

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A,
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE
GENERAL INSTRUCTIONS

(a) Use of SEC Form 17-A

This SEC Form 17-A shall be used for annual reports filed pursuant to Section 17 of the Securities Regulation Code (SRC) and paragraph (1)(A) of [SRC Rule 17.1](#) thereunder. Annual reports shall be filed within one hundred five (105) calendar days after the end of the fiscal year covered by the report. Reports filed on this Form shall be deemed to satisfy Section 141 of the Corporation Code of the Philippines.

(b) Application of SRC Rules 72.1, 12.2 and 68, as amended: Requirements for Filing Forms

SRC Rule 72.1 contains general rules which are applicable to reports on forms to be filed with the Commission. SRC Rule [12.2](#) contains requirements concerning the incorporation of documents by reference. [SRC Rule 68, as amended](#) contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

(c) Preparation of Report.

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the Form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions shall be omitted.

(d) Incorporation by Reference

In accordance with the provisions of [SRC Rule 12.2](#), the information called for by Parts I and II of this Form may, at the issuer's option, be incorporated by reference from the issuer's annual report to securities holders provided the information called for in this report is included therein.

(e) Signature and Filing of Report

(1) [Three \(3\)](#) complete copies of the report, including any financial statements, exhibits or other papers or documents filed as a part thereof, shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibits or other papers or documents filed as a part thereof, shall, if any class of the issuer's securities are listed in a Stock Exchange, simultaneously be filed with that Exchange.

(2) At least one complete copy of the report filed with the Commission and where applicable, one

such copy filed with the Exchange, shall be manually signed on the issuer's behalf by its principal executive officer, its principal operating officer, its principal financial officer, its comptroller, its principal accounting officer, its corporate secretary or persons performing similar functions. Any person who occupies more than one of the specified positions shall indicate the capacity in which he signs the report. Copies not manually signed shall bear typed or printed signatures. See also paragraphs (2) and (3) of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language and pagination. If the issuer is a foreign person, the report shall also be signed by its resident agent in the Philippines.

(3) Issuers are requested to indicate in a transmittal letter with SEC FORM 17-A whether the financial statements in the report reflect a change from the preceding year in any accounting principles or practices or in the methods of application of those principles or practices.

(f) Integrated Reports to Security Holders.

(1) Annual reports to security holders may be combined with the required information of SEC Form 17-A and will be suitable for filing with the Commission if the following conditions are satisfied:

(A) The combined report contains full and complete answers to all items required by SEC Form 17-A. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made; and

(B) The cover page and the required signatures are included.

(2) When the provisions of paragraph (f)(1) are taken advantage of, as appropriate, a cross reference sheet should be filed indicating the location of information required by the items of the Form.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A,

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

1. For the fiscal year ended **December 31, 2013**
2. SEC Identification Number **A199701584** 3. BIR Tax Identification No. **000-005-469-606**
4. Exact name of issuer as specified in its charter **PHILIPPINE BUSINESS BANK, INC.**
5. **CALOOCAN** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **350 Rizal Avenue corner 8th Avenue Gracepark, Caloocan City** **1400**
Address of principal office Postal Code
8. **(02) 363-33-33**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	343,333,400

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

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE

COMMON SHARES OF STOCK

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. State 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 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. (See definition of "affiliate" in "Annex B").

**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 or the Commission.

Yes [] No [] 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-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any [information statement](#) filed pursuant to [SRC Rule 20](#);
- (c) Any prospectus filed pursuant to [SRC Rule 8.1](#).

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as "Total Savings Bank" and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to "Philippine Business Bank (A Savings Bank)", which the shareholders believe better reflects the Bank's business thrust and focus.

The Bank's focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between Php3 million to Php100 million, excluding the land value on which the entity's office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. Based on statistics of the country's Department of Trade and Industry, in 2009, SMEs contributed approximately 32 per cent of the employment, 36 per cent to sales and 25 per cent of export revenues of the Philippines. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provides trade, manufacturing and outsourcing and services and helps contribute to community and local development. Lastly, the Bank believes that the SME segment can be considered underserved with most financial institutions focusing on the banking requirements of large corporations and/or the consumer sector.

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centers of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank's network grew from two (2) branches in 1997 to 78 branches as of December 31, 2012 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City as well as in highly urbanized cities outside Metro Manila such as Cebu, Davao and Bacolod. PBB believes that client proximity, understanding of its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are among the key factors which have driven and will continue to drive its growth.

Principal Business Activities

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury and trust products.

Reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

In April 2008, the Bank entered into a purchase agreement with the shareholders of Kabalikat Rural Bank, Inc. ("KRBI") under which the Bank will purchase 100 per cent of the stock, assets, and goodwill of KRBI subject to the approval of a merger plan by the BSP and SEC. Through this transaction, PBB acquired the five (5) existing branches of KRBI and converted these into thrift bank branches. As an incentive, the BSP granted PBB the right to establish three (3) branches in Restricted Areas and 10 branches in non-restricted areas of the country. In October 2008 and March 2012, the BSP and the SEC respectively approved the merger.

Products and Services Offered

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

Commercial banking services include term loans, working capital credit lines, bills purchase and discounting lines. PBB is the first thrift bank to be allowed by the BSP to issue foreign currency denominated letters of credit. The Bank also offers specialized loans for agriculture and special programs of the Development Bank of the Philippines, the Social Security System, and other agencies.

Consumer banking loans include auto financing, home financing, and salary or personal loans.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso denominated current and savings accounts, foreign currency denominated savings accounts and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund", a unit investment trust fund, investment management arrangements for both individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other typical trust products and services.

Distribution methods of the products or services

The Bank utilizes branches for the distribution of its deposit products. As for its loan products, the Bank has an Account Management Group and located in its Head Office and the Branch Lending Group with account officers in some branches. The Bank's Trust products are handled by its Trust Department while Treasury products are marketed by its Treasury Marketing and Sales Department of the Treasury Group

Competition

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1. Strong presence, reputation, and attention to its SME customers

The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

PBB's focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations and even its corporate culture.

Majority of PBB's branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized cities outside Metro Manila such as Cebu, Davao and Bacolod. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

The Bank believes the success of this branch strategy is shown in its increased business performance. PBB's branches have increased over the past three (3) years from 65 in 2011 to 100 as of December 31, 2013 coinciding with the growth in the PBB's deposit base from Php21.194 billion in 2011, Php26.448 in

2012 and Php37.882 in December 31, 2013 and its portfolio of loans and receivables from Php16.704 billion in 2011, Php20.869 billion in 2012 and Php31.6 as of December 31, 2013.

Of equal importance to PBB's current and prospective growth is the staffing of these branches. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has been able to accelerate its client acquisition.

In line with its view that the SME clients are relatively unsophisticated with respect to bank transactions and require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

Aside from interest income from its loan products, PBB is focused on earnings generation from its treasury operations. PBB's treasury operations, aside from ensuring liquidity and managing liquidity risk, is and will remain actively involved in the trading of domestic treasury debt, corporate bonds, foreign currency denominated bonds and other financial instruments and is expected to generate income especially during periods of weak loan demand or excess liquidity arising from branch deposit taking efforts.

To this end, in 2009, PBB recruited officers and personnel with extensive treasury and trading experience and built up its securities portfolio. In 2011, PBB's AFS and trading portfolio amounted to Php5.711 billion. As of December 31, 2013, the AFS holdings and other trading portfolio (FVPL) of the Bank reached Php7.908 billion.

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, the Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. Supplementing these formal processes is PBB's relationship and community based approach to lending, which takes advantage of branch and account officers' position in their respective communities to establish prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

Over the past three (3) years, PBB's average NPL ratio was at 2.99 per cent in 2011, 3.09 per cent in 2012 and 2.37 in 2013.

4. Sound balance sheet well positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, in 2011, 2012 and 2013 was at 64.21 percent, 74.42 percent and 83.42 percent, respectively.

5. Resilient capital is among the foundations to PBB's increasing size

PBB's Total CAR and Tier 1 CAR was at 26.44 percent and 18.86 percent, and 24.46 per cent and 25.41 percent and 18.17 percent and 23.81 percent for the years ending December 2011, 2012, and 2013, respectively.

With its capital structure, the Bank is well positioned to undertake future fund raising efforts after the Offer, to finance further expansion plans and comply with the capital adequacy requirement set by the BSP.

6. Highly competent and well experienced management team

PBB is managed and ran by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. On average, each of the Bank's senior officers possess about 27 years of experience in banking and finance. Similarly, each of PBB's branch officers has, on average, a total of 15 years of experience in branch banking.

With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs.

Sources and availability of raw materials and the names of principal suppliers

This is not relevant to the operations of the Bank.

Customer Concentration

The Bank has a diversified customer base and there is no concentration of business in major client group. The Bank is not dependent on any single customer that its loss would have material adverse effect on the Bank.

Transactions with and/or dependence on related parties

Although the Bank deals with related parties subject to existing rules on related party transactions, there is no dependency on any of its related parties.

Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

The Bank has registered with the Intellectual Property Office of the Department of Trade and Industry its New Bank Logo and ATM Business Card Design. The Bank has not been involved in any disputes with respect intellectual property rights of other parties.

Government approval of principal products or services

The Bank has no outstanding application subject to government approval.

Effect of existing or probable governmental regulations on the business

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Amount spent on research and development activities

The Bank has a department in-charge of new products which reports to the Branch Banking Group under the CEO. This department has two personnel – one officer and one staff. Its expense is only limited to regular salary of the employees and is very minimal.

Costs and effects of compliance with environmental laws

Not applicable.

Employees

As of March 31, 2014, the Bank has a total of 934 employees broken down into the following categories:

Executives	62
Managers – Operations and Support	93
Managers – Branch / Marketing	248
Staff	531
Total	934

For the ensuing twelve (12) months, the Bank anticipates to have additional 104 employees broken down as follows:

Executives	5
Managers – Operations and Support	20
Managers – Branch / Marketing	28
Staff	51
Total	104

There is no collective bargaining agreement between the Bank and any of its employees. None of the Bank's employees are affiliated with any labor union.

Financial Risk Management Objectives and Policies

PBB, as a financial institution, is in the business of risk taking. Its activities expose the Bank to credit, market and liquidity, and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events, including legal risk but excludes reputational risk.

Although risks are inherent in the Bank's activities, these are carefully managed through a process of identification, measurement, and monitoring subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

Credit risk pertains to the risk to income or capital due to non-payment by borrowers or counterparties of their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the Board of Directors (BOD). Account officers and credit officers directly handle credit risk as guided by BOD-approved policies and limits. The Risk Management Center, as guided by the Risk Committee (Riskcom which is a Board Committee), performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the RiskCom.

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its assets and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in overall liquidity and funding conditions in the market. Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

To mitigate interest rate risk, the Bank follows a prudent policy on managing assets and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the Earnings-at-Risk (EAR) Limit which is reviewed regularly. The earnings-at-risk is the maximum estimated loss on interest income as a result of mismatches in the repricing structure of the Bank's assets and liabilities and on the volatility of interest rates.

For interest rate risk in the trading portfolio, the Bank utilizes the value-at-risk (VaR) methodology and employs BOD-approved VaR and loss limits to mitigate risks. In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the RiskCom prior to the confirmation by the BOD.

Item 2. Properties

The Bank owns the land and building on which its head office is located. This head office is located four-story building on a 1,300 square meter property along Rizal Avenue, Grace Park, Caloocan City. The Bank also owns the land and premises on which four (4) of its branches are located, specifically, PBB's branches in Paso de Blas in Valenzuela, in Imus, Cavite, in Luwasan, Muzon, in San Jose del Monte City, Bulacan, and in General Tinio, Nueva Ecija.

The land and premises on which PBB's branches other branches are located are leased from various property owners. Such lease agreements are typically long term in nature, with durations of five (5) years or more. The Bank has entered into lease agreements with the following parties:

NO.	BRANCH NAME	ADDRESS
1	A. Mabini C-3	200 A. Mabini St. Maypajo, Caloocan City
2	Adriatico - Malate	G/F Hbster 1632 Adriatico Street, Malate, Manila
3	Angles	Lot 5 Blk 1 McArthur Highway, Angeles City
4	Antipolo	Units 3 & 4 Megaphon Bldg. Circumferential Road, Brgy. San Roque, Antipolo City
5	Bacolod	Philamlife Bacolod Bldg., Lacson St. cor Galo Street, Bacolod City
6	Baguio	G/F CTEL Bldg. Abanao Ext., Baguio City
7	Baliuag	B.S. Aquino Ave. Bagong Nayon Baliuag, Bulacan
8	Banawe	Unit 5-7 Solmac Bldg. 84 Depitan cor Banawe Sts. Sta. Mesa Heights, Quezon City
9	Banawe - Kaliraya	Motorex Philippines, Inc. Building 148 Banawe cor. Kaliraya St. Barangay Tatalon, Quezon City
10	Batangas	Ofra Plaza, No. 114 Rizal Avenue corner P. Zamora Street, Barangay 16, Batangas City
11	Binondo Corp. Center	1126 Soler St. Binondo, Manila
12	Bocaue	Mac Arthur Highway, Barangay Wilkes, Bocaue, Bulacan
13	Butuan	Montilla Boulevard cor. T. Calvo St., Butuan City, Agusan Del Norte
14	Cabanatuan	Paco Roman St., Cabanatuan City, Nueva Ecija
15	Cagayan de Oro	Door 1 & 2 Surposa Bldg. 281 Recto Ave., Lapasan Highway, Cagayan de Oro City
16	Cagayan de Oro - Cogon	ALLA Inc. Building, JR Borja St. (near comer Don Apolinar Velez Street), Barangay 32, Cagayan De Oro City, Misamis Oriental
17	Cainta	Soliven St. cor. Felix Ave., Cainta
18	Calamba	G/F Unit 2 Kim-Kat Annex Bldg., National Highway, Brgy. Parian, Calamba, Laguna
19	Camarin	Zabarte Town Center 588 Camarin Road, comer Zabarte Road, North Caloocan City
20	Carmen Planas	859 Carmen Planas St. Binondo, Manila
21	Casayan	Maharlika Highway, Barangay San Fermín, Casayan City, Isabela
22	Cebu City - Downtown	G/F Lianting Bldg. 130 F. Gonzales Street, Cebu City
23	Commonwealth	G/F Dalamex - College of St. Adeline, Commonwealth Avenue, East Fairview Park Subdivision, Quezon City
24	Concepcion - Marikina	Bayan-Bayanan Avenue, Concepcion Uno, Marikina City
25	Congressional	No. 622 Congressional Avenue, Barangay Bahay Toro, Quezon City
26	Cubao	Units D, E & F Timbol Bldg. 915 Aurora Blvd. Cubao, Quezon City
27	Dagupan	Rizal St., Dagupan City, Pangasinan
28	Dasmariñas - Cavite	Unit G2 Annie's Plaza Dasma, Barangay San Agustín I, Dasmariñas City, Cavite
29	Davao - Bajada	G/F DCCC Bldg., JP Laurel Ave. Bajada, Davao City
30	Davao - Sales	Door 7 & 8 JM Bldg. Governor Sales St., Davao City
31	Del Monte	284-286 Del Monte Ave., Quezon City
32	Edsa - Monumento	261 Edsa Highway, Barangay 85, Zone 8, Caloocan City
33	Edsa-Caloocan	574 Epifanio delos Santos, EDSA Highway Kalookan City
34	Elcano	730 Elcano St., Binondo, Manila
35	Capin	Tinio St. Brgy. San Vicente, Capan City, Nueva Ecija
36	Gen. Santos	GSC SunCity Suites, SunCity Complex B-1-03 & B-1-04 National Highway Lagao, General Santos City
37	Gen. Tinio	Poblacion Central (Papaya) Gen. Tinio, Nueva Ecija
38	Grace Park	No. 249 Rizal Avenue extension cor. 7th Ave., Gracepark, Caloocan City
39	Greenhills	G/F LCI Building, Ortigas Avenue, Barangay Greenhills, San Juan
40	Iloilo	# 25 Quezon Street, Ilo-Ilo City
41	Imus	Aguinaldo Highway, Tandang Luma, Imus, Cavite
42	Kalibo	Roxas Avenue, Poblacion, Kalibo City, Aklan
43	Karuhatan-Malinta	Ground Floor HPS Building McArthur Highway, Karuhatan, Valenzuela City
44	Kaybiga	Guilmer Marble Corporation Bldg. # 297 General Luis Street Kaybiga, Caloocan City
45	La Union	G/F Virginia Bldg. Quezon Ave. cor. Flores St. Dominion Bus Terminal, National Highway
46	Lacag	G/F Lacag Allied Marketing Bldg. Barangay 19, Rizal St. Lacag City
47	Lapu-Lapu	G/F AMCO Building M. L. Quezon National Road Pajo, Lapu-Lapu City, Cebu
48	Las Pinas	Unit 1 & 2 G/F San Beda Commercial Zapote Alibang Rd., Las Pinas
49	Legaspi Village - Makati	G/F Sunrise Terraces 100 Perea Street, Legaspi Village, Barangay San Lorenzo, Makati City
50	Legaspi	D Executive Building, Rizal St., Barangay Tinago, Legaspi City, Albay
51	Lipa City	Units 1, 2, 3 & 4 Trinity Business Center Ayala Highway, Barangay Balintawak, Lipa City
52	Lucena	Quezon Avenue, Lucena City
53	Madrigal	Unit 102 G/F Corporate Center 1906 Finance Drive Madrigal Business Park, Muntinlupa City
54	Main Office (Caloocan)	350 Rizal Ave. Ext cor 8th Ave., Grace Park, Caloocan City
55	Makati	137 Yakal Street, Makati City
56	Malabon	155 Gov. Pascual Ave., Malabon City
57	Malabon - Rizal Ave.	726 Rizal Avenue Barangay Taragon, Malabon City
58	Malolos	Paseo del Congreso Calmon, Malolos City, Bulacan
59	Mandaluyong	Unit I, Facilities Centre Shaw Blvd., Mandaluyong City
60	Mandaue	Unit 1-2 Wireless Plaza Bldg. H. Cortes Avenue cor H-way Seno Subangdaku, Mandaue City
61	Marikina	306 J. P. Rizal St., Sta. Elena Marikina City
62	Masinag, Antipolo	Unit 104 G/F Rikland Centre Marcos Highway, Mayamot Antipolo City
63	Maycauayan	Medical Plaza Bldg. McArthur Highway, Banga, Maycauayan, Bulacan
64	Muntinlupa	G/F Units 1 & 2 # 50 National Road, Putatan, Muntinlupa City
65	Muzon	807 Luwesan Muzon, City of San Jose del Monte, Bulacan
66	Naga	Unit G/G/F CBD Plaza Hotel Ninoy and Cory Ave., Central Business District II Triangulo, Naga City
67	Navotas	G/F Teresita Bldg. Northbay Blvd., South Navotas City
68	Nvaliches	Krystle Bldg. 858 Quirino Highway Nvaliches, Quezon City
69	Onzapo	2420 Rizal Avenue Barangay East Bajac Bldg. Onzapo City
70	Ortigas	Ortigas Home Depot Complex P28-29, Bldg. B #1 Julia Vargas Avenue, comer Meralco Avenue, Barangay Ugong Pasig City
71	Padre Algue	1105 F. M. Guerrero Street comer Padre Algue Street G/F City Square Residences Tondo, Manila
72	Pasay	2241 C. k. Sy Bldg. Tait Ave., Pasay City
73	Pasay - Malibay	Unit E, J&B Building, 641 Epifanio Delos Santos Avenue (EDSA), Malibay, Pasay City
74	Pasig-Kapitolyo	Ground Fl., Unit 4 Elements on Rosemarie Bldg., Pasig Blvd. comer Rosemarie Street, Pasig City
75	Paso de Blas	Paso de Blas Road cor. P. Santiago St. Barangay Paso de Blas, Valenzuela City
76	Paterno - Quiapo	707 Paterno St., Barangay 307, Quiapo, Manila
77	Pedro Gil - Paco	1077 Pedro Gil St. Paco, Manila
78	Puerto Prinsesa	New Carlos Building, 271 Rizal Avenue, Central Business District, Maningning, Puerto Princesa City, Palawan
79	Quintín	G/F Downtown Center Bldg. Quintín Paredes St., Binondo, Manila
80	Retiro	No. 84 Units A&B NS Amoranto Ave., (formerly Retiro St.) Barangay Salvacion, La Loma, Quezon City
81	Roosevelt	Sun Square Building, 323 Roosevelt Avenue, Barangay San Antonio, San Francisco Del Monte, Quezon City
82	Salcedo - Makati	Unit GDA-1, LPL Center, 130 L.P. Leviste St., Salcedo Village, Makati City
83	Samson Road	117 D & E Samson Road, Caloocan City
84	San Fernando	G/F Hyatt Garden Bldg. Dolores City of San Fernando, Pampanga
85	San Pablo	Lynderson Building Lopez Jaena St., San Pablo City, Laguna
86	Sorsogon	Chang Kai Shek School Building Magsaysay Avenue, Sorsogon City
87	Sta. Maria	Angelica Bldg. Gov. F. Halili Ave., Bagbaguin, Sta. Maria, Bulacan
88	Sta. Rosa	#100 Nat'l Highway cor. Roque Lasaga Street, Balibago Sta. Rosa, Laguna
89	Sucab	Unit B-10-A Jaka Plaza Mall A. Santos Avenue, Sucab, Paranaque City
90	Tacloban	Zamora St., Tacloban City
91	Tagbilaran	EB Gallares Building, C.P. Garcia Ave. Tagbilaran City, Bohol
92	Tanauan	Jose P. Laurel Avenue, Barangay Poblacion, Tanauan City
93	Tarlac	Luwayway Bldg. F. Tenedo Street, Tarlac City
94	The Fort	Units 104-106 Forbeswood Towers, Forbeswood Center, Rizal Drive cor. Burgos Circle, Bonifacio Global City, Taguig City
95	Timog - Rotonda	A.A. Tanco Building #55 Timog Ave. cor. Tomas Morato Ave., Barangay South Triangle, Quezon City
96	Tuguegarao	67 Rizal St., Tuguegarao, Cagayan
97	Urdaneta	Unit 1, The Pentagon - GNC Building, Mc Arthur Highway, Nancayasan, Urdaneta, Pangasinan
98	Valenzuela	215 McArthur Highway, Karuhatan, Valenzuela City
99	West Avenue	Unit 102 West Ave. Strip, 53 West Ave., Brgy. Paltok, Quezon City
100	Zamboanga	Wee Agro Building, Veterans Avenue, Zamboanga City

Based on prevailing costs, the Bank estimates that the development of a new branch will cost approximately between Php5 million to Php10 million for leasehold improvements, IT infrastructure, and miscellaneous supplies. Leasehold improvements of a branch are typically amortized over the term of the

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lease while IT investments are amortized over a period of five (5) years.

The Bank intends to lease in the next twelve (12) months additional fifteen (26) branches for its branch network expansion program, details of which are as follows:

PBB Branch	Lessor
San Pedro- Laguna	Lily Tsang Ngo
Calapan, Mindoro	Mila S. Tolentino, Amado S. Tolentino, Jr. and Lita S
Santiago, Isabela	Sps. Manuel Salvador N. De Vera & Bonalet M. De
Taytay, Rizal	Contract under negotiation
Vigan City	Contract under negotiation
Molino- Bacoor	Contract under negotiation
Davao- Toril	Contract under negotiation
Davao- Lanang	Contract under negotiation
Cebu- Banilad	Contract under negotiation
Manila	
Manila	
Quezon City	
Quezon City	
Taguig	
Parañaque	
Balanga, Bataan	
La Trinidad, Benguet	
Iriga, Camarines Sur	
Tagum City	
Ozamis City	
Dipolog City	
General Santos City	
Cebu City	
Consolacion, Cebu City	
Dumaguete City	
Malay, Aklan	

The Bank believes all its facilities and properties are currently in good condition.

Item 3. Legal Proceedings

The Bank has no proceedings that involves a claim for damages that exceed 10% of the current assets of the Bank.

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

There were no matters submitted to vote a 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

Market Information

The common shares of PBB was listed last February 19, 2013. The high and low price of the Registrant's shares as of April 14, 2014 was Php 23.35.

Holders

As of the December 31, 2013, PBB's public listing date, the following are the holders of record of the Bank's common shares as set forth in the following table:

	Shareholder	No. Of Shares Subscribed	% Ownership
1	PDC Nominee Corporation-Filipino	341,617,000	99.50%
2	Peter D. Lim	400,000	0.12%
3	James G. Dy	250,000	0.07%
4	Siot Keng Go Uy	200,000	0.06%
5	Peter Y. See	200,000	0.06%
6	Wilbert G. Uy	200,000	0.06%
7	Roberto Lee Obiedo	200,000	0.06%
8	Eusebio S. Go	100,000	0.03%
9	Xiaohan Wu	94,900	0.01%
10	Alfonso S. Chan	30,000	0.01%
11	Sharon Dy Law	20,000	0.03%
12	PDC Nominee Corporation-Non Filipino	110,900	0.00%
13	Ricardo Delfin a. &/or Rosalinda T. King	5,000	0.00%
14	King Antonio Kan Sia	2,000	0.00%
15	Nadezhda Iskra F. Herrera	500	0.00%
	Total	343,333,400	100.00%

The following persons own at least five per cent (5%) of the Bank's outstanding common shares:

Title of Class	Name, Address of Record Owners and relationship with the issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	No. of shares held	Per cent of class
Common	Alfredo M. Yao 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	127,913,766	52.86%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	86,428,226	35.71%
Common	Francis T. Lee 15 Masigla St. East Avenue, Quezon City Chairman of the Board	The record owner is the beneficial owner of the shares indicated	Filipino	24,200,000	10%
Total Common Shares				238,541,992	98.57%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from Php3.0 billion to Php10.0 billion and for a decrease in par value from Php100 to P10.00.

For the period ninety (90) days prior to the filing of the registration statement, there are no foreign holder of each class of common equity.

Dividends

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination of thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends which will impair its capital.

Pursuant to Republic Act 8791 and as provided for in the Manual of Regulations Banks, PBB cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. PBB cannot likewise declare dividends, if at the time of its declaration it has not complied with the following:

- a) Its clearing account with BSP is not overdrawn;
- b) BSP's liquidity floor requirement for government funds;
- c) BSP's minimum capitalization requirement and risk-based capital ratio;
- d) Prescribed EFCDU/FCDU cover consisting of 30 per cent liquidity cover and 100 percent asset cover
- e) Statutory and liquidity reserves requirement;
- f) It has no past due loans or accommodation with BSP or any institutions;
- g) It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;
- h) It has not committed any of the major violations enumerated in the Manual.

The Manual provides that for banks whose shares are listed in the Philippine Stock Exchange, the bank may give immediate notice of such dividend declaration to SEC and PSE; provided that no record date shall be fixed for such dividend declaration pending verification by the appropriate department of the BSP.

As of this date the Bank has not adopted a specific dividend policy which defines a minimum percentage of net earnings to be distributed to its common shareholders.

PBB did not declare dividends for its common shares for the years ended 2009 to 2011.

On July 16, 2012, the Bank's shareholders and Board of Directors approved the declaration of stock dividends amounting to Php2.0 billion from its unrestricted retained earnings. In the same meeting, the Board also approved the payment of cash dividends to the preferred shareholders in the total amount of Php100.35 million. Payment of these dividends were approved by BSP and SEC. On November 16, 2012, the Bank obtained approval for the issuance of 200,000,000 new common shares each at a par value of Php10.00, in relation to this stock dividend declaration and the payment of cash dividends to the

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preferred stockholders.

There were no recent sales of unregistered or exempt Securities, including recent issuance of securities constituting an exempt transaction.

There has been no Stock Options offered by the Bank.

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

Overview

PBB is a savings bank whose principal banking activities are focused on the corporate and SME markets. Among the Bank's principal products are corporate and consumer loans, deposit products, treasury and trust products and trade financing, among others. The Bank was formed in 1997 and today, has a network of 100 branches and 88 ATMs located all over the country.

Based on Chamber of Thrift Banks ("CTB") statistics as of September 30, 2013, the Bank is ranked 5th in terms of assets, loans and deposits out of a total of 69 CTB members.

As of December 31, 2013, the Bank's Tier 1 capital adequacy ratio and total capital adequacy ratio was 23.81% and 24.46%, respectively. Return on assets and return on equity were 2.5% and 17.6%, respectively.

Factors Affecting the Bank's Results of Operations

Set out below are the most significant factors which have affected the Bank's operating results in the past and which are expected to affect the Bank's results in the future. Factors other than those set forth below may also have a significant impact on the Bank's results of operations and financial condition in the future.

Interest Rates

Fluctuations in the interest rates in the market can have a material impact on the Bank by affecting its interest income, cost of funding as well as the general performance of the Bank's loan portfolio and other assets. The profitability of the Bank depends on its ability to manage its assets and liabilities particularly during periods when interest rates are volatile. An increase in interest rates may adversely affect earnings as it results in a higher cost of funds for the Bank and portfolio value of its assets.

Regulatory Environment

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Competition

The Philippine banking sector is highly competitive and the Bank is subject to significant levels of competition from domestic and foreign banks. These banks may have more capital and other financial resources, larger branch network or higher brand recognition, among others, than the Bank. Some financial institutions may be able to offer more products and services, have higher lending limits, offer lower lending rate or possess stronger balance sheets. Competition has affected and will continue to affect the Bank's funding costs as well as the ability of the Bank to market its products and services and implement its business plans and adversely impact PBB's results of operations and financial condition.

Philippine and Global economic environment

The Bank's business and operations and assets are based in the Philippines and hence, the results of operations and performance and quality and growth of PBB's assets depend, to a large extent, on the performance of the Philippine economy. The Philippine economy, in turn, has also been adversely affected by the downturn in the global financial markets as well as the slowdown in the U.S. economy. Monetary policies worldwide formulated in response to the financial crisis resulted in a decline in interest rates. Interest rates in the Philippines have recently declined which could affect the Bank's income and margins.

Key Performance Indicators

The management of PBB considers the following as key performance indicators of the Bank:

1. Return on Average Equity (ROEA) Refers to (Net Income (Loss)/ Ave. Stockholders' Equity), used to measure the profitability of the stockholders' investments.
2. Return on Average Assets (ROAA) Refers to (Net Income (Loss)) Average Total Assets), used to measure the effective use of the Bank's assets.
3. Capital Adequacy Ratio (CAR) Refers to (Total Qualifying Capital/Total Risk-weighted Assets), measures the ability of the Bank to absorb normal, potential losses from its risk assets. The BSP has set a minimum ratio of 10 per cent that PBB needs to comply with.
4. Loans – to-Deposits Ratio (BSP formula) Refers to (Gross Loans/ Total Deposits), measures the Bank's efficiency in the deployment of available funds from deposits. The BSP has set a minimum ratio of 75 per cent that PBB needs to comply with.
5. NPL Ratio (BSP formula) Refers to (Total NPL/Gross Loans), measures the Bank's asset quality.

The following table shows the Top 5 key performance indicators for the past three (3) calendar years ending December 31, 2013:

Performance Indicator	2011	2012	2013
ROAE	24.30%	16.41%	17.63%
ROAA	3.50%	2.24%	2.51%
CAR	26.44%	18.86%	24.46%
Loans- Deposit Ratio (BSP Formula)	106.67%	109.95%	109.67%
NPL Ratio (BSP Formula)	2.99%	3.09%	2.37%

Critical Accounting Policies

For information on the Bank's significant accounting judgments and estimates, please refer to notes 2 and 3 of the Bank's financial statements included as attachment of SEC17-A.

Description of Comprehensive Statement of Income

Revenues

Interest Income - Interest income is interest generated from PBB's loans and receivables. The Bank also generates interest income from amounts due from other banks, investment securities and securities purchased under resale agreements.

Interest Expense - Interest expense refers to interest paid or accrued on deposits, bills payable and other fund borrowings.

Net Interest Income - Net interest income is equal to interest income after deducting interest expense.

Impairment Losses - Impairment losses refer to estimated losses in the Bank's loan portfolio, investment securities, investment properties and other risk assets.

Other Income

Other income is composed of the following:

Trading gains – net - This line item comprises results arising from trading activities which include gains and losses from changes in fair value of financial assets held for trading as well as gains from the sale of trading and investment securities.

Services charges, fees and commissions - The Bank earns service charges, fees and commissions from various financial services it provides to its customers. These fees include investment fund fees, custodian fees, commission income, credit related fees, asset management fees, portfolio and advisory fees.

Miscellaneous Income - Miscellaneous income also comprises foreign exchange gain, gain on asset foreclosures and dacion transactions, trust fees, gain on sale of assets and miscellaneous items.

Other Expenses

Other expenses are the Bank's general and administrative expenses composed primarily of salaries and employee benefits, taxes and licenses, rent and fees, depreciation and amortization and other operating costs.

Tax Expense

Tax expense relates mainly to the corporate income tax payable by the Bank which is composed of a two per cent (2%) minimum corporate income tax and a regular income tax of 30 per cent. The Bank is also subject to final taxes of 7.5 per cent (on the Bank's FCUDU deposits with other institutions), 10 per cent (on onshore income from FCUDU transactions), and 20 per cent (final withholding tax on tax-paid income).

Results of Operations

For the period ending December 31, 2013 compared with the period ending December 31, 2012

Interest Income

PBB's interest income increased from Php1.706bn to Php2.2326bn due mainly to the increased in the

volume of loans booked during the period and the consistent yields at an average effective interest rate of 2% - 22% p.a. Loan volume increased from Php20.869bn in 2012 to Php31.600bn in 2013. Interest income from investment and trading securities increased from Php346.975m in 2012 to Php368.601m in 2013 due to general market conditions of higher interest rates. Interest due from BSP increased from Php22.489m in 2012 to Php45.504m in 2013 due to Increase in volume of Deposit from BSP to cover deposit liability reserves.

Interest Expenses

Total interest expense decreased from Php608.049m in 2012 to Php489.259m in 2013 or Php 118.790m or 19.54% due to the decrease in interest rates even with the increase in the overall deposit of 43.23%. This represents lower interest costs on increased volume of deposit from Php26.449bn in 2012 to Php37.882bn in 2013 or Php11.433m.

Net interest income

PBB NIM's rate improves to 4.52% from 3.84% due to the increase in interest income from Php1.707bn in 2012 to Php2.232bn in 2013 or Php524.901m or 30.75% while interest expense decreased by Php135.657m or 21.35% from Php635.264m in 2012 to Php499.607m in 2013. As a result net interest income increased by Php600.558m or 61.64% from Php1.071bn in 2012 to Php1.732bn in 2013.

Impairment Losses

The bank continued to set aside certain impairment losses in 2013 to cover its non performing loans. The bank increase its provisions by Php105.776m or 146.06% from Php72.418m in 2012 to Php178.194m in 2013. This makes up to more than 92% cover for its non performing loans during the year 2013.

Other Income

PBB's other income increased by 4.96% or Php43.886m from Php884.944m in 2012 to Php928.831m in 2013, due mainly to trading income of Php816.773m from treasury activities. The bank was able to take the market opportunities and realize exceptional gains from its investment portfolio.

Other Expenses

Other Expenses increased by 15.524% or Php182.047m from Php1.173bn in 2012 to Php1.355bn in 2013. The increase in operating expenses, specifically to occupancy, salaries and wages, insurance, travelling and depreciation were due to the branch expansion program of the bank

Net Profit

As a result PBB's net profit increased by 53.73% or Php351.739m from Php654.589m in 2012 to Php1.006bn in 2013.

For the period ending December 31, 2012 compared with the period ending December 31, 2011

Interest Income

PBB's interest income increased from Php1.657bn to Php1.706bn due mainly to the increased in the volume of loans booked during the period and the consistent yields at an average effective interest rate of 2% - 22% p.a. Loan volume increased from Php16.704bn in 2011 to Php20.869bn in 2012. Interest income from investment securities decreased due to general market conditions of lower interest rates.

Interest Expenses

Total interest expense increased from Php536.224m to Php608.049m or Php 71.825 or 13.39% due to the increased in the overall deposit generated of 24.79 % specifically on time deposit holdings in the last quarter of the year. This represents higher interest costs on increased volume amounting to Php17.512bn from 2011 volume of Php12.143bn or 44.21% increase in high costs deposit level. The low costs deposits were stable to decreasing at Php 8.935bn from last years Php 9.051bn.

Net interest income

Like most banks, PBB was not spared from the thinning effects of banks NIMS's due to the prevailing low interest rate environment that has put pressure on the industry's NIMS's. PBB NIM's rate fell to 3.9% from 4.7%. As a result net interested income slightly declined to Php 1.073bn from Php 1.085bn .

Impairment Losses

The bank continued to set aside certain impairment losses in 2012. The bank in its objective to cover its non performing loans increased it loan loss provisions by 44.83% from Php 50.000m in 2011 to Php72.417m in 2012. This makes up to more than 92% cover for its non performing loans during the year.

Other Income

PBB's other income increased by 15.98% from the prior year's Php762.951m to Php884.944m, due mainly to trading income of Php713m from treasury activities . The bank was able to take the market opportunities and realize exceptional gains from it investment portfolio.

Other Expenses

Other Expenses increased by 23.4% from Php951.927m to Php1,174.705 bn in 2012. The increase in operating expenses , specific to occupancy, salaries and wages, insurance, travelling and depreciation were due to the branch expansion program of the bank. Onetime expenses such as taxes and licenses were due to the banks preparation for the listing of its shares that necessitates the payment of applicable fees to the Securities and Exchange of Commission to raise its authorized capital and the necessary documentary stamp taxes related to it. All of this amounted to Php80.0m

Net Profit

As a result PBB's net profit decreased from Php 746.947m to Php654.285m or Php92.69m or 12.40% decreased from 2011.

For the year ended December 31, 2011 compared with the year ended December 31, 2010

Revenues and Other Income

Interest Income

PBB's interest income increased 22.01 per cent to Php1,657.97 million for the year ended December 31, 2011 from Php1,358.84 million for the year ended December 31, 2010 primarily due to a substantial increase in investment securities held by the Bank as well the increase in the Bank's portfolio of loans and receivables

Interest Expense

Interest expense likewise increased 27.53 per cent to Php572.46 million for the year ended December 31, 2011 from Php448.89 million for the year ended December 31, 2010 primarily as a result of higher deposit liabilities brought about by the growth in deposits from Php17,587.41 million to Php21,194.99 million over the period in review.

Net Interest Income

Net interest income increased 19.29 per cent to Php1,085.51 million for 2011 from Php909.95 million in 2010 as the Bank maintained interest margins on loans and despite the increased interest expenses brought about by the growth in deposit liabilities.

Impairment Losses

Provision for impairment losses decreased to Php50.00 million for the year ended December 31, 2011 from Php199.32 million for the year ended December 31, 2010 as a result of an improvement in the quality of the Bank's loans arising from tighter credit controls and credit monitoring policies in place.

Other Income

PBB's other income decreased by 2.33 per cent to Php762.95 million for the year ended December 31, 2011 from Php780.72 million for the year ended December 31, 2010 due to a slight decrease in trading gains.

Other Expenses

PBB's Other Expenses increased by 18.21 per cent to Php951.93 million for the year ended December 31, 2011 from Php805.32 million for the year ended December 31, 2010, primarily due to manpower and occupancy costs arising from an addition of six (6) new branches in 2010. In addition, the Bank incurred due diligence and other transaction expenses in connection with the acquisition of KRBI.

Tax Expense

Tax expense for the year increased to Php99.56 million compared to Php2.74 million for the year ended December 31, 2010 due to the mix of the Bank's revenue for the period. In 2010, approximately 46.33 per cent of the Bank's gross revenue were subject to final tax or were tax-exempt. In comparison, in 2011, only 26.42 per cent of gross revenues were subject to final tax or were tax-exempt and the tax effect of the deferred income due to the loan loss provisioning.

Net Profit

As a result of the foregoing factors, PBB's net income increased 9.32% to Php746.97 million for the year ended December 31, 2011 from Php683.28 million in the previous year.

Liquidity

For the year ended December 31, 2013 and for the years ended December 31, 2012 and 2011, the Bank's principal sources of liquidity were funds from operations including deposits. As of December 31, 2013, the Bank had cash and cash equivalents of Php5 bn.

The Bank expects to fund its operations, capital expenditure and investments over the next 12 months from operating cash flows and the net proceeds from the expected IPO. The Bank's other sources of funding are its credit lines with other financial institutions including availment of BSP's re-discounting facility when necessary and depending on market conditions.

Cash Flows

The following table sets forth selected information from PBB's statements of cash flows for the periods indicated:

	For period ended December 31		
	2011 (audited)	2012 (audited)	2013 (audited)
Cash and cash equivalents, beginning of the year	2,181.64	4,801.09	4,509.17
Net cash provided by (used in) operating activities	2,361.17	1,811.22	1,622.93
Net cash provided by (used in) investing activities	1,349.8	(267.79)	(3,567.91)
Net cash provided by (used in) financing activities	(1,091.52)	918.66	2,440.17
Net increase (decrease) in cash and cash equivalents	2,619.45	2,462.08	495.19
Cash and cash equivalents, end of the year	4,801.09	4509.17	5,004.36

Net Cash Flow Provided By (Used In) Operating Activities

Net cash flow provided by operating activities is composed of deposits generated and loans and receivables. As of December 31, 2013, net cash used in operating activities amounted to Php942.79 million. During the period, the Bank increased its loans and receivables by Php10.892 billion while its deposits grew by Php 11.433 billion. As of the years ended December 31, 2013 and 2012, cash flow from operating activities was Php1.622.93 billion, Php1.811.22 billion respectively.

Net Cash Flow Provided By (Used In) Investing Activities

Net cash flow provided by or used in investing activities involves the purchase and sale of available for sale securities and held-to-maturity investments and capital expenditure and proceeds from the disposal of investment and other properties. As of December 31, 2013 net cash used in investing activities amounted to Php3,568 billion, with funds generated mainly from the proceeds from sale of investments and other property amounting to Php98.218 million less net acquisition of bank premises and FFE amounting to Php168.104 and net acquisitions of available for sale securities generating Php3.489 billion. In 2012, net cash used from investing activities amounted to Php267,79 million, with funds generated mainly from the proceeds from sale of investment and other properties amounting to P128.569 million less net acquisitions of bank premises and FFE amounting to P123.371million and net acquisitions of available for sale securities of Php272.99 million. In 2011, cash flow from investing activities amounted to Php1.349 billion with funds generated primarily by the sale of available for sale securities generating Php1.374 billion in funds.

Net Cash Flow Provided By (Used In) Financing Activities

Net cash flow provided by financing activities is mainly composed of availments of the Bank's credit lines and stockholders' equity infusion. As of December 31, 2013 PBB recorded net cash provided by financing activities of Php2.440 billion arising from share issuance amounting to Php3.012 billion net of bills payment of Php571.562 million. In 2012, PBB recorded net cash provided by financing activities of Php918.66 million with funds arising from the Bank's loan availments. In the same period, the Bank generated funds of Php375.00 million from the payment of subscriptions receivables from its preferred shareholders. As of the years ended December 31, 2011, cash flows used in financing activities amounted to Php1.091 billion, where funds were used primarily to settle bills payables.

Capital Resources

The Bank is required to comply with the capital adequacy requirements based on the requirements for stand-alone thrift banks under BSP's Circular No. 688 issued in May 26, 2010.

The following table sets out details of the Bank's capital resources and capital adequacy ratios (as

reported to the BSP).

Php millions	As of the years ended December 31		
	2011	2012	2013
Tier 1 capital	3,143.80	4,079.78	8,153.81
Tier 2 capital	121	180.00	283.50
Gross qualifying capital	3,264.8	4,259.78	8,437.31
Less: required deductions	156.25	226.17	257.24
Total qualifying capital	3,108.56	4,033.61	8,180.07
Risk weighted assets	11,757.25	21,389.85	33,444.49
Tier 1 capital ratio	25.41	18.17	23.81
Total capital ratio	26.44	18.86	24.46

Financial Position

December 31, 2013 vs. December 31, 2012

PBB's assets reached Php46.992bn as of December 31, 2013. This is 41.95% higher as compared to Php33.104bn as of December 31, 2012. Significant changes (more than 5%) in assets were registered in the following accounts.

Cash and Other Cash items increased by Php299.769m or 68.77% due to significant increase in the number of branches.

Due from BSP and Other Banks grew by Php524.029m or 17.05% due to increased deposits to BSP as a result of very liquid position during the the year 2013.

Loans and Receivables grew by Php10.731bn or 51.42% from Php20.869bn in December 31, 2012 to Php31.600bn in December 31, 2013 as a result of deployment of funds to borrowing clients.

Bank Premises grew by Php78.342m or 19.66% from Php398.495m in December 31, 2012 to Php476.838 in December 31, 2013 due to branch expansion.

Investment Properties decreased by 18.86% or Php103.577m from Php549.237m in December 31, 2012 to Php445.661m in December 31, 2013 due to sale of foreclosed property during the year.

1. Other resources decreased by 36.51% or Php362.708m from Php993.430m in December 31, 2012 to Php630.722m in December 31, 2013.

PBB's liabilities amounted to P39.963bn as of December 31, 2013. This is Php11.245bn or 29.19% higher as compared to December 31, 2012 level of Php28.717bn. Deposit Liabilities increased by Php11.433bn or 43.23% from P26.448bn in December 2012 to Php37.882bn December 2013.

Bills Payable decreased by Php571.562m or 74.67% from Php765.489m in December 2012 to Php193.928m in December 2013.

2. Accrued expenses and other liabilities increased by 25.55% or Php383.974m from P1.403bn in December 31, 2012 to P1.887bn in December 31, 2013.

December 31, 2012 vs. December 31, 2011

PBB's assets reached P33.097 billion as of December 31, 2012. This is 27.86% higher as compared to P25.885 billion as of December 31, 2011. Significant changes (more than 5%) in assets were registered in the following accounts.

Cash and Other Cash items increased by P138.82 million or 46.73% due to significant increase in the number of branches.

Due from BSP and Other Banks grew by P2.32 billion or 132.74% due to increased deposits to BSP as a result of very liquid position during the the year 2012.

Loans and Receivables grew by P4.16 billion or 24.93% from P16.70 billion in December 31, 2011 to P20.87 billion in December 31, 2012 as a result of deployment of funds to borrowing clients.

Bank Premises grew by P57.67 million or 16.92% from 340.82 million in Decenber 21, 2011 to 398.49 in December 21, 2012 due to branch expansion.

Investment Properties grew by 38.21% or P151.84 million from 397.39 million in December 31, 2011 to 549.24 in December 31, 2012 due to foreclosures done made during the year.

3. Other resources increased by 107.18% or P510.42 million from P476.25 in December 31, 2011 to P986.67 million in December 31, 2012.

PBB's liabilities amounted to P28.69 billion as of December 31, 2012. This is P6.48 billion or 29.19% higher as compared to December 31, 2011 level of P22.21 billion. Deposit Liabilities increased by 5.25 billion or 24.79% from P21.19 billion in December 2011 to P26.45 billion December 2012.

Bills Payable increased by 644.01 million or 530.12% from PP121.48 million in December 2011 to P765.49 million in December 2012.

4. Accrued expenses and other liabilities increased by 65.31% or P584.92 million from P895.61 million in December 31, 2011 to P1.48 billion in December 31, 2012.

December 31, 2011 vs. December 31, 2010

PBB's assets stood at P25.88 billion as of December 31, 2011. This is 17.05% higher as compared to P22.11 billion as of December 31, 2010. Significant changes (more than 5%) in assets were registered in the following accounts:

Cash and Other Cash items increased by P53.11 million or 21.77% from P243.97 million in December 31, 2010 to P297.08 in December 31, 2011 due to significant increase in the number of branches.

Due from BSP and Other Banks grew by P981.34 million or 127.67% due to increased deposits to BSP as a result of very liquid position during the the year 2011.

Available for Sale Investments reduced by P912.16 million or 13.77% from P6.62 billion in December 31, 2010 to P5.71 billion in December 31, 2011 due to profit taking done during the year 2011.

Loans and Receivables grew by P3.33 billion or 24.94% from P13.37 billion in December 31, 2010 to P16.70 billion in December 31, 2010 as a result of deployment of funds to borrowing clients.

Bank Premises grew by P20.45 million or 6.38% from P320.37 million in December 31, 2010 to P340.82 million in December 31, 2011 due to branch expansion.

Investment Properties grew by 40.66% or P114.86 million from 282.53 million in December 31, 2010 to P397.39 million in December 31, 2011 due to foreclosures done made during the year.

5. Other resources decreased by 6.06% or P30.74 million from P506.99 million in December 31, 2010 to P476.25 million in December 31, 2011

PBB's liabilities amounted to P22.21 billion as of December 31, 2011. This is P2.56 billion or 13.03% higher as compared to December 31, 2010 level of P19.65 billion. Deposit Liabilities increased by 3.61 billion or 20.51% from P17.59 billion in December 2010 to P21.19 billion December 2011.

Bills Payable decreased 1.09 billion or 89.98% from P1.21 billion in December 2010 to P121.48 million in December 2010.

Accrued expenses and other liabilities increased by 5.25% or 44.64 million from P850.97 in December 31, 2010 to P895.61 million in December 31, 2011.

Known trends, demands, commitments, events or uncertainties

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

Events that will trigger direct or contingent financial obligation

There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Significant Elements of Income or Loss

Significant elements of the consolidated net income for the period ended December 31, 2013 and 2012 came from its continuing operations.

Seasonal Aspects

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

Capital Expenditure

The Bank's capital expenditure for the year ended December 31, 2013 was Php78.342 million while Php123.371 million was spent for the year ended December 31, 2012. These expenses were comprised of acquisitions of bank premises, furniture, fixture and equipment used mainly for the Bank's expansion program.

Commitments and Contingent Liabilities

The following is a summary of the Banks commitments and contingent accounts as of December 31,

2013:

In Php millions	2013
Investment management accounts	6,400,701,696
Outstanding letters of credit	914,864,302
Trust and other fiduciary accounts	387,242,450
Unit investment trust fund	104,269,465
Late deposits / payments received	2,975,878
Other contingent accounts	375,448,763
Total	8,185,502,554

Among the Bank's contingent accounts are the following trust arrangements:

1. Investment Management Arrangement (IMA) - an agency arrangement that involves the prudent investment of funds on behalf of the clients;
2. Trust and Other Fiduciary Accounts (TOFA) include: Living trust, a trust created during the trustors' lifetime and involves the transfer of funds and other assets to a trustee for management and eventual distribution to intended beneficiaries; employee benefit trust, a trust established by a company for the benefit of its employees in addition to salaries or wages; escrow, a three party arrangement whereby the escrow agent is appointed as a disinterested or neutral party to protect the interest of the two parties to the contract; and other fiduciary arrangements;
3. Unit Investment Trust Fund (UITF) – is a pooled fund created to offer investment opportunities to small investors.

The Bank has P8,185MM in contingent liabilities of which, P6,892MM or 84.2% are in trust arrangements which include investment management accounts, trust and other fiduciary accounts, and unit investment trust fund.

Selected information disclosed in the Audited Financial Statements

Classifying Financial Assets at HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Bank evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity.

If the Bank fails to keep these investments at maturity other than for the allowed specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class to AFS securities. The investments would therefore be measured at fair value and not at amortized cost. However, the tainting provision will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank.

In 2008, the BSP and the SEC allowed the reclassification of certain financial assets that were previously classified under FVTPL and AFS categories, due to the tainting in 2006, back to HTM investments or loans and receivables. Accordingly, despite the tainting prohibition until 2008, the Bank reclassified its investments in debt securities previously classified under FVTPL and AFS securities to HTM investments amounting to P18.8 million and P2,130.8 million, respectively, representing the fair value of the reclassified investments on September 11, 2008, the effective date of reclassification (see Note 10), as allowed under FRSP for banks.

On September 14, 2009, however, the Bank reclassified its remaining HTM investments to AFS securities with carrying value of P2,621.7 million (see Note 10). As such, the Bank was not allowed to classify as HTM investments its existing and new acquisitions of financial assets due to tainting until 2011. Starting 2012, the tainting of the Bank had been lifted.

Management of Liquidity Risks through MCO Limits

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

DOSRI Loans under Related Party Transactions

The DOSRI loans as of December 31, 2013 (disclosed under Note 23) pertain to loans to officers and employee and related parties amounting to Php23.049 million and to other related interests (SMI Development Corp. , Asiawide Airways and Zest Airways totaling Php1,192 billion. DOSRI loans as of December 31, 2012 wholly pertaining to loans to directors and officers and employees amounted to Php18.79 million and to the related parties amounted to Php782.053million.

Earnings per Share

The earnings per share (EPS) of the Bank as of December 31, 2013 and 2012 is Php3.04 and Php2.29, respectively. The EPS is computed by dividing the net profit of Php 1.004 billion and Php654.590 million, by the average number of outstanding common shares, as of December 31, 2013 and 2012 respectively, of 242,000,000 common shares.

Item 7. Financial Statements

The audited financial statements of the bank are filed as part of this for SEC17-A as "ANNEX A".

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

Punong Bayan and Araullo (P &A) , a member firm of Grant Thornton International Limited, has been the

bank's independent accountant for the last seven (7) years and is again recommended for appointment at the scheduled stockholders meeting.

None of the Bank's external auditors have resigned during the most recent fiscal years (2011 and 2012) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to the SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five(5) years of engagement, Mr. Benjamin P. Valdez was assigned in 2011 as an independent reviewer and partner in charge for the bank replacing Mr. Francis Albalate who was assigned since 2006. Representatives of P& A are expected to be present at the meeting to respond to matters relating to the Auditor's report on the 2012 financial statements of the bank that maybe pertinently raised during the meeting. Their representatives will be given opportunity to make a statement if they so desire.

The Bank has paid the following fees to P&A and Co relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit review of the Bank's financial statement :

Audit Fees For	In Php
Dec 31, 2011 (whole year)	721,412.31
Jun 30, 2012	752,640.00
Sep 30, 2012	978,432.00
Dec 31, 2012 (whole year)	824,320.00
Dec 31, 2013 (whole year)	2,609,152.00

No other services were rendered by P&A and Co that were not related to the audit and review of the Bank's financial statements.

There were no disagreements with P&A and Co on accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The following individuals are members of the PBB's Board of Directors and Senior Management:

Name	Age	Nationality	Position with the Bank	Date of election
Amb. Alfredo M. Yao	68	Filipino	Chairman Emeritus	Jul 26, 2010
Francis T. Lee	64	Filipino	Chairman	Apr 30, 2010
Peter N. Yap	65	Filipino	Vice Chairman	Dec 30, 1899
Rolando R. Avante	53	Filipino	President and Chief Executive Officer	Nov 2, 2011
Amador T. Vallejos, Jr.	65	Filipino	Director	Apr 27, 2012
Jeffrey S. Yao	44	Filipino	Director	Dec 30, 1899
Honorio O. Reyes- Lao	68	Filipino	Director	Apr 29, 2011
Paterno H. Dizon	74	Filipino	Independent Director	Apr 27, 2012
Leticia M. Yao	59	Filipino	Director	Apr 29, 2011
Robert S. Santos	63	Filipino	Asst. Corporate Secretary and Internal Legal Counsel	Aug 22, 2012

Benjamin R. Sta. Catalina, Jr.	64	Filipino	Independent Director	Jul 16, 2012
Joseph Edwin S. Cabalde	42	Filipino	Treasurer	Jul 16, 2012
Alice P. Rodil	55	Filipino	Senior Vice President and Controller /Investor Relations and Information Officer-(OIC)	Jul 20, 2001 / Jan 21, 2013

Alfredo M. Yao (Filipino, 68 years old)

Mr. Alfredo M. Yao is the Chairman Emeritus of the Board of PBB. He is also currently the Chairman of Zest-O Corporation, Semexco Marketing Corp., and Asiawide Refreshments Corp. He is currently serving as President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. He also sat as a director of Export and Industry Bank. He has had training in Corporate Governance with Export & Industry Bank (a bank placed under receivership by order of the Bangko Sentral ng Pilipinas issued in April 2012). He has had training on CISA – Credit Bureau, and on SME Related Issues and other CTB Related issues with the Senate of the Philippines. He also attended a Risk Management Awareness Seminar given by the Pacific Management Forum and PBB, and he had attended a PCCI Business Forum, given by PCCI.

Francis T. Lee (Filipino, 64 years old)

Mr. Francis T. Lee the Chairman of the Board of PBB . From 1988 to 2000, he held several managerial and executive positions in Metrobank, including Senior Manager, Assistant Vice-President, Vice-President, First Vice-President, and Senior Vice-President. From 2002 to 2003, he was a Director of Export & Industry Bank (a bank placed under receivership by order of the Bangko Sentral ng Pilipinas issued in April 2012). He has had training in Corporate Governance & Risk Management for Bank's Board of Directors, and Risk Awareness, and has attended seminars given by the Bankers Institute of the Philippines.

Peter N. Yap (Filipino, 64 years old)

Mr. Peter N. Yap is the Vice Chairman of the Board . From 1978 to 2009 he had held several managerial and executive positions in Allied Banking Corporation, including Senior Manager, Assistant Vice-President and Area Supervisor, Vice-President and Area Supervisor, Senior Vice President and Area Supervisor, and Executive Vice President of Retail Banking Group. He was then also concurrently serving as Director and Treasurer of Bancnet, Inc. from 2003 to 2009. From 2009 to 2010, he served concurrently as a Director of Allied Savings Bank, and of Allied Leasing & Finance Corporation.

Rolando R. Avante (Filipino, 53 years old)

Mr. Rolando R. Avante is the President and CEO of PBB. From 1979 to 1983 he was a Senior Manager at the Multinational Investment and Bancorporation, and from 1983 to 1988 he was a Senior Manager at Philippine Commercial Capital Inc. He was the Vice-President for Local Currency Desk at Citytrust Banking Corp from April 1988 to August 1994, and he was the Senior Vice-President and Treasurer at Urban Bank from September 1994 to January 1995. In February 1995, he became the First Vice-President for Domestic Fund Management at PCI Bank, which position he held until November of 1999. From December 1999 to June 2009, he was the Executive Vice President and Treasurer of Chinatrust (Philippines), and from November 2009 to December 2011 he was the Executive Vice President and Treasurer of Sterling Bank of Asia.

Mr. Amador T. Vallejos, Jr. (Filipino, 65 years old)

Mr. Amador T. Vallejos, Jr. has been a Director of PBB since May 1997. He is currently a Director of the Philippine Association of Food Technology, Philippine Chamber of Food Manufacturers and the Philippine

Article Numbering Council. He is also currently serving as the General Manager of Amchem, as the Chairman of King of Travel, and as the President of SM Development Company. He is a member of the Professional Risk Managers International Association.

Mr. Jeffrey S. Yao (Filipino, 44 years old)

Mr. Jeffrey Yao has been a Director of PBB since 1999. He currently holds the position of member of the Board of Director in Asiatech Refreshment Corporation and Zest Air. He also sat as director of Export and Industry Bank (a bank placed under receivership by order of the Bangko Sentral ng Pilipinas issued in April 2012). He is currently serving as Chief Operating Officer of Zest-O Corporation.

Mr. Honorio O. Reyes-Lao (Filipino, 67 years old)

Mr. Honorio O. Reyes-Lao has been a Director of PBB since April 2010. From 1991 to 2004 he held various managerial and executive positions in China Banking Corporation, concurrently serving as a Director of CBC Properties Computer Center, Inc. and CBC Forex Corporation (from 1997 to 2002). He also served as a Director and Treasurer of CBC Insurance Brokers; Senior Management Consultant for East West Banking Corp., and as a consultant for the Antel Group of Companies. From 2008 to 2009, he was the President of Gold Venture Lease & Management Services, Inc. He is also currently an Independent Director of DMCI Holding Corporation.

Mr. Paterno H. Dizon (Filipino, 73 years old)

Mr. Dizon is elected Independent Director of PBB. His work experience include having served as Director in various corporations such as Export & Industry Bank (a bank placed under receivership by order of the Bangko Sentral ng Pilipinas issued in April 2012), Hermosa Ecozone Development Corporation, EIB Securities. He also served as the President of Science Park of the Philippines, Cebu Light Industrial Park, and of RFM Science Park of the Philippines and Holy Cross College. He is currently a Director of Philippine Export-Import Credit Agency, and is the Chairman of Philippine Exporters Confederation, Inc.

Mr. Benjamin R. Sta. Catalina, Jr. (Filipino, 64 years old)

Mr. Benjamin R. Sta. Catalina, Jr. has been an Independent Director of PBB since July 2012, although he had previously served as an Independent Director from 2003 to 2005. From 1994 to 1995 he was concurrently the Vice President/Group Head of the Pan Asian Corporate Team of Citibank N.A., and the Vice President/Chief of Staff of the Global Finance Marketing Group of Citibank, N.A. From January 1996 to July 1996 he served as the Executive Director of the Center for Banking & Financial Management of the Asian Institute of Management.

Leticia M. Yao (Filipino, 59 years old)

Ms. Leticia M. Yao is elected Director of PBB. She graduated from the University of Sto. Tomas in 1983 with a Degree in Medicine. She had training in Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002. She has also taken a risk Awareness Seminar at the Pacific Management Form of PBB in 2009. She was a Director of PBB from 1998 to 2007.

Mr. Joseph Edwin S. Cabalde (Filipino, 42 years old)

Mr. Joseph Edwin S. Cabalde is elected Treasurer and holds the position of First Vice-President and Head of the Treasury Services Group. His work experience include: Accounting Assistant and Assistant Secretary Head of China Banking Corporation (1991 to 1993), Treasury Officer of Urban Bank Inc. (1993 to 1995), Manager and Chief Dealer of Bangkok Bank Manila, and of Bank of Tokyo Mitsubishi (1995 to 2004), Treasury Head of Oilink International (2004 to 2007), Assistant Vice-President and Treasurer of EEI Corporation (2007 to 2008).

Ms. Alice P. Rodil (Filipino, 55 years old)

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February 2001

Ms. Alice P. Rodil has been the Senior Vice President and Comptroller of PBB since 2001. A Certified Public Accountant, and a member of the Philippine Institute of Certified Public Accountant. From 1979 to 1988 she was a member of the Forex Club of the Philippines. From 1991 to 2001 she was a member of Bank Administration Institute International, Philippine Chapter, and from 2001 to 2002, she served as one of its Directors. From 1992 to 1998 she was a Senior Manager at UCPB. In 1998 she began her career with PBB as a Consultant of the Controllership Group. In 1999, she became the Vice President of the Accounting Group..

Atty. Roberto Santos (Filipino, 63 years old)

Attorney Roberto S. Santos is the Vice-President / Head of the Legal Services Center and Remedial and Special Assets Management Group. In his 40-year experience in banking and finance, he was a Manager with Traders Royal Bank since 1980 and subsequently held various executive positions with Security Bank from 1982 to 1999 and was also General Manager of Security Finance Company from 1997-2001. He was the Head of the Legal Department of Metrobank Card Corporation from 2002 to 2004 and joined PBB as Assistant Vice-President in 2008.

Identify Significant Employees

Although PBB has relied on and will continue to rely on, the individual and collective contributions of each of its executive officers, senior operational personnel and non-executive employees, PBB believes that it does not depend on the services of a particular employee and that there is no employee that the resignation or loss of whom would have a material adverse impact on its business.

Family Relationships

Amb. Alfredo M. Yao and Leticia M. Yao are siblings.

Jeffrey S. Yao is the son of Amb. Yao.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers and nominees for election as directors.

Involvement in Certain Legal Proceedings

1. The following administrative and criminal cases mentioned below are cases filed and still pending against the Bank by a certain Nimfa Simbulan (“Simbulan”) and her siblings which the Bank considered as harassment suits as the Bank was caught in the crossfire between the complainant and one of the respondents, Jose C. Lee (a client of the bank, “Lee”). The complainant, Nimfa Simbulan, is demanding payment for alleged damages she sustained by virtue of an alleged mortgage loan with the Bank which, based on the Bank’s records, does not exist.

The following cases arose from a controversy between Lee, who was the one who actually obtained a loan from the bank, and Simbulan. The Bank was caught in the crossfire since the release of the loan was made using the facilities of the Bank upon the request of Lee. Simbulan was of the belief that a mortgage loan was obtained from the Bank in her name and that a savings account was opened in her name, both without her knowledge and consent.

The Bank, in all its submissions to the respective judicial and quasi-judicial offices where the following cases are pending, has categorically stated that no such mortgage loan in the name of Simbulan exists in its records. Further, the Bank maintains its position that the opening of the savings account in Simbulan’s name was done in accordance with its regular procedure for opening of accounts for each and every client.

a. On January 27, 2012, an administrative case was filed by Nimfa Simbulan thru her AIF, Dyan S. dela Cruz against Rolando R. Avante, Elizabeth S. Cheung, et al. for alleged Violation of Sec. 55.1 (a) Participating in Fraudulent Transaction) of Republic Act No. 8791 (General Banking Law of 2000) with the Office of Special Investigation (OSI) of the Bangko Sentral ng Pilipinas under OSI Adm. Case No. 2012-001 filed by Nimfa Simbulan thru her AIF, Dyan S. dela Cruz. In this case, Simbulan alleged that the Bank and the impleaded officers participated in defrauding her when they approved the alleged loan and mortgage agreement and opened the savings account. As previously stated the Bank denied these allegations and insisted that no mortgage loan in the name of Simbulan exists in records of the Bank. The case is now pending with the Supervised Banks Complaints Evaluation Group, Office of the General Counsel and Legal Services of the Bangko Sentral ng Pilipinas.

b. On February 16, 2012 a criminal complaint was filed by Nimfa Simbulan thru her AIF, Dyan S. dela Cruz against Elizabeth S. Cheung, Rolando R. Avante and Alfredo M. Yao, et al. at the Prosecutor's Office of Quezon City docketed as IS No. XV-03-INV-12B-01508 for alleged Violation of Republic Act No. 8791. The allegations in this case are similar to the allegations in the immediately preceding item, thus bolstering the Bank's position that this is a harassment suit. This case is submitted for Resolution.

2. On March 22, 2002, Mr. Tomas Tan of CST Enterprise, Inc. (CST) filed a derivative suit as a minority stockholder against Philippine Business Bank, et al., for the Declaration of Unenforceability of Promissory Notes and Mortgage, Injunction and Damages with Prayer for Temporary Restraining Order or Writ of Preliminary Injunction. The case arose from a loan obtained by CST, as represented by John Dennis Chua and secured by Real Estate Mortgage over TCT nos. 124275 and 157581. CST defaulted in the payment of the loans constraining PBB to commence the necessary foreclosure proceedings on the mortgaged properties. However, the minority stockholder, Tomas Tan, alleged that the loan was fraudulently obtained and sought for its nullification. The case is still pending in RTC 66 – Makati City. In the same case, PBB filed a cross claim against Felipe Chua and successfully obtained a Summary Judgment (and was executed), however, defendant/cross-defendant Felipe Chua appealed the Order of execution pending appeal, wherein the Supreme Court eventually ordered to remand the case back to the RTC 66-Makati City for further trial. Even if an adverse decision will be made against the Bank on this civil case, the Bank believes it will not have an adverse material effect on its operations.

In addition, sometime in 2013, Mr. Tomas Tan and his group, as harassment suit, filed a criminal case for Syndicated Estafa against some of the Bank's past and incumbent directors/officers which at present is still pending with the Office of the City Prosecutor of Caloocan City docketed as I.S. No. XV-02-INV-13B-0874 entitled "Tomas Tan versus Rodulfo Besinga, et.al."

Item 10. Executive Compensation

The following table sets forth the aggregate compensation received by its key management officers:

In Php millions		Aggregate Compensation Paid as a Group		
NAME	POSITION	2011	2012	2013

CEO and the four (4) most highly compensated officers of the Bank namely:		51.21	67.11	72.92
Rolando R. Avante Alice P. Rodil Raymond T. Co Joseph Edwin S. Cabalde Agustin E. Dingle, Jr.	President & CEO Senior Vice President Senior Vice President SVP / Treasurer Chief Compliance Officer			

Total Aggregate Compensation of Directors and Officers of the Bank as a group:	Directors' Fees	Officers Total Compensation	Total
2011	35.59	6.75	8.87
2012	45.63	9.87	11.61
2013	56.28	2.6	14.04

Compensation of Directors

Each director of the Bank receives a per diem allowance of Php20,000.00 determined by the Board of Directors for attendance in a Board meeting and a Php5,000.00 allowance for attendance in a committee meeting. The Directors are also entitled to a monthly gasoline allowance of Php5,000.00. Except as disclosed above, none of these Directors receive any additional compensation for any special assignments.

Except for each of the individual Directors' participation in the Board, no Director of the Bank enjoys other arrangements such as consulting contracts or similar arrangements.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

PBB has executed pro-forma employment contracts with its Staff and Officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Bank in the event of a change in control of the Bank.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The following persons own at least five per cent (5%) of the Bank's outstanding common shares:

Title of Class	Name, Address of Record Owners and relationship with the issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	No. of shares held	Per cent of class

Common	Alfredo M. Yao 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	127,913,766	52.86%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	86,428,226	35.71%
Common	Francis T. Lee 15 Masigla St. East Avenue, Quezon City Chairman of the Board	The record owner is the beneficial owner of the shares indicated	Filipino	24,200,000	10%
Total Common Shares				238,541,992	98.57%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from Php3.0 billion to Php10.0 billion and for a decrease in par value from Php100 to P10.00

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately [7.55%] percent of the Company's issued and outstanding common stock as of April 30, 2013 as follows:

Name of Director	Nationality	Present Position	No. of Shares	%	Class
Francis T. Lee	Filipino	Chairman	24,200,000	10%	Common
Peter N. Yap	Filipino	Vice Chairman	48	negligible	Common
Jeffrey S. Yao	Filipino	Director	864,286	0.36%	Common
Leticia M. Yao	Filipino	Director	864,286	negligible	Common
Rolando R. Avante	Filipino	President & CEO	58	negligible	Common
Amador T. Vallejos, Jr.	Filipino	Director	576	negligible	Common
Benjamin R. Sta. Catalina	Filipino	Director	57	negligible	Common
Paterno H. Dizon	Filipino	Director	57	negligible	Common
Honorio O. Reyes-Lao	Filipino	Director	58	negligible	Common
Josephine Joy D. Caneba	Filipino	Corporate Secretary	none		Common
Joseph Edwin S. Cabalde	Filipino	Treasurer	5,000	negligible	Common
Alice P. Rodil	Filipino	Senior Vice President - Controller	25,000	negligible	Common
Atty. Roberto Santos	Filipino	Internal Legal Counsel and Asst.	8,000	negligible	Common

		Corporate Secretary			
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The aggregate shareholdings of the Bank's Directors and Officers as a group is 7.55% with a total of 25,967,426 number of shares.

Voting Trust Holders of 5% Or More

The Bank is unaware of any person holding more than five per cent (5%) of shares under a voting trust or similar agreement.

Changes in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

As of the December 31, 2013, the following are the significant transactions of the Bank in the normal course of business with related parties, as reflected in the interim audited financial statements of the Bank:

- a) The Bank has loan transactions with its officers and employees.

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total capital funds or 15 per cent of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70 per cent must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. As of December 31, 2013 and 2012, total loans extended to DOSRI amounted to Php1.214 billion and Php800.841 million, respectively. As of December 31, 2013 and 2012, the Bank has satisfactorily complied with the BSP requirement on DOSRI limits.

Relative to the DOSRI loans, the following additional information is also presented:

	December 31, 2013	December 31, 2012
Total outstanding DOSRI loans	Php 1.214 billion	Php 800.841 million
% to total loan portfolio	4.0%	4.1%
% of unsecured DOSRI loans to total DOSRI loans	.07%	1.0%

The Bank has no past due DOSRI loans as of December 31, 2013 and 2012.

The Bank has no unsecured loan that is subject to 30 per cent aggregate DOSRI ceiling. Unsecured DOSRI loans to the officers of the Bank, which are subject to the 5 per cent ceiling for loans under fringe benefits program under MORB, amounted to Php23.0 million and Php18.1 million, as of December 31, 2013 and 2012, respectively.

- b) The Bank has deposits from related parties.

As of December 31, 2013, the total balance of DOSRI deposits, inclusive of the corresponding related accrued interest, included in the financial statements amounted to Php4.287 billion.

c) The Bank leases properties from related parties.

The Bank leases the following properties from affiliated parties:

Property	Owner
Banawe, Quezon City branch	Solmac Marketing Inc.
EDSA Caloocan branch	Zest-O Corporation
Quintin Paredes, Binondo branch	Downtown Realty Corporation
PBB Support Center, Caloocan City	SMI Development Corporation
Yakal Makati branch	AMY Building Leasing

The Bank's related parties include entities under common ownership, key management and others. These include Php 5.97 billion in loans granted during the year which is backed by deposits. The transactions were executed at arms-length to ensure fair treatment as if these entities were regular clients of the Bank. Other than these back-to-back transactions, there were no other transactions during the last two years, or any proposed transactions, to which the Bank was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest except those granted under the duly approved fringe benefit program (FBP) of the Bank.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Philippine Business Bank, Inc. commits to the highest standards of good corporate governance in realizing its vision and mission. The Bank believes that sound corporate practices based on fairness, accountability and transparency is essential in achieving growth and stability as well as enhancing investor confidence.

The Bank aims to create and sustain value for its various stakeholders. To achieve this, the Bank's Board of Directors, senior management and employees understand that compliance with regulations and best practice standards is everybody's responsibility. The Bank accomplishes this by adopting measures designed to align the shareholders' and senior management's objectives with that of the employees.

The Board of Directors conducts its functions as a full Board and through its six (6) committees, namely: Executive, Trust, Corporate Governance and Nomination, Audit, Risk Management and Manpower, Compensation and Remuneration. Board-approved Corporate Governance policies are contained in the Manual of Corporate Governance which is based on the Corporate Code of the Philippines, Securities Regulations Code, SEC Revised Code of Corporate Governance and relevant provisions of the Bangko Sentral ng Pilipinas Manual of Regulations for Banks. Every member of the organization of Philippine Business Bank, Inc. is informed of these policies.

The Bank's Code of Ethics ensures that all employees adhere to the highest standards of quality, honesty, transparency and accountability. To further emphasize its commitment to integrity, the Philippine Business Bank, Inc., under its Whistle Blowing Policy, encourages employees to report, in good faith, to Senior Management any misconduct within their respective business units. The policy protects in confidence the identity of the employee who disclosed the suspected offence within the organization.

Philippine Business Bank, Inc. values the contribution of its employees in fostering a culture of good corporate governance. The Human Resource Group and the Personnel Committee ensure that interests and concerns of personnel are heard and addressed.

Going beyond adherence to regulatory framework, Philippine Business Bank, Inc. fosters a culture of partnership within its organization to ensure that long-term success and performance of the Bank are achieved.

The Corporate Governance and Nomination Committee leads the Bank in defining corporate governance policies and attaining best practices. As one of its strategic governance roles, the Corporate Governance and Nomination Committee reviews and evaluates the qualification of individuals nominated to the Board as well as those nominated to other positions requiring appointment by the Board. The Committee is responsible for the periodic administration of performance evaluation of the Board and its committees. It conducts an annual evaluation of its performance in accordance with the criteria provided in the 2009 SEC Code of Corporate Governance and the Bangko Sentral ng Pilipinas Manual of Regulations for Banks. The Committee is assisted by the Compliance Office led by the Chief Compliance Officer in the implementation of its mandates.

The Committee, consisting of two (2) independent directors (one of whom acts as chairperson) and one

(1) regular director meets every two months.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Annex A Audited Financial Statements

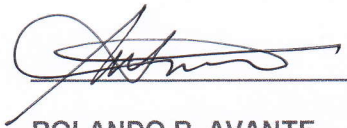
(b) Reports on SEC Form 17-C

State whether any reports on SEC Form 17-C, as amended were filed during the last six month period covered by this report, listing the items reported, any financial statements filed and the dates of such.

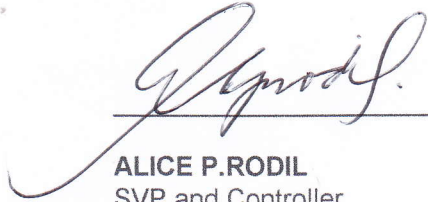
SIGNATURES

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 _____ on _____, 20__.

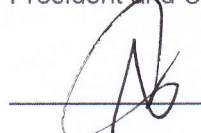
By:



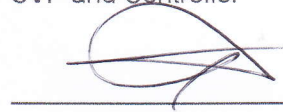
ROLANDO R. AVANTE
President and Chief Executive Officer



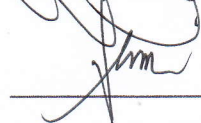
ALICE P. RODIL
SVP and Controller



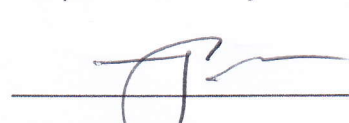
PETER N. YAP
Chief Operating Officer



ATTY. ROBERTO S. SANTOS
Corporate Secretary



ROLANDO G. ALVENDIA
AVP and Chief Accountant



JOSEPH EDWIN S. CABALDE
Treasurer and Chief Finance Officer

SUBSCRIBED AND SWORN to before me this _____ day of 5 2014, 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	TIN NO.
ROLANDO R. AVANTE	106-968-623
PETER N. YAP	101-915-282
ALICE P. RODIL	107-200-588
ROBERTO S. SANTOS	123-467-623
JOSEPH EDWIN S. CABALDE	117-482-086

DOC. NO. 507
PAGE NO. 103
BOOK NO. 4
SERIES OF 2014

Notary Public

ATTY. NIÑO CHRISTOPHER R. PURA
Notary Public
Until 31 December 2015
Roll of Attorney's No. 53988
IBP OR no. 925463/11.18.13/Calmana
PTR OR no. 6214704/01.02.14/Caloocan
MCLE Compliance no. IV-8021928/09.11.13