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Bank in writing that it has determined that a: i) Write-Down of the Notes and other capital instruments of the Bank is necessary because, without such Write-Down, the Bank would become non-viable, ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Bank would become non-viable, or iii) Write-Down of the Notes and other capital instruments of the Bank is necessary, because, as a result of the closure of the Bank, the latter has become non-viable;

- e. Unless previously converted, and provided a Non-Viability Trigger Event has not occurred and subject to regulations, the Bank shall have the option but not the obligation, upon securing all required regulatory approvals, to redeem the Notes as a whole, but not in part, in the following circumstances: i) at the Call Option Amount, on the Call Option Date, subject to the prior approval of the BSP and the compliance by the Issuer with Regulations and prevailing requirements for the granting by the BSP of its consent, ii) prior to the stated maturity and on any Interest Payment Date at par plus accrued but unpaid interest thereon if or when payments or principal or interest due on the Notes become subject to additional or increased taxes, other than any taxes and rates of such taxes prevailing as of the Issue Date, as a result of certain changes in law, rule, or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Bank or iii) the non-qualification of the Notes as Tier 2 capital as determined by the BSP. Incremental tax, if any, that may be due on the interest income already earned under the Notes as a result of the exercise by the Bank of its option for early redemption, shall be for its own account.

As of December 31, 2014, the Bank is in compliance with the terms and conditions upon which the subordinated notes have been issued.

Interest expense incurred on these notes amounted to ₱276.6 million, ₱175.3 million and ₱152.9 million in 2014, 2013 and 2012, respectively, net of amortization of deferred financing cost amounting to ₱4.0 million, ₱2.6 million and ₱2.0 million, respectively.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2014	2013
Accrued interest payable	₱145,380,495	₱169,518,898
Accrued other taxes, licenses and other payables (Note 29)	85,661,885	130,144,785
Accrued other expenses payable (Note 29)	897,395,740	800,067,311
	₱1,128,438,120	₱1,099,730,994



Accrued other expenses payable consist of:

	2014	2013
Compensation and fringe benefits	₱289,360,811	₱318,441,988
Lease payable	143,557,837	127,786,733
Insurance	126,164,601	107,787,604
Advertising	113,504,348	65,449,497
Litigation	96,209,686	33,811,079
Information technology	35,136,305	71,882,801
Securities, messengerial and janitorial	25,359,735	25,085,591
Professional and consultancy fees	9,255,822	9,329,269
Miscellaneous	58,846,595	40,492,749
	₱897,395,740	₱800,067,311

Compensation and fringe benefits include salaries and wages as well as medical, dental and hospitalization benefits.

Miscellaneous include accruals for membership fees and dues, director's fees, utilities and maintenance and other expenses.

19. Other Liabilities

This account consists of:

	2014	2013
Accounts payable (Note 29)	₱1,429,551,963	₱1,067,036,467
Net retirement liability (Note 24)	620,241,085	429,486,585
Other credits	439,314,885	297,084,991
Sundry credits	100,125,030	74,504,828
Dividends payable (Note 21)	176,889,908	2,330,667
Bills purchased - contra (Note 9)	82,843,873	49,669,238
Withholding taxes payable	57,591,328	46,107,846
Due to the Treasurer of the Philippines	10,522,107	10,859,272
SSS, Medicare, ECP and HDMF premium payable	8,089,947	7,065,612
Miscellaneous (Note 29)	87,547,472	77,403,267
	₱3,012,717,598	₱2,061,548,773

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance.

Other credits represent long-outstanding unclaimed balances from inactive and dormant accounts.

Miscellaneous liabilities include incentives for housing loan customers that are compliant with the payment terms amounting to ₱58.2 million and ₱54.7 million as of December 31, 2014 and 2013, respectively.



20. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition dates (in thousands):

	December 31					
	2014			2013		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱4,174,756	₱-	₱4,174,756	₱3,157,499	₱-	₱3,157,499
Due from BSP	23,997,102	-	23,997,102	7,401,657	-	7,401,657
Due from other banks	3,382,663	-	3,382,663	8,491,341	-	8,491,341
Interbank loans receivable and SPURA	2,186,320	-	2,186,320	14,527,000	-	14,527,000
FVPL investments	278,909	-	278,909	184,607	-	184,607
AFS investments - gross (Note 8)	16,710	6,068,796	6,085,506	164,184	5,530,890	5,695,074
HTM investments	-	1,683,128	1,683,128	-	-	-
Loans and receivables - gross (Note 9)	13,306,924	87,854,865	101,161,789	12,542,158	77,191,401	89,733,559
Other assets - gross* (Note 14)	110,840	87,433	198,273	50,198	61,397	111,595
	47,454,224	95,694,222	143,148,446	46,518,644	82,783,688	129,302,332
Nonfinancial Assets						
Investments in an associate and a joint venture	-	668,607	668,607	-	1,346,142	1,346,142
Property and equipment - gross (Note 11)	-	4,862,826	4,862,826	-	4,557,192	4,557,192
Investment properties - gross (Note 12)	-	3,519,678	3,519,678	-	3,161,098	3,161,098
Deferred tax assets	-	731,937	731,937	-	243,119	243,119
Other assets - gross** (Note 14)	730,214	391,707	1,121,921	710,186	393,450	1,103,636
	730,214	10,174,755	10,904,969	710,186	9,701,001	10,411,187
Less: Allowance for credit and impairment losses (Note 15)			4,993,057			5,155,835
Accumulated depreciation (Notes 11, 12 and 14)			2,734,373			2,517,833
Unearned discounts (Note 9)			718,956			2,013,976
			8,446,386			9,687,644
	₱48,184,438	₱105,868,977	₱145,607,029	₱47,228,830	₱92,484,689	₱130,025,875

* Others assets under financial assets comprise petty cash fund, shortages, RCOCI and security deposits.

** Other assets under nonfinancial assets comprise inter-office float items, prepaid expenses, stationery and supplies on hand, sundry debits, documentary stamps on hand, deferred charges, postages stamps, chattel mortgage properties, goodwill and intangible assets.

	December 31					
	2014			2013		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities	₱97,569,952	₱18,957,802	₱116,527,754	₱90,404,767	₱16,113,737	₱106,518,504
Subordinated notes	-	5,946,901	5,946,901	-	2,972,366	2,972,366
Treasurer's, cashier's and manager's checks	1,253,782	-	1,253,782	1,110,517	-	1,110,517
Accrued other expenses payable	934,077	-	934,077	870,651	-	870,651
Accrued interest payable	145,380	-	145,380	169,519	-	169,519
Other liabilities						
Accounts payable	1,429,552	-	1,429,552	1,067,036	-	1,067,036
Other credits	439,315	-	439,315	-	297,085	297,085
Bills purchased - contra	82,844	-	82,844	49,669	-	49,669
Dividends payable	176,890	-	176,890	2,331	-	2,331
Due to the Treasurer of the Philippines	10,522	-	10,522	-	10,859	10,859
Deposits for keys - SDB	876	-	876	902	-	902
Others*	3,022	-	3,022	2,061	-	2,061
	102,046,212	24,904,703	126,950,915	93,677,453	19,394,047	113,071,500

(Forward)



	December 31					
	2014			2013		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Nonfinancial Liabilities						
Accrued other taxes and licenses payable	₱48,981	₱-	₱48,981	₱59,561	₱-	₱59,561
Income tax payable	7,135	-	7,135	132	-	132
Other liabilities**	788,007	81,689	869,696	557,779	73,827	631,606
	844,123	81,689	925,812	617,472	73,827	691,299
	₱102,890,335	₱24,986,392	₱127,876,727	₱94,294,925	₱19,467,874	₱113,762,799

* Others under financial liabilities comprise payment orders payable and overages.

** Other liabilities under nonfinancial liabilities comprise advance rentals on bank premises, sundry credits, withholding taxes, SSS, Medicare, ECP & HDMF premium payable, net retirement liability, and miscellaneous liabilities.

21. Equity

Issued Capital

The Bank's capital stock consists of:

	2014		2013	
	Shares	Amount	Shares	Amount
Authorized common stock - ₱10 par value	425,000,000	₱4,250,000,000	425,000,000	₱4,250,000,000
Issued and outstanding				
Balance at beginning and end of year (Note 28)	240,252,491	₱2,402,524,910	240,252,491	₱2,402,524,910

The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	₱10
October 8, 1997	Common	425,000,000	₱10

As of December 31, 2014 and 2013, the total number of stockholders is 1,552 and 1,581, respectively.

Dividends Paid and Proposed

Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

Date of declaration	Cash Dividends		Date of BSP approval	Record date	Payment date
	Per share	Total amount			
October 27, 2011	0.15	36,037,874	November 23, 2011	December 20, 2011	January 5, 2012
January 24, 2012	0.15	36,037,874	February 09, 2012	March 8, 2012	March 23, 2012
April 27, 2012	0.75	180,189,368	May 15, 2012	June 7, 2012	June 25, 2012
July 23, 2012	0.75	180,189,368	August 13, 2012	September 11, 2012	September 26, 2012
October 23, 2012	0.75	180,189,368	November 21, 2012	December 27, 2012	January 14, 2013
January 22, 2013	0.75	180,189,368	February 8, 2013	March 5, 2013	March 20, 2013
April 19, 2013	0.75	180,189,368	May 28, 2013	June 18, 2013	July 3, 2013
July 18, 2013	0.75	180,189,368	August 8, 2013	September 4, 2013	September 19, 2013
October 22, 2013	0.75	180,189,368	November 12, 2013	November 29, 2013	December 16, 2013
October 22, 2013	3.00	720,757,473	November 12, 2013	November 29, 2013	December 16, 2013
January 24, 2014	0.75	180,189,368	February 12, 2014	March 5, 2014	March 20, 2014
April 28, 2014	0.75	180,189,368	June 6, 2014	July 1, 2014	July 16, 2014
July 22, 2014	0.75	180,189,368	August 12, 2014	September 2, 2014	September 17, 2014
October 30, 2014	0.75	180,189,368	November 27, 2014	January 12, 2015	January 30, 2015



The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

In compliance with BSP regulations, 10.00% of the Bank's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Bank's authorized capital stock.

A portion of the surplus corresponding to the accumulated net earnings of an associate and joint venture which amounted ₱411.1million in 2013 is not available for dividend declaration (Note 10). The accumulated equity in net income of investment in associate becomes available for dividend declaration upon receipt of cash dividends from the investees.

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and that the Bank maintains healthy capital ratios in order to support its business and maximize returns for its shareholders. The Bank considers its paid in capital and surplus as its capital.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders or issue capital securities. The major activities in this area include the following:

- On March 2, 2005, the Bank's BOD approved an amendment to the Bank's Dividend Policy which provides for an annual regular cash dividend of 6.00% of the par value of the total capital stock payable quarterly at the rate of 1.50% or ₱0.15 per share payable not later than March 31, June 30, September 30 and December 31 of each year.
- On February 29, 2012, the Bank's BOD approved a further amendment to the Bank's Dividend Policy to provide for an annual regular cash dividend of 30.00% of the par value of the total capital stock, payable quarterly at the rate of 7.50% or ₱0.75 per share payable not later than March 31, June 30, September 30 and December 31 of each year.
- The Bank issued additional common shares for its qualified stockholders in 2008 and 2006 through stock rights offerings that raised ₱2.0 billion and ₱750.0 million in capital, respectively.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.



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

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

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

Prior to January 1, 2014, the risk-based capital ratio is computed in accordance with BSP Circular No. 538 or Basel II.

The CAR of the Bank as of December 31, as reported to the BSP, based on BSP Circular No. 781 and BSP Circular No. 538, respectively, are shown in the table below (amounts in millions).

	2014	2013
Tier 1 capital	₱16,869	₱15,292
Tier 2 capital	6,851	3,799
Gross qualifying capital	23,720	19,091
Less required deductions	2,268	2,072
Total qualifying capital	₱21,452	₱17,019
Risk weighted assets	₱109,635	₱100,592
Tier 1 capital adequacy ratio	13.32%	13.81%
Capital adequacy ratio	19.57%	16.92%

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on AFS securities, and cumulative translation adjustment. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision and unsecured subordinated debt (refer to Note 17). Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred income tax (net of allowance for impairment, if any) and goodwill. In 2013, deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital in accordance with Basel II standards.



Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

As of December 31, 2014 and 2013, the Bank has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538, respectively.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the parent company. Per BSP Circular 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement. The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2014	2013	2012
Return on average equity	13.64%	18.72%	14.89%
Return on average assets	1.68%	2.38%	1.92%
Net interest margin on average earning assets	6.58%	5.88%	5.19%
Liquidity ratio	46.83%	51.68%	41.66%
Debt-to-Equity ratio	7.21:1	7.00:1	6.73:1
Asset-to-Equity ratio	8.21:1	8.00:1	7.73:1
Interest rate coverage ratio	1.96:1	2.76:1	1.91:1

22. Net Service Fees and Commission Income

This account consists of:

	2014	2013	2012
Service Fees and Commission Income			
Credit-related fees and commissions	₱655,161,584	₱574,481,667	₱499,327,319
Deposit-related and other fees received	484,105,336	453,337,245	428,578,828
Trust fees	12,552,005	12,576,165	10,963,734
	1,151,818,925	1,040,395,077	938,869,881
Service Fees and Commission Expense			
Commissions	67,740,038	71,798,311	49,564,765
Brokerage	6,188,482	6,038,309	10,680,792
	73,928,520	77,836,620	60,245,557
Net Service Fees and Commission Income	₱1,077,890,405	₱962,558,457	₱878,624,324



23. Miscellaneous Income

This account consists of:

	2014	2013	2012
Recovery of charged-off assets	₱196,461,347	₱83,783,149	₱29,240,811
Rental income (Notes 12 and 25)	49,595,665	46,878,019	65,555,333
Insurance commission income	37,701,172	31,097,664	27,612,017
Others	59,809,434	19,512,268	20,542,040
	₱343,567,618	₱181,271,100	₱142,950,201

Rental income arises from the lease of properties and safety deposit boxes of the Bank.

Others include income from renewal fees, checkbook charges, dividend income and other miscellaneous income.

24. Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan covering substantially all of its employees. The benefits are based on years of service and final compensation.

The plan administered by the Retirement Committee is composed of five (5) members appointed by the Board of Directors of the Bank. The Retirement Committee have all the powers necessary or useful in the discharge of its duties of administration including, but not limited to determine the rights of Members under the Plan. The Retirement Committee may adopt such rules and regulations as it deems necessary and desirable, including those governing the establishment of procedures, the use of necessary forms, and the setting up of minimum periods where notice is required. The Retirement Committee may seek advice of counsel, and may appoint an independent accountant to audit the Plan and actuary to value the plan periodically, whose professional fees and expenses may be charged to the Fund.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The date of the latest actuarial valuation is December 31, 2014.

The amounts of pension expense included in 'Compensation and fringe benefits' in the statements of income follow:

	2014	2013
Current service cost	₱163,091,877	₱126,765,030
Net interest cost	16,279,570	12,851,408
	₱179,371,447	₱139,616,438



The net retirement liability shown under 'Other liabilities' recognized in the Bank's statements of condition follows (in thousands):

	2014		Remeasurements in other comprehensive income					December 31, 2014			
	January 1, 2014	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments		Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer
Present value of defined benefit obligation	₱1,498,646	₱163,092	₱70,555	₱233,647	(₱64,375)	₱-	₱114,334	(₱114,057)	₱277	₱-	₱1,668,195
Fair value of plan assets	(1,069,160)	-	(54,275)	(54,275)	64,375	190,846	-	-	190,846	(179,740)	(1,047,954)
Net defined benefit liability	₱429,486	₱163,092	₱16,280	₱179,372	₱-	₱190,846	₱114,334	(₱114,057)	₱191,123	(₱179,740)	₱620,241

	2013		Remeasurements in other comprehensive income					December 31, 2013			
	January 1, 2013	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments		Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer
Present value of defined benefit obligation	₱1,157,211	₱126,765	₱60,114	₱186,879	(₱113,021)	₱-	₱44,411	₱223,167	₱267,578	₱-	₱1,498,647
Fair value of plan assets	(900,155)	-	(47,263)	(47,263)	113,007	(134,749)	-	-	(134,749)	(100,000)	(1,069,160)
Net defined benefit liability	₱257,056	₱126,765	₱12,851	₱139,616	(₱14)	(₱134,749)	₱44,411	₱223,167	₱132,829	(₱100,000)	₱429,487

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱191.1 million to its noncontributory defined benefit plan in 2015.



The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	2014	2013
Cash and cash equivalents		
Special deposit account	₱231,000,000	₱115,000,000
Certificate of time deposit (Note 29)	8,663,348	25,537,612
Equity investments		
Bank's shares (Note 29)	491,205,802	636,360,070
SMFC shares (Note 29)	200,000,000	200,000,000
Shares of other listed companies	43,151,287	92,353,718
Other assets		
Unit Investment Trust Fund	74,455,986	-
Receivable from broker	-	795,232
Accrued interest receivable (Note 29)	348,528	54,396
	1,048,824,951	1,070,101,028
Other liabilities	871,113	941,240
	₱1,047,953,838	₱1,069,159,788

The person exercising voting right for the foregoing equity instruments is currently a senior officer of the Bank (Note 29).

The principal actuarial assumptions used in determining retirement liability as of January 1, 2014 and 2013 are shown below:

	2014	2013
Discount rate	4.55%	4.86%
Turnover rate	8.27%	8.36%
Future salary increases	8.00%	9.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	December 31, 2014		December 31, 2013	
	Possible Fluctuations	Increase (decrease)	Possible Fluctuations	Increase (decrease)
Discount rate	+1.00%	(159,038,866)	+1.00%	(₱150,344,477)
	-1.00%	185,889,199	-1.00%	176,485,485
Turnover rate	+2.00%	(125,489,096)	+1.00%	(68,233,229)
	-2.00%	153,910,909	-1.00%	70,083,863
Future salary increase rate	+1.00%	174,659,727	+1.00%	164,164,654
	-1.00%	(153,288,859)	-1.00%	(143,572,611)

The Retirement Committee ensures that there will be sufficient assets to pay pension benefits as they fall due and maintains the plan on an actuarially sound basis considering the benefits to members.



Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Less than one year	₱124,182,196	₱119,166,944
More than one year to five years	585,955,382	495,234,564
More than five years to 10 years	1,259,480,497	1,141,975,503
More than 10 years to 15 years	1,912,529,956	1,878,961,153
More than 15 years to 20 years	1,794,046,936	1,944,652,713
More than 20 years	3,450,698,068	3,813,253,946

25. Leases

The Bank leases the premises occupied by its branches for periods ranging from 1 to 20 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%. Rentals charged against profit or loss under these lease contracts amounting to ₱463.6 million in 2014, ₱397.1 million in 2013 and ₱390.9 million in 2012 are shown under 'Occupancy and equipment-related costs' in the statements of income.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2014	2013
Within one year	₱342,865,740	₱279,880,296
After one year but not more than five years	1,051,856,637	776,358,893
More than five years	753,111,605	522,367,070
	₱2,147,833,982	₱1,578,606,259

The Bank has also entered into commercial property leases on its surplus office space. These non-cancelable leases have remaining non-cancelable lease terms between 1 and 5 years. As of December 31, 2014 and 2013, there is no contingent rental income. Rental income of the Bank related to these property leases amounting to ₱47.8 million in 2014, ₱45.0 million in 2013, and ₱63.5 million in 2012 are shown under 'Miscellaneous income' in the statements of income.

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2014	2013
Within one year	₱49,923,757	₱20,408,527
After one year but not more than five years	136,879,646	7,958,099
	₱186,803,403	₱28,366,626



26. Miscellaneous Expenses

This account consists of:

	2014	2013	2012
Insurance	₱410,805,829	₱264,634,335	₱245,939,520
Information technology	199,435,470	220,459,184	141,565,324
Repairs and maintenance	187,608,093	98,794,593	84,755,492
Litigation	187,421,071	177,360,033	154,395,978
Communications	168,180,967	139,105,183	114,799,829
Advertising	153,730,772	159,206,964	116,906,856
Transportation and traveling	107,908,124	94,395,679	84,366,717
Stationery and supplies	71,125,041	66,536,407	55,293,344
Supervision and examination fees	32,700,683	36,687,158	31,925,841
Management and professional fees	26,569,891	29,283,846	37,795,726
Fines, penalties and other charges	25,584,443	93,456,025	13,183,640
Donations and charitable contributions	12,072,600	21,358,243	12,747,490
Banking activities expenses	10,374,008	6,891,511	15,899,826
Training and seminars	8,578,641	4,762,788	4,406,740
Membership fees and dues	5,384,549	11,812,780	10,313,380
Rewards and incentives	4,249,634	7,788,534	2,407,329
Meeting allowance	3,316,271	2,990,424	2,351,637
Entertainment, amusement and recreation (EAR) (Note 27)	2,621,330	1,441,308	1,866,721
Others	28,916,736	21,943,382	22,225,790
	₱1,646,584,153	₱1,458,908,377	₱1,153,147,180

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to ₱233.8 million, ₱196.4 million, ₱186.6 million and in 2014, 2013 and 2012, respectively.

Other expenses include sponsorship expenses, home free loan expenses, appraisal fees and notarial fees. It also include payments to union members amounting to ₱9.9 million in 2014, and ₱9.3 million in 2013 and ₱8.9 million in 2012, for the successful completion of the collective bargaining agreement.

27. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes (DST).

Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

The NIRC of 1997 also provides for rules on the imposition of a 2.00% MCIT on the gross income as of the end of the taxable year beginning on the fourth (4th) taxable year immediately following the taxable year in which the company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.



Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2014 and 2013.

On March 15, 2011, the BIR issued RR No. 4-2011 which prescribes the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU, and further allocation within RBU based on different income earning activities. Pursuant to the regulations, the Bank made an allocation of its expenses in calculating income taxes due for RBU and FCDU.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%.

Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for (benefit from) income tax consists of:

	2014	2013	2012
Current:			
Final tax	₱218,057,871	₱190,973,012	₱273,076,804
RCIT	190,814,945	167,700,706	155,753,975
MCIT	75,447	-	-
	408,948,263	358,673,718	428,830,779
Deferred	(431,481,389)	821,500,247	116,501,297
	(₱22,533,126)	₱1,180,173,965	₱545,332,076

The Bank's FCDU paid MCIT in 2014.

Net deferred tax assets consist of:

	2014	2013
Deferred tax assets on:		
Allowance for credit and impairment losses	₱821,821,970	₱349,349,619
Net pension liability	186,072,325	128,845,976
Accumulated depreciation on investment properties	72,423,344	63,162,431
Accrued rent	43,067,351	38,336,020
Unamortized pension cost contribution	2,561,766	5,679,943
	1,125,946,756	585,373,989

(Forward)



	2014	2013
Deferred tax liabilities on:		
Net unrealized gain on investment properties	(₱284,742,610)	(₱247,613,399)
Accretion of interest on impaired loans	(93,470,653)	(84,227,313)
Unrealized foreign exchange gains	(15,796,024)	(10,414,030)
	(394,009,287)	(342,254,742)
	₱731,937,469	₱243,119,247

As of December 31, 2014 and 2013, the Bank did not recognize deferred tax assets on allowance for credit losses, other accrued expenses and excess of MCIT over RCIT amounting to ₱0.7 billion and ₱1.2 billion, respectively. Income tax effect recognized in OCI amounted to ₱57.3 million, ₱39.8 million and ₱3.6 million in 2014, 2013 and 2012, respectively.

The reconciliation between the statutory income tax and effective income tax follows (in thousands):

	2014	2013	2012
Statutory income tax	₱688,843	₱1,232,599	₱845,975
Tax effect of:			
FCDU income	54,700	(6,718)	(76,620)
Tax-paid and tax-exempt income	(731,727)	(1,287,110)	(867,385)
Nondeductible expenses	470,714	440,495	328,863
Changes in deferred income taxes	(505,063)	800,908	314,499
Effective income tax	(₱22,533)	₱1,180,174	₱545,332

28. Earnings Per Share

The following table presents information used to calculate basic EPS:

	2014	2013	2012
a. Net income	₱2,318,676,615	₱2,928,488,808	₱2,274,583,889
b. Weighted average number of common shares for basic EPS (Note 21)	240,252,491	240,252,491	240,252,491
c. Basic/Diluted EPS (a/b)	₱9.65	₱12.19	₱9.47

As of December 31, 2014, 2013 and 2012, there were no potential common shares with dilutive effect on the basic EPS of the Bank.



29. Related Party Transactions

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

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family member;
- significant investor or parent company,
- joint venture, associate and post-employment benefit plan for the benefit of the Bank's employees, and
- affiliates or other related parties, which are associates, subsidiaries, and joint ventures of the parent company.

The Bank has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility or present other unfavorable conditions.

Transactions with the Retirement Plan

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust and Investment Division of the Bank. The total carrying amount and fair value of the retirement fund as of December 31, 2014 and 2013 amounted to ₱1.0 billion and ₱1.1 billion, respectively. The details of the assets of the fund as of December 31, 2014 and 2013 are disclosed in Note 24.



The following table shows the amount of outstanding balances of related party transactions of the Bank and SMFC with the retirement plan of the employees of the Bank as of December 31, 2014 and 2013:

Related Party	Nature of Transaction	2014	
		Elements of Transaction	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Equity investment*	₱491,205,802	
	Investment in Money Market Fund**	74,455,986	
	Deposit liabilities***	8,663,348	
	Accrued interest income	6,738	
	Dividends earned		₱10,507,643
	Gain on sale of equity securities		6,541,334
	Interest income		382,35
	Income from Unit Investment Trust Fund (UITF)		155,041
Sumisho Motor Finance Corporation	Equity investment	200,000,000	

*Includes fair value gains of ₱279.2 million

**Includes fair value gains of ₱0.6 million

***Represent 30 days time deposits and bear interest of 2.00%

Related Party	Nature of Transaction	2013	
		Elements of Transaction	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Equity investment*	₱636,360,070	
	Time deposits**	25,537,612	
	Accrued interest income	2,840	
	Dividends earned		₱33,387,572
	Gain on sale of equity securities		50,095,400
	Interest income		65,513
Sumisho Motor Finance Corporation	Equity investment	200,000,000	

*Includes fair value gains of ₱421.1 million

**Represent 6 to 7 day time deposits and bear interest of 1.00%

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

The Trust Division did not provide any allowance for impairment losses on investments managed for the Bank's retirement fund in 2014 and 2013.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*.



Total remunerations of key management personnel (covering assistant vice presidents and up) included under ‘Compensation and fringe benefits’ in the statements of income are as follows:

	2014	2013
Short-term employee benefits	₱203,553,036	₱197,100,931
Post-employment pension benefits	5,100,084	41,273,818
	₱208,653,120	₱238,374,749

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱16.3 million, ₱13.0 million, and ₱12.9 million in 2014, 2013 and 2012, respectively.

The Bank also provides banking services to Directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

December 31, 2014			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Interbank loans receivable		₱1,386,320	Peso-denominated lending secured by government securities amounting to ₱1.8 billion, with fixed interest rates ranging from 2.00% to 2.50% and maturities ranging from 1 to 360 days
Deposits/placements	₱143,386,320		
Withdrawals/maturities	142,000,000		
Due from other banks	(206,746)	815,107	Secured - ₱815,107 On demand
Accounts receivable	679	7,704	Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 2.50%
Bills payable		-	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Deposits/placements	5,800,000		Peso-denominated borrowing with fixed interest rates ranging from 2.00% to 2.50% and maturities ranging from 1 day to 5 days
Withdrawals/maturities	5,800,000		
Accrued interest receivable		14,390	Accrual of interest on outstanding Interbank Loans Receivable
Miscellaneous assets		919	Security deposits on lease contracts
Accounts payable		1,733	Unpaid association dues and lease contract payable
Miscellaneous liabilities		6,100	Advance payments of security deposits from various tenants
Accrued other expense payable		116,302	Outstanding information technology expense payable, charges on current and savings accounts processing
Guarantees and commitments		-	Letter of guarantee for various loan take-out
AFS investments		50,000	Pledge for security of payroll account with MBTC
Interest income	28,307		Income from deposits and interbank loans receivables
Rental income	24,919		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	108,956		Payment of information technology transactions
Trading gain	(44,209)		Income from securities transactions
Interest expense	407		Interest expense on bills payable
Securities transactions			
Outright purchases	1,869,342		Outright purchase of FVPL and AFS investments
Outright sales	3,700,000		Outright sale of FVPL and AFS investments
Associate			
Deposit liabilities	560	2,735	Demand deposits with annual fixed rate of 1.25%
Share in net income of an associate	72,129		25.00% share in net income of TFSPC
Interest expense	32		Interest on deposit liabilities

(Forward)



December 31, 2014			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Joint Venture			
Investment in a joint venture		₱668,607	Outstanding balance of capital investment in SMFC
Accounts receivable		46	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(₱174,934)	79,528	Demand and short term peso time-deposits with annual fixed rates ranging from 1.00% to 3.65%
Miscellaneous liabilities		2,610	Advance payment of security deposits
Rental income	9,790		Income from leasing agreements
Share in net income of a joint venture	4,827		40.00% share in net income of SMFC
Interest expense	2,585		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable		-	Peso-denominated lending with 2.00% to 2.50% fixed interest rate and with maturities ranging from 1 to 4 days
Deposits/placements	46,694,000		
Withdrawals/maturities	46,694,000		
Receivable from customers		403,064	Loans granted bearing an interest ranging from 7.00% to 10.00% with maturities ranging from 1 to 8 years; no impairment
Deposits/placements	4,200		Secured - ₱403,063,861; impaired - ₱395,877,638
Withdrawals/maturities	54,479		
Miscellaneous assets		993	3 months advance security deposits
Accounts receivable	3,742	3,300	Outstanding rental and utility receivables, non-interest bearing
Prepaid insurance		6,904	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Prepaid expense		13	Payment for various policy renewals
Deposit liabilities	5,847,793	5,851,387	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.40%
Bills payable		-	Peso denominated borrowing with 2.00%-2.50% fixed interest rates and maturities ranging from 1 to 5 days
Deposits/placements	55,920,000		
Withdrawals/maturities	55,920,000		
Accrued other expense payable		5,165	Outstanding group life insurance payable
Accounts payable		130	Various personal and car insurance payable
Miscellaneous liabilities		2,107	Advance payment of security deposits from various tenants
Interest income	4,620		Income on receivables from customers and interbank loans receivables
Trading and securities loss	(6,627)		Loss from securities transactions
Rental income	8,946		Income from leasing agreements with various lease terms
Gain on sale of investment in an associate	558,163		Profit on sale of investment in associate
Bank commission	35,798		Commission income on ATM service fees
Insurance expense	37,172		Payment of insurance premium
Interest expense	95,846		Interest on deposit liabilities and bills payable
Rent expense	3,366		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	1,031,278		Outright purchase of FVPL and AFS investments
Outright sales	1,894,720		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		11,690	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	2,370		
Withdrawals/maturities	5,032		
Interest income	913		Interest income from loans



December 31, 2013			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Interbank loans receivable		P-	Peso-denominated lending with fixed interest rates ranging
Deposits/placements	P74,880,000		from 2.00% to 3.25% and maturities ranging from 4 to 6
Withdrawals/maturities	74,880,000		days
Due from other banks	187,608	1,021,853	Secured - P1,021,853
			Short-term peso and foreign currency-denominated deposits
			with fixed rates ranging from 0.00% to 2.50%
Accounts receivable	4,080	7,025	Outstanding ATM service fees, rental and utility
			receivables, non-interest bearing; no impairment
Prepaid expense		235	Payment for acquisition of SCA-2 device (HP) with 3 smart
			cards
Miscellaneous assets		710	Security deposits on lease contracts
Accounts payable		2,261	Unpaid association dues and lease contract payable
Miscellaneous liabilities		6,100	Advance payments of security deposits from various tenants
Accrued other expense payable		71,883	Outstanding information technology expense payable,
			charges on current and savings accounts processing
Guarantees and commitments	10,005		Letter of guarantee for various loan take-out
AFS investments		50,000	Pledge for security of payroll account with MBTC
Interest income	10,301		Income from deposits and interbank loans receivables
Rental income	23,052		Income from leasing agreements with various lease terms
			ranging from 2 to 5 years
Information technology expense	148,103		Payment of information technology transactions
Trading and securities gain	50,841		Income from securities transactions
Interest expense	2,156		Interest expense on deposit liabilities
Securities transactions			
Outright purchases	1,500,000		Outright purchase of FVPL and AFS investments
Outright sales	3,048,120		Outright sale of FVPL and AFS investments
Associate			
Investment in an associate		681,397	Outstanding balance of capital investment in TFSPC
Deposit liabilities	(134)	2,175	Demand deposits with annual fixed rate of 1.25%
Share in net income of an associate	109,202		25.00% Share in net income of TFSPC
Interest expense	33		Interest on deposit liabilities
Joint Venture			
Investment in a joint venture		664,746	Outstanding balance of capital investment in SMFC
Accounts receivable	(127)	1,051	Outstanding rental and utility receivables, non-interest
			bearing
Deposit liabilities	(457,771)	254,462	Demand and short term peso time-deposits with annual
			fixed rates ranging from 1.00% to 3.65%
Miscellaneous liabilities		2,610	Advance payment of security deposits
Rental income	9,605		Income from leasing agreements
Share in net income of a joint venture	367		40.00% share in net income of SMFC
Interest expense	15,142		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable		-	Peso-denominated lending with fixed interest rates ranging
Deposits/placements	28,085,000		from 2.00% to 3.63% with maturities ranging from 1 to 3
Withdrawals/maturities	28,585,000		days
Receivable from customers		453,343	Loans granted bearing an interest ranging from 9.00% to
Deposits/placements	6,295		11.70% with maturities ranging from 1 to 8 years; no
Withdrawals/maturities	54,280		impairment
			Secured - P368,847; unsecured - P84,496; impaired -
			P268,273
Miscellaneous assets		925	3 months advance security deposits
Accounts receivable	(47)	1,242	Outstanding rental and utility receivables, non-interest
			bearing
Prepaid expense		7,219	Payment of various motor car vehicles, fire, money,
			security, payroll and robbery insurance
Deposit liabilities	2,365,121	3,593,455	Demand, savings and short-term peso and foreign currency
			time deposits with fixed rates ranging from 0.00% to
			3.68%
Accrued other expense payable		3,579	Outstanding group life insurance payable
Accounts payable		207	Various personal and car insurance payable
Miscellaneous liabilities		1,020	Advance payment of security deposits from various tenants

(Forward)



December 31, 2013			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interest income	₱55,970		Income on receivables from customers and interbank loans receivables
Rental income	6,245		Income from leasing agreements with various lease terms
Gain on sale of property and equipment	33,798		Gain on sale of Bank-owned properties
Bank commission	6,139		Commission income on ATM service fees
Insurance expense	37,659		Payment of insurance premium
Interest expense	91,888		Interest on deposit liabilities
Securities transactions			
Outright purchases	480,000		Outright purchase of FVPL and AFS investments
Outright sales	600,000		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		₱14,352	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	4,373		
Withdrawals/maturities	6,248		
Interest income	1,170		Interest income from loans

Regulatory Reporting

As required by the BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower. In January 13, 2013, BSP Circular No. 785 was issued to exclude loans guaranteed by international financial institutions or multilateral agencies from being covered by DOSRI limits.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2014 and 2013:

	2014	2013
Total outstanding DOSRI accounts	₱2,802,720,372	₱1,709,337,946
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423 to total loans	2.82%	1.95%
Percent of new DOSRI accounts granted under BSP Circular No. 423 to total loans	—	—
Percent of unsecured DOSRI accounts to total DOSRI accounts	7.13%	15.90%
Percent of past due DOSRI accounts to total DOSRI accounts	14.12%	26.32%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	14.12%	26.32%



As of December 31, 2014 and 2013, the Bank has no loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to the issuance of said circular but are allowed a transition period of two years from the effectivity of the said circular until said circular or said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.

Total interest income from DOSRI loans amounted to ₱49.5 million, ₱53.2 million, ₱55.4 million in 2014, 2013 and 2012, respectively.

30. Trust Operations

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not assets of the Bank.

In connection with the trust functions of the Bank, government securities (classified under AFS investments) with face value of ₱40.0 million as of December 31, 2014 and 2013 are deposited with the BSP in compliance with trust regulations.

For 2014 and 2013, the Bank did not appropriate any surplus reserve resulting from the operations of the Bank's Trust Department since it is still in a net loss position. No part of such surplus reserve shall at any time be paid out in dividends, but losses accruing in the course of its trust business may be charged against surplus.

31. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2014	2013
Trust department accounts (Note 30)	₱1,751,995,244	₱1,183,684,353
Stand-by credit lines	78,623,503	73,413,399
Late deposits/payments received	70,408,879	63,998,571
Items held for safekeeping	309,487	260,102
Others	29,407	26,095

Also, several suits and claims, in behalf or against the Bank in relation to its lending operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.



32. Notes to Statements of Cashflows

The following is a summary of principal non-cash activities that relate to the analysis of the statements of cash flows:

	2014	2013	2012
Additions to investment properties in settlement of loans (Note 12)	₱878,210,590	₱752,249,442	₱491,398,630
Additions to chattel mortgage in settlement of loans (Note 14)	1,286,282,783	1,025,399,887	840,698,632
Transfers from investment property to property and equipment (Notes 11 and 12)	–	68,749,769	–
Change in net unrealized gain on AFS investments (Note 8)	4,310,948	(183,863,692)	(2,193,594,598)
Dividends declared and unpaid (Note 21)	176,889,908	2,330,667	176,673,172
Cumulative translation adjustment	(407,034)	12,735,179	(6,006,080)

Interbank loans receivables not considered as cash and cash equivalents amounted to ₱1.4 billion (Note 29).

33. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, which is effective January 1, 2013, requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

December 31, 2014						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
Interbank loans receivable	₱1,386,320,000	₱–	₱1,386,320,000	₱–	₱1,819,281,519	₱–
Securities Purchased Under Resale Agreements (SPURA)	800,000,000	–	800,000,000	–	1,103,900,000	–
	₱2,186,320,000	₱–	₱2,186,320,000	₱–	₱2,923,181,519	₱–

December 31, 2013						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d] [e]
				Financial instruments [d]	Fair value of financial collateral	
Securities Purchased Under Resale Agreements (SPURA)	₱14,527,000,000	₱–	₱14,527,000,000	₱–	₱15,674,388,764	₱–



34. Subsequent Events

On January 22, 2015, the BOD of the Bank declared a 7.50% regular cash dividend for the fourth quarter of 2014 amounting to ₱180.19 million or ₱0.75 per share. This is pending approval from the BSP.

35. Approval for the Release of the Financial Statements

The accompanying comparative financial statements were reviewed by the Bank's Audit Committee on February 23, 2015 and approved for release by the BOD on February 26, 2015.

36. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Bank reported and/or paid the following types of taxes for the year:

Taxes and Licenses

For the taxable year ended December 31, 2014, taxes and licenses of the Bank consist of:

Gross receipts tax	₱528,106,306
Documentary stamps tax	363,060,208
Local taxes	166,494,955
Fringe benefit tax	3,635,549
Others	296,702
	<hr/>
	₱1,061,593,720

Withholding Taxes

Details of total remittances of withholding taxes as of December 31, 2014 are as follows:

Withholding taxes on compensation and benefits	₱408,675,406
Final withholding taxes	269,885,301
Expanded withholding taxes	89,087,445
	<hr/>
	₱767,648,152



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philippine Savings Bank (the Bank) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated February 26, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas

Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-3 (Group A),

February 14, 2013, valid until February 13, 2016

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4751290, January 5, 2015, Makati City

February 26, 2015



PHILIPPINE SAVINGS BANK
SCHEDULE A – FINANCIAL ASSETS
As of December 31, 2014

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income accrued
Financial Assets at Fair Value Through Profit or Loss				
Government Bonds				
Peso – denominated	₱50,000,000	₱47,660,563	₱47,660,563	₱503,472
Dollar – denominated	223,600,000	231,248,875	231,248,875	2,269,396
Total FVPL Investments	₱273,600,000	₱278,909,438	₱278,909,438	₱2,772,868
Available-for-Sale (AFS) Debt Securities				
Government Bonds				
Peso – denominated	₱500,000,000	₱537,665,342	₱537,665,342	₱13,406,250
Dollar – denominated	1,720,378,400	2,004,944,104	2,004,944,104	72,086,187
Treasury Notes	530,006,417	516,117,748	516,117,748	1,210,947
Retail Treasury Bonds	10,000,000	10,178,963	10,178,963	68,542
Private Corporation	2,986,076,160	3,010,068,344	3,010,068,344	35,086,555
Total	₱5,746,460,977	₱6,078,974,501	₱6,078,974,501	₱121,858,481
Available-for-Sale (AFS) Equity Securities				
Quoted	5,177,220	2,925,340	2,925,340	–
Unquoted	1,417,500	1,417,500	1,417,500	–
	6,594,720	4,342,840	4,342,840	–
Total AFS Investments	₱ 5,753,055,697	₱ 6,083,317,341	₱ 6,083,317,341	₱ 121,858,481
Held-to-Maturity				
Corporate Bonds				
Peso – denominated	₱ 1,510,000,000	₱ 1,510,000,000	₱1,473,364,228	₱6,756,281
Dollar – denominated	160,992,000	173,128,162	175,135,326	794,619
Total HTM Investments	₱1,670,992,000	₱1,683,128,162	₱1,648,499,554	₱7,550,900

- i. Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
- ii. State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.
- iii. This column may be omitted if all amounts that would be shown are the same as in the immediate preceding column.

PHILIPPINE SAVINGS BANK
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,
EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN
RELATED PARTIES)
As of December 31, 2014

Name and Designation of Debtor (i)	Balance at Beginning of the Period	Additions	Amounts Collected (ii)	Amounts Written-off (iii)	Current	Not Current	Balance at End of the Period
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NONE TO REPORT

Note: Transactions to these parties are made in the ordinary course of business.

- i. Show separately accounts receivables and note receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms or repayment and collateral, if any.
- ii. If collection was other than in cash, explain.
- iii. Give reasons for write-off.

PHILIPPINE SAVINGS BANK
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
As of December 31, 2014

Name and Designation of debtors	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of the period
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NOT APPLICABLE

- (i) If collection was other than in cash, explain.
- (ii) Give reasons for write off.

PHILIPPINE SAVINGS BANK
SCHEDULE D – INTANGIBLE ASSETS
As of December 31, 2014

Description (i)	Beginning Balance	Additions at Cost (ii)	Charge to cost and expenses	Charge to other accounts	Other changes additions (deductions) (iii)	Ending Balance
Goodwill	P 53,558,338	P-	P-	P-	P-	P 53,558,338
Software Costs	207,949,979	154,476,292	(82,368,320)	-	-	280,057,951
Branch Licenses	31,323,737	4,200,000	-	-	-	35,523,737
	P292,832,054	P158,676,292	(P82,368,320)	P-	P-	P369,140,026

- (i) All items presented are classified as Intangible Assets and no item is classified as Other Assets
- (ii) All additions to costs represents acquisitions made by the Bank and are paid in cash and some are in installment basis.
- (iii) If provision for amortization of intangible assets is credited in the books directly to intangible asset account, the amounts shall be stated with explanations including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.

PHILIPPINE SAVINGS BANK
SCHEDULE E – LONG TERM DEBT
As of December 31, 2014

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of Long-Term Debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rate	Maturity Date
Subordinated Debt	₱3,000,000,000	-	₱2,975,089,454	5.75%	Feb. 20, 2022
Subordinated Debt	3,000,000,000	-	2,971,811,867	5.50%	Aug. 23, 2024

- (i) Include in this column each type of obligation authorized.
- (ii) This column is to be totaled to correspond to the related balance sheet caption.
- (iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.

PHILIPPINE SAVINGS BANK
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED PARTIES)
As of December 31, 2014

Name of Related Party (i)	Balance at Beginning of the Period	Balance at the End of the Period (ii)
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NONE TO REPORT

- (i) The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.
- (ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance sheet at either the beginning or end of the period.

PHILIPPINE SAVINGS BANK
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUES
As of December 31, 2014

Name of issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement if filed	Nature of guarantee (ii)
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NONE TO REPORT

- i. Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
- ii. State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.
- iii. This column may be omitted if all amounts that would be shown are the same as in the immediate preceding column.

PHILIPPINE SAVINGS BANK
SCHEDULE H – CAPITAL STOCK
As of December 31, 2014

Title of Issue (i)	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Balance Sheet caption	Number of Shares reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by related parties (ii)	Directors, Officers, and Employees	Others (iii)
Common Stock - P10 par value	425,000,000	240,252,491	-	187,169,912	6,974	53,075,605

- (i) Include each type of issue authorized.
- (ii) Related parties referred to include persons for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.
- (iii) Indicate in a note any significant changes since the date of the last balance sheet filed.



PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

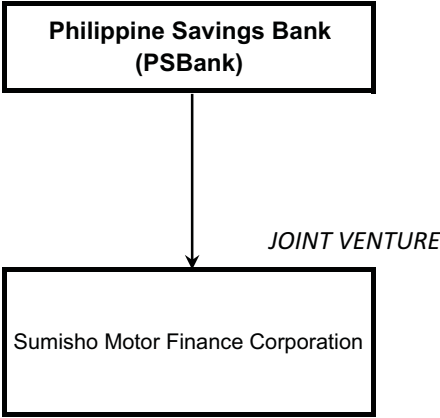
**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2014**

Unappropriated Retained Earnings, beginning	P	10,205,364,827
Prior year adjustments		
Less: Non-accrual/unrealized income net of tax		
Equity in net income of an associate		(411,527,053)
Unrealized foreign exchange gains – net		(34,713,433)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		(1,121,478,435)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		8,637,645,906
Net Income during the period closed to Retained Earnings		2,318,676,615
Less: Non-accrual/unrealized income net of tax		
Equity in net income of an associate and a joint venture		(53,869,251)
Unrealized foreign exchange gains - net		(36,857,391)
Recognized deferred tax assets - net		(431,481,389)
Other unrealized gains - gain on foreclosure of investment properties		(200,141,000)
		(722,349,031)
Net income actually earned during the period		1,596,327,584
Less:		
Dividend declarations during the period		(720,757,473)
Reversal of equity share in net income of an associate		462,017,572
		(258,739,901)
Retained earnings available for dividend distribution	P	9,975,233,589

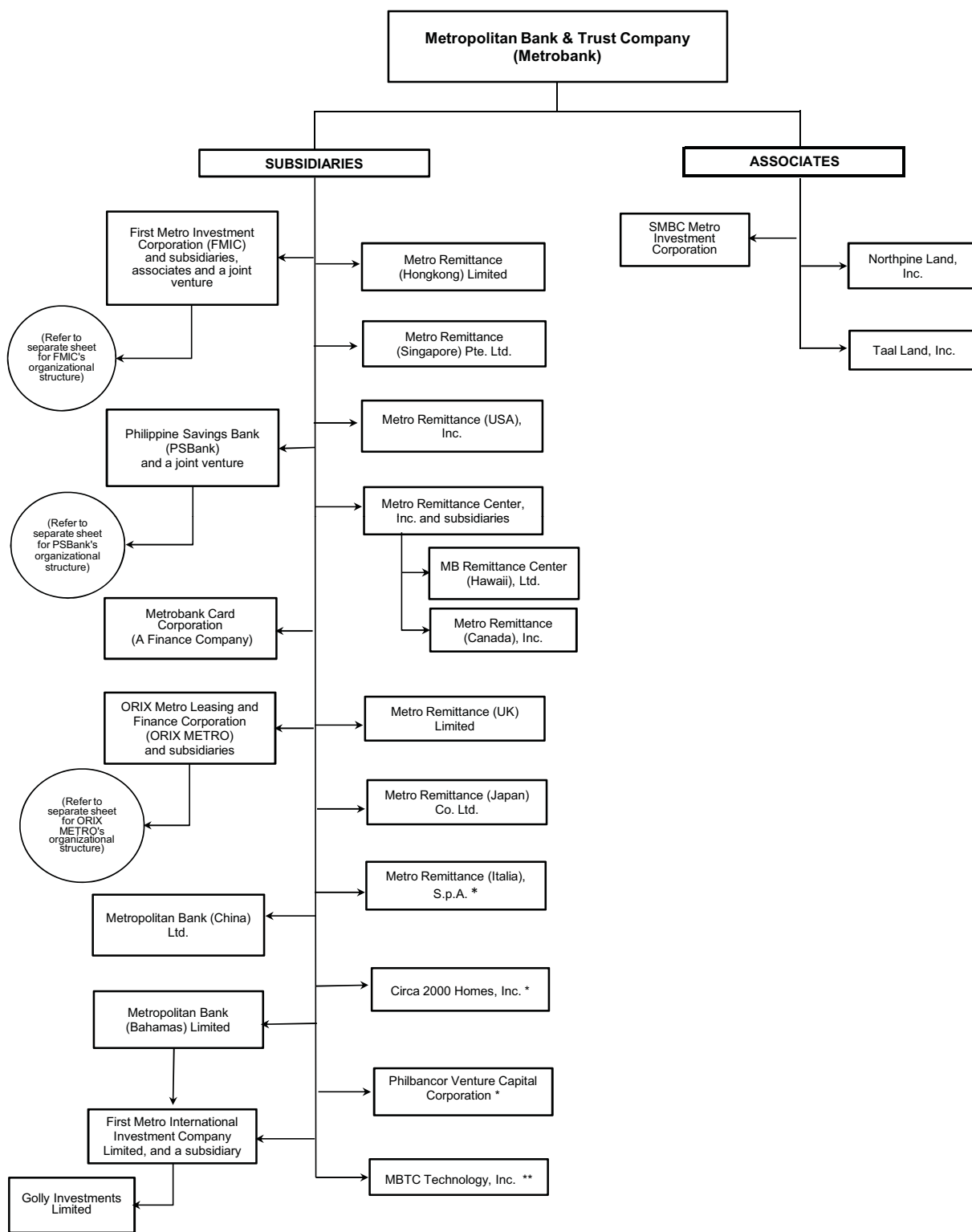
Note: The computation of surplus available for dividend declaration in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following Bangko Sentral ng Pilipinas (BSP) guidelines.

Even after the regular dividend declaration, The Bank's Capital Adequacy Ratio (CAR) is still above the minimum 10% requirement.

**Philippine Savings Bank
Joint Venture
As of December 31, 2014**

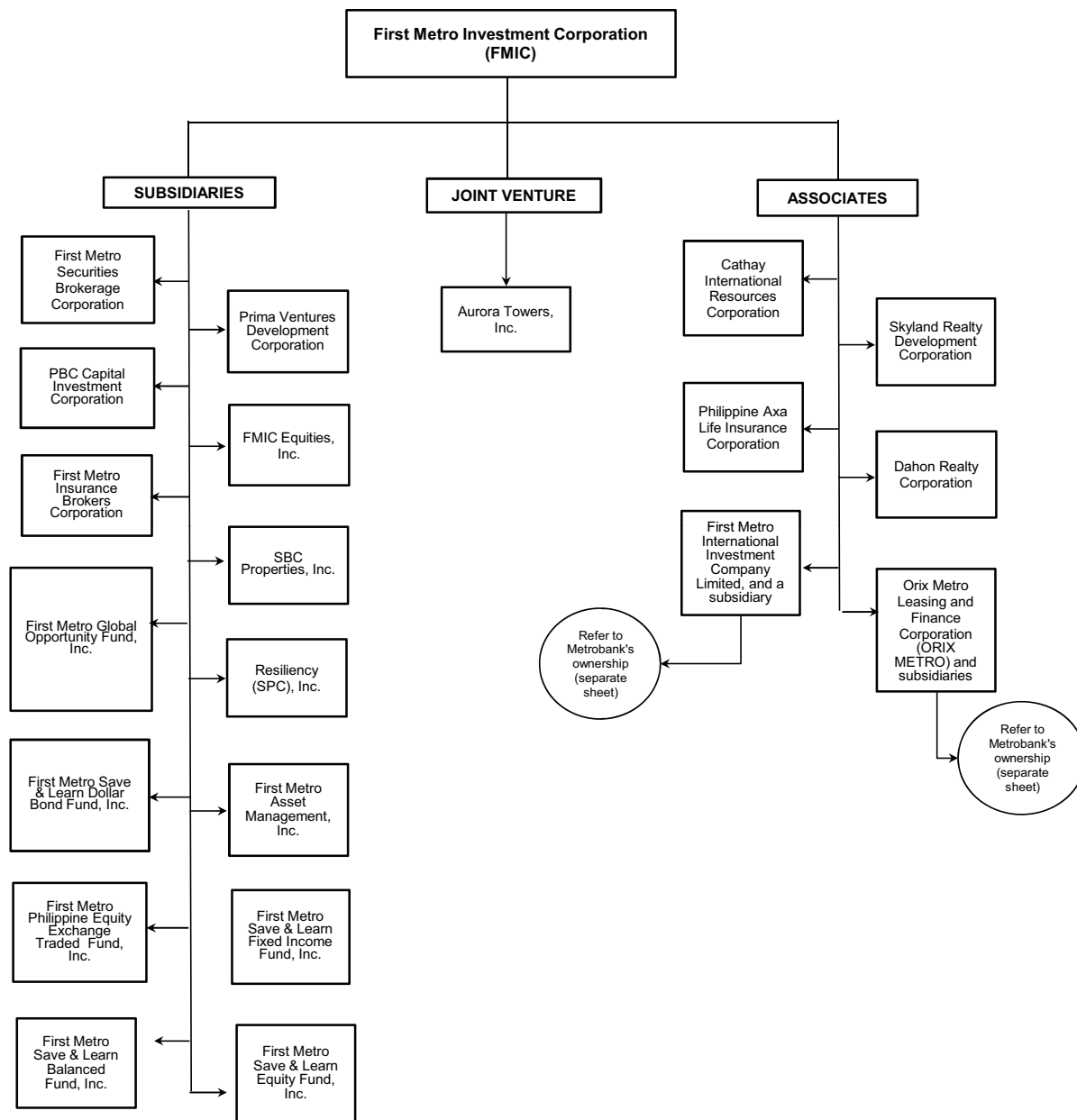


**Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2014**

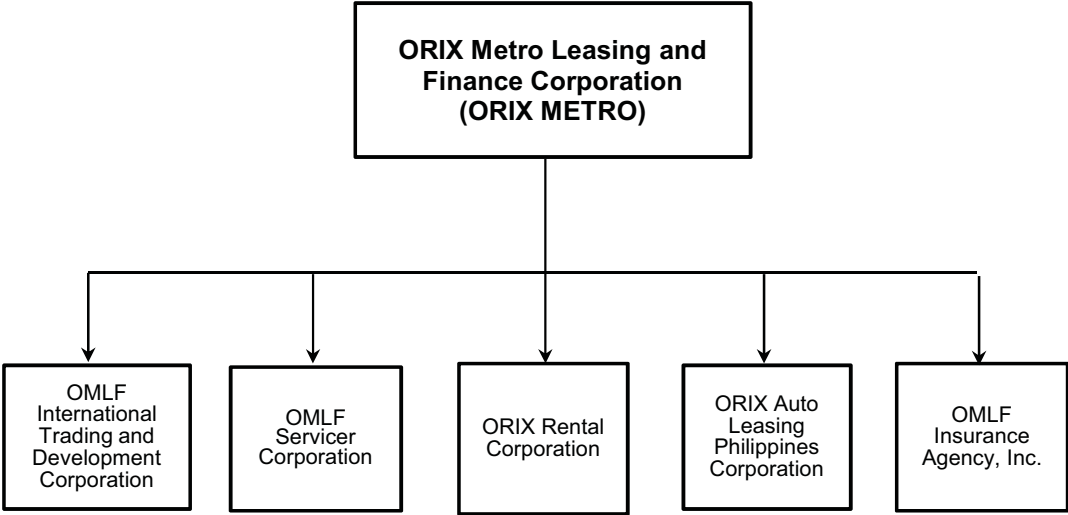


* In the process of dissolution
** In the process of liquidation

**First Metro Investment Corporation
Subsidiaries, Joint Venture and Associates
As of December 31, 2014**



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2014



PHILIPPINE SAVINGS BANK

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements					
Conceptual Framework Phase A: Objectives and qualitative Characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓	
PFRS 2	Share Based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
PFRS 3 (Revised)	Business Combinations			✓	
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓	
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓	
PFRS 4	Insurance Contracts			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓	
	Amendment to PFRS 5: Changes in methods of disposal				✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9				✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓	
	Amendment to PFRS 8: Aggregation of segments, reconciliation of the total of the reportable segments' assets to the entity's assets			✓	
PFRS 9	Financial Instruments	✓			
	Financial Instruments: Classification and Measurement of Financial Assets				✓
	Financial Instruments: Classification and Measurement of Financial Liabilities				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9				✓
	Financial Instruments (final version), incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition				✓
PFRS 10	Consolidated Financial Statements			✓	
	Amendments to PFRS 10: Transition Guidance			✓	
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture				✓
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 11: Transition Guidance	✓			
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 12	Disclosure of Interest in Other Entities	✓			
	Amendments to PFRS 12: Transition Guidance	✓			
	Amendments to PFRS 12: Investment Entities				✓
PFRS 13	Fair Value Measurements	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosure	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
PAS 2	Inventories			✓	
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓	
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution				✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓	
PAS 19 (Amended)	Employee Benefits	✓			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs			✓	
PAS 24 (Revised)	Related Party Disclosures	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓			
PAS 27	Consolidated and Separate Financial Statements			✓	
PAS 27 (Amended)	Separate Financial Statements	✓			
	Amendments for investment entities	✓			
	Amendments to PAS 27: Equity Method in Separate Financial Statements				✓
PAS 28	Investments in Associates and Joint Ventures	✓			
PAS 28 (Amended)	Investments in Associates	✓			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures	✓			
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓			
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'				✓
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets				✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation				✓
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Liabilities				
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transaction			✓	
	Amendments to PAS 39: The Fair Value Option			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting				✓
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property				✓
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants				
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
IFRIC 8	Scope of PFRS 2			✓	
IFRIC 9	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
IFRIC 10	Interim Financial Reporting and Impairment	✓			
IFRIC 11	PFRS 2- Group and Treasury Share Transactions(Replaced by amendments to PFRS 2)			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓			
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓			
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners			✓	
IFRIC 18	Transfers of Assets from Customers			✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Investment			✓	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
SIC - 7	Introduction of the Euro			✓	
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC - 12	Consolidation - Special Purpose Entities			✓	
	Amendment to SIC - 12: Scope of SIC 12			✓	
SIC - 13	Jointly Controlled Entities - Non Monetary Contributions by Venturers			✓	
SIC - 15	Operating Leases - Incentives			✓	
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC - 29	Service Concession Arrangements: Disclosures			✓	
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			✓	
SIC - 32	Intangible Assets - Web Site Costs			✓	

PHILIPPINE SAVINGS BANK**SCHEDULE OF FINANCIAL PERFORMANCE INDICATORS**

		<u>December 31, 2014</u>	<u>December 31, 2013</u>
a. Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$	13.64%	18.72%
b. Return on Average Assets	$\frac{\text{Net Income}}{\text{Average Total Resources}}$	1.68%	2.38%
c. Net Interest Margin	$\frac{\text{Net Interest Income}}{\text{Average Earning Assets}}$	6.58%	5.88%
d. Liquidity Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	46.83%	51.68%
e. Debt to Equity Ratio	$\frac{\text{Total Liabilities}}{\text{Total Stockholders' Equity}}$	7.21:1	7.00:1
f. Asset-to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	8.21:1	8.00:1
g. Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$	1.96:1	2.76:1
h. Capital Adequacy Ratio	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk-Weighted Assets}}$	19.57%	16.92%
i. Cost to Income Ratio	$\frac{\text{Operating Expenses Excluding Provision for Probable Losses and Income Taxes}}{\text{Net Interest Income + Operating Income}}$	62.31%	49.46%
j. Loans to Deposits Ratio	$\frac{\text{Gross Loans}}{\text{Total Deposits}}$	84.48%	80.70%