

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that pursuant to Section 4, Article II of the Amended By-Laws, the Annual Stockholder's Meeting of **PHILIPPINE BUSINESS BANK ("PBB")** will be held on Friday, May 30, 2014 at 2:00 PM at New World Makati Hotel, Esperanza Street corner Makati Avenue, Ayala Center, Makati City, 1228 Philippines, to discuss the following agenda:

1. Call to Order
2. Proof of Notice of Meeting
3. Certification of Quorum
4. Approval of the Minutes of the 2013 Annual Stockholder's Meeting
5. President's Report
6. Ratification of the Audited Financial Statements for the year ending 31st December 2013
7. Ratification of the Acts and Resolutions of the Board of Directors and Management for 2013
8. Election of the Members of the Board of Directors including two (2) Independent Directors to serve for 2014-2015
9. Amendment of Article III of the Bank's Articles of Incorporation and Article II Sections 1 & 8 and Article III Section 2 of the Bank's By-Laws
10. Appointment of External Auditor
11. Dividend Declaration
12. Adjournment

Stockholders who will not, are unable to, or do not expect to attend the meeting in person may, at their option, designate their authorized representatives by means of Proxy. The Proxy instrument must be duly notarized and must be submitted to **Atty. Roberto S. Santos**, at the Office of the Corporate Secretary, located at 4/F PBB Corporate Center, 350 Rizal Avenue, corner 8th Ave., Grace Park, Caloocan City or **Stock Transfer Service, Inc.** at 34-D Rufino Pacific Tower 6784 Ayala Avenue, Makati City **not later than May 23, 2014.**

Only Stockholders of Record as of 5:30 p.m. of May 10, 2014 shall be entitled to vote at this meeting.

ATTY. ROBERTO S. SANTOS
Corporate Secretary

PLEASE NOTE THAT THE CORPORATION IS NOT SOLICITING PROXIES

The nomination and election of the members of the Board of Directors should be in accordance with the nomination forms, procedure and requirements adopted by the Board of Directors. Any Stockholder may obtain the required nomination form from and must submit their nominations to the Corporate Governance and Compliance Committee or the Corporate Secretary at the following address not later than May 09, 2014.

Corporate Governance and Compliance Committee

PHILIPPINE BUSINESS BANK CORPORATE CENTER

350 Rizal Ave., Corner 8th Ave.,
Grace Park, Caloocan City

Atty. Roberto S. Santos

Corporate Secretary

PHILIPPINE BUSINESS BANK CORPORATE CENTER

4th Flr., Legal Services Center
350 Rizal Ave., Corner 8th Ave.,
Grace Park, Caloocan City

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominees. The Nomination must indicate whether the nominees are intended to be independent directors and shall contain the nominee's age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The Directors and Independent Directors shall be elected from among the Bank's stockholders. All nominees for Directors and Independent Directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed by Article III of the By-laws, Bangko Sentral Ng Pilipinas, Securities and Exchange Commission and other regulatory agencies/offices of listed bank, which includes Sec 23 and 27 of the Corporation Code (B.P. Blg. 68), Sec 15 of The General Banking Law Rules and Regulation (RIRR) of the Securities Regulation Code, Sec X141 of the Manual of Regulations for Banks, and relevant circular or memorandum.

Please be guided accordingly.

ATTY. ROBERTO S. SANTOS
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[] Preliminary Information Statement
[] Definitive Information Statement
2. Name of Registrant as specified in its charter PHILIPPINE BUSINESS BANK, INC.
3. Caloocan City, Philippines
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number A199701584
5. BIR Tax Identification Code 000-005-469-606
6. 350 Rizal Avenue corner 8th Avenue Gracepark, Caloocan City 1400
Address of principal office Postal Code
7. Registrant's telephone number, including area code (02) 363-33-33
8. May 30, 2014- 2:00 p.m. at New World Makati Hotel Esperanza Street corner Makati Avenue, Ayala Center, Makati City, 1228 Philippines.
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders on or before May 09, 2014.
10. *In case of Proxy Solicitations:*

PHILIPPINE BUSINESS BANK IS NOT SOLICITING PROXIES.
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---------------------|--|
| <u>Common</u> | <u>343,333,400</u> |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes No _____
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON SHARES OF STOCK**

PHILIPPINE BUSINESS BANK, INC.

SEC FORM 20-IS

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Date, time and place of meeting of security holders.

Date : May 30, 2014
Time : 2:00 p.m.
Place : New World Makati Hotel Esperanza Street corner Makati Avenue, Ayala Center,
Makati

Mailing Address of Principal Office:

350 Rizal Avenue corner 8th Avenue
Gracepark, Caloocan City

This information statement shall be first sent or given thru personal delivery and/or by registered mail to stockholders and/or security holders on or before May 09, 2014.

Any new stockholders after the distribution date shall be furnished copy of this Definitive Information Statement.

Record Date

The record date for the purpose of determining the stockholders entitled to notice of and to vote at the Annual Meeting is May 10, 2014 (the "Record Date").

Dissenters' Right of Appraisal

At the scheduled meeting, there are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Sections 81 and 82, Title X of the Corporation Code of the Philippines which state that "Sec. 81. Instances of Appraisal of right. Any stockholder of the Bank shall have the right to dissent and demand payment of the fair value of his shares in the following instances: 1) amendment to the Articles of Incorporation which has the effect of changing or restricting the rights of stockholders or extending corporate life of the corporation; 2) sale, transfer or lease of all or substantially all of the corporate properties; and 3) in case of merger or consolidation. Section 82. How right is exercised. The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares xxx."

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- A) No current director or officer of PBB, or nominee for election as director of the Bank or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in stockholders' meeting, other than election to office.
- B) No director has informed PBB in writing that he intends to oppose any action to be taken by the Bank at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

1. Class of Voting Securities : 343,333,400 Common Shares are entitled to vote on May 30, 2014 Annual Stockholders Meeting.
2. Record Date : Only the stockholders of record as of May 10, 2014 are entitled to notice of and to vote

at the meeting.

3. Foreign Ownership : 10,244,410 shares (2.98%)
4. Nomination and Election of Directors and Independent Directors and Manner of Voting:

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact. With respect to the election of directors, in accordance with Section 24 of the Corporation Code of the Philippines, a stockholder may vote the number of shares held in his name in the Company's stock books as of May 10, 2014, and may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the total number of directors to be elected. Discretionary authority to cumulate votes is solicited.

The total number of votes that may be cast by a stockholder of the Bank is computed as follows: no. of shares held on record as of record date x 10 directors.

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 as of March 31, 2014:

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	37.26%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder (Represented by Carolyn S. Yao)	The record owner is the beneficial owner of the shares indicated	Filipino	86,428,226	25.17%
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	24,300,000	7.08%
Total Common Shares				238,641,992	69.51%

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 [7.76%] percent of the Company's issued and outstanding common stock as of March 31, 2014 as follows:

Name of Director	Nationality	Present Position	No. of Shares	%
Francis T. Lee	Filipino	Chairman	24,300,000	7.08%
Peter N. Yap	Filipino	Vice Chairman	167,848	negligible
Jeffrey S. Yao	Filipino	Director	864,286	0.36%
Leticia M. Yao	Filipino	Director	896,286	negligible
Rolando R. Avante	Filipino	President & CEO	100,058	negligible
Amador T. Vallejos, Jr.	Filipino	Director	20,574	negligible
Benjamin R. Sta. Catalina, Jr.	Filipino	Director	30,058	negligible
Paterno H. Dizon	Filipino	Director	70,058	negligible
Honorio O. Reyes-Lao	Filipino	Director	128,000	negligible
Roberto A. Atendido	Filipino	Director	58,000	negligible
Joseph Edwin S. Cabalde	Filipino	Treasurer	5,000	negligible
Atty. Roberto S. Santos	Filipino	Internal Legal Counsel & Corporate Secretary	8,000	negligible

The aggregate shareholdings of the Bank's Directors and Officers as a group is 7.76% with a total of 26,648,168 number of shares.

No voting trust has been entered into by the Management of the Bank and no controlling interest is held by any particular stockholder and there is no change in any controlling interest of the Company.

Directors and Executive Officers

Directors and Executive Officers:

a. The following are the names of the incumbent Directors of the Bank:

Incumbent	Age	Nationality	Position with the Bank	Date of election
Amb. Alfredo M. Yao	70	Filipino	Chairman Emeritus	July 26, 2010
Francis T. Lee	65	Filipino	Chairman	June 28, 2013
Peter N. Yap	66	Filipino	Vice Chairman	June 28, 2013
Rolando R. Avante	54	Filipino	President & Chief Executive Officer	June 28, 2013
Amador T. Vallejos, Jr.	66	Filipino	Director	June 28, 2013
Jeffrey S. Yao	45	Filipino	Director	June 28, 2013
Honorio O. Reyes- Lao	69	Filipino	Director	June 28, 2013
Paterno H. Dizon	75	Filipino	Independent Director	June 28, 2013
Leticia M. Yao	60	Filipino	Director	June 28, 2013
Benjamin R. Sta. Catalina, Jr.	65	Filipino	Independent Director	June 28, 2013
Roberto A. Atendido	66	Filipino	Director	June 28, 2013

BUSINESS EXPERIENCE:

The following is a brief description of the business experience of each of the Directors of the Bank:

Alfredo M. Yao (Filipino, 70 years old)

Mr. Alfredo M. Yao is the Chairman Emeritus of the Board of PBB. He is currently serving as President of PCCI. He is also currently the Chairman of Zest-O Corporation, Semexco Marketing Corp., and Asiadwide Refreshments Corp. He is currently serving as President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. He is also a former director of Export and Industry Bank. He has had training in Corporate Governance, AML and Risk Management , one conducted by the Pacific Management Forum and PBB. He has had training on CISA - for the Credit Bureau, and on SME Related Issues and other CTB Related seminars. He also had attended several PCCI Business Forum, given by PCCI and the International Trade Organization under the umbrella of the PCCI and the DTI.

Francis T. Lee (Filipino, 65 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 served as a Director of Export & Industry Bank. 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, 66 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 Senior Vice-President and Deputy Head. 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, 54 years old)

Mr. Rolando R. Avante is the President and CEO of PBB. He joined the bank in 2010. Previous to this, served as Senior Manager at the Multinational Investment and Bancorporation from 1979 to 1983, 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. He also attended Corporate Good Governance, AML and Risk Management seminars during his long stint as a banker.

Amador T. Vallejos, Jr. (Filipino, 66 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 SMI Development Company. He is a member of the Professional Risk Managers International Association.

Jeffrey S. Yao (Filipino, 45 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 Asiadwide Refreshment Corporation and Zest Air. He is also a former director of Export and Industry Bank . He is currently serving as Chief Operating Officer of Zest-O Corporation.

Honorio O. Reyes- Lao (Filipino, 68 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.

Paterno H. Dizon (Filipino, 74 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, 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.

Benjamin R. Sta. Catalina, Jr. (Filipino, 65 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. Mr. Sta. Catalina is also known as a Credit Lecturer and Trainor during his stint as a banker for more than 30 years.

Leticia M. Yao (Filipino, 60 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 AML and Anti Money Laundering in 2013 and 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. She is also currently the Medical Director of United Doctors Medical Center.

Roberto A. Atendido (Filipino, 66 years old)

Mr. Atendido is elected Director of PBB. He graduated from Ateneo de Manila University with a degree of BS Management Engineering. He had training in Corporate Governance & Risk Management program for Bank's Board of Directors at the Development Finance Institute in 2003. From 1989 to 1995, he was the President of Insular Investment & Trust Corporation. He is currently the Executive Vice-Chairman/Director of Asian Alliance Investment Corporation.

b. EXECUTIVE OFFICERS:

The following are the Executive Officers of the Bank, and their respective age, citizenship and position as of March 31, 2014:

Rolando R. Avante (Filipino, 54 years old)

Mr. Rolando R. Avante is the President and CEO of PBB. He joined the bank in 2010. Previous to this, served as Senior Manager at the Multinational Investment and Bancorporation from 1979 to 1983, 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. He also attended Corporate Good Governance, AML and Risk Management seminars during his long stint as a banker.

Alice P. Rodil (Filipino, 56 years old)

Ms. Alice P. Rodil, joined the bank 1998 and 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 1991 to present she was a member of Bank Administration Institute International, Philippine Chapter,

and from 2001 to 2002, she served as one of its Directors. Recently she was elected to the Board of the Philippine Red Cross -Caloocan Chapter and Treasurer of the PCCI-Caloocan. From 1992 to 1998 she was a Senior Manager at UCPB. She also is the Executive Director and Project Coordinator of the AMY Foundation Inc., the CSR arm of the Yao Group.

Atty. Roberto S. Santos (Filipino, 64 years old)

Attorney Roberto S. Santos is the Corporate Secretary and holds the position of Vice-President and 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.

Joseph Edwin S. Cabalde (Filipino, 43 years old)

Mr. Joseph Edwin S. Cabalde is elected Treasurer and holds the position of Senior 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 & Treasurer of EEI Corporation (2007 to 2008). He also attended the Corporate Good Governance and AML Seminars sponsored by PBB.

Teresita S. Sion (Filipino, 61 years old)

Ms. Teresita S. Sion is the Assistant Vice President and Trust Officer of PBB. She started as Per Pro of the Trust Services Group at Philippine Commercial International Bank from 1976 to 1991. She was the Officer-in-Charge of the Trust Banking Group of Metropolitan Bank and Trust Company from 1991 to 1995. In October 1995 she became the Senior Manager of the Trust and Investment Department, the position she held until September of 1998. From October 1998 to November 2006, she was the Vice President and Head of the Trust Banking Group of Export and Industry Bank, Inc. She was the Consultant on Financial Matters of MRC Allied, Inc from August 2008 to May 2009. She was also the Consultant for Trust Banking Sector of Asiatruss Development Bank from May 2009 to July 2009 and in July 2009 was appointed as Vice President and Trust Officer of the same bank until February 2012. She joined PBB in February 2012 as Marketing & Business Development Officer and became the Assistant Vice President & Trust Officer on November of the same year.

Efren P. Mercado (Filipino, 65 years old)

Mr. Efren P. Mercado is the Vice President and Head of the Branch Lending Unit of PBB. He started as Paymaster at Del Mar Carriers from 1968 to 1970. His banking career started at Philippine Banking Corporation from 1970 to 1988 with a variety of positions from Rank and File to Managerial. He joined China Banking Corporation in 1992 to 2005 and had held several Managerial and Executive positions including Branch Manager, Area Head and Senior Assistant Vice President. He joined PBB in March 2011.

Amelita H. Carrillo (Filipino, 34 years old)

Ms. Amelita H. Carrillo is the Vice President and Head of Risk Management Sector of PBB. Her work experience include: Supervisor of Great Pacific Life Assurance corporation (200 to 2003); Assistant Manager of Malayan Bank Savings & Mortgage Bank (2004 to 2005); Manager of Export & Industry Bank (2006 to 2007); Manager of Allied Banking Corporation (2007 to 2011). She joined PBB in July 2011.

Joselito D. de Rivera (Filipino, 57 years old)

Mr. Joselito D. de Rivera is the Vice President and Head of Account Management Group II. He has been with United Coconut Planters Bank from 1978 to 2003 and rose from the Ranks to Executive position which includes Appraiser, Assistant Manager, Manager, Assistant Vice President and Vice President. He joined PBB in November 2006.

Laurence R. Rapanut (Filipino, 51 years old)

Ms. Laurence R. Rapanut is the Assistant Vice President and Internal Auditor of PBB. Her work experience include: Junior Examiner of Far East Bank and Trust Company (June 1985 to January 1988); Junior Examiner to Branch Controller of First Philippine International Bank (September 1988 to January 1995); Branch Accountant

to Senior Assistant Manager of Westmont Bank (April 1996 to December 2000); Senior Assistant Manager to Manager of United Overseas Bank (January 2001 to January 2006). She joined PBB in March 2006 as Supervising Examiner of Internal Audit Center.

Keith S. Chan (Filipino, 53 years old)

Mr. Keith S. Chan is the First Vice President / Head of the Information Technology Group of PBB. His work experience include: Junior Financial Specialist of Equitable Banking Corporation (1983 to 1984); System Analyst of Development Academy of the Philippines (1983 to 1984); Vice President for Application Development of Dataworld Computer Corporation (1986 to 1991); Assistance Vice President for Group MIS of Gnoco Holdings (Phils.) Inc. (1991 to 1996); Vice President for Operations of Kudos Metal Corporation (1996 to 1997); Vice President for Finance of Seaoil Petroleum (1997 to 2000); Chief Operating Officer of Q Communications Corporation (2000 to 2001). In 2002, he began his career with PBB as Consultant and in 2003 he became the Vice President and Head of Information Technology Center.

Raymond T. Co (Filipino, 58 years old)

Mr. Raymond T. Co is the Senior Vice President and Head of Account Management Group I of PBB. His work experience include: Account Officer of Filinvest Credit Corporation (1977 to 1980); Manager of Jardine Manila Finance, Inc. (1980 to 1982); Senior Assistant Manager of Family Bank & Trust Co. (1982 to 1983); Credit Administrator of Saudi Investment Bank/National Commercial Bank of Saudi Arabia (1983 to 1986); Senior Manager of Unitrust Development Bank (1987 to 1988) Senior Manager of Equitable Banking Corporation (1988 to 1990); Vice President of Metropolitan Bank and Trust Company (1990 to 1997); First Vice President of Solid Bank (1997 to 2000); First Vice President of RCBC (2000 to 2002); President of I-Mart Corporation (2002 to 2003). He joined PBB in May 2003.

Felipe V. Friginal (Filipino, 59 years old)

Mr. Felipe V. Friginal is the First Vice-President / Group Head of the Branch Banking Group. His work experience include: Cashier of United Coconut Planters Bank (UCPB) Head Office (1984-1986) Branch Accountant of UCPB, Northern Luzon Branches (1986-1989) Assistant Manager - Cashier of UCPB (1989-1991) Senior Assistant Manager - Cashier of UCPB (1991-1992) Senior Manager of UCPB (1992-1998) Assistant Vice-President - SMC Branch Head of UCPB (1998-1999) Assistant Vice-President GMA 6 Area Head (1999-2003).

Mr. Agustin E. Dingle, Jr. (Filipino, 57 years old)

Mr. Agustin E. Dingle is the First Vice-President / Chief Compliance Officer of PBB. His work experience include: Chief Compliance Officer of China Bank Savings (2010-2012), Head, Reports Section / Accounting Department (1997-1998), Senior Bank Examiner of Central Bank of the Philippines (1985-1994), Reconciliation Analyst of Philippine National Bank (1979-1985) and Loans Bookkeeper of Banco Filipino (1977-1979). He is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. He held various managerial and executive positions with PBB: Assistant BBG/BOCC head (1998-2001), Internal Auditor and Chief Compliance Officer (2002-2009).

Roselle M. Baltazar (Filipino, 39 years old)

Ms. Roselle M. Baltazar is the First Vice-President / Assistant Controller & Head of Central Operations Group of PBB. In 1999, she joined PBB and held various managerial and executive positions including: Senior Manager / Head- central Operations Group (2004-2005), Senior Manager / Head- Branch Operations Control Center (2001-2004), Senior Manager / Head- General Services Group (2001-2003), Manager / Head- Systems and Methods Sector (2000-2001) and Assistant Manager / Senior Systems Analysts (1999-2000). She started her banking career at Westmont Bank (now United Overseas Bank) as: Accountant (1996-1999), Audit Examiner II (1995-1996), Loan Assistant (August-October 1995) and CASA Bookkeeper (June-August 1995). She is a Certified Public Accountant and a Civil Service (Professional & Sub-Professional) passer.

Mr. Eduardo R. Que (Filipino, 52 years old)

Mr. Eduardo R. Que is the Vice-President / Head of the Account Management Group III. His professional experience include: International Banking (Foreign/Domestic Trade Finance), SWIFT (Society for Worldwide Inter-bank Financial Telecommunication) Operations, Branch Operation Officer Training Program - (class

“topnotcher”) and Lecturer in the Officer Training Program (OD) for twenty (20) years. Before he joined PBB in 2012 he was the Vice-President/Senior Account Officer in Account Management Division of Allied Banking Corporation.

Ms. Consorcia G. Lagunzad (Filipino, 56 years old)

Ms. Consorcia G. Lagunzad is the Vice-President / Head of the Consumer Banking Group. Her work experience include: Economic and Market Researcher/Planning Analyst in the Metropolitan Bank and Trust Company (Metrobank) (1978-1983), Project Analyst/Account Officer/Officer-in-Charge (OIC)/Manager of Metrobank (1983-2003). She was also the Financial and Market Adviser to two (2) family-owned companies on a part time basis (May 2003-2005).

Ms. Miami V. Torres (Filipino, 52 years old)

Ms. Miami V. Torres is the Vice-President / Head of the Credit Services Group. She is a graduate of AB Behavioral Science and BSC Accounting from the University of Santo Tomas. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has with her 29 years of banking experience. She started in 1984 as a junior bookkeeper in UCPB, handling SA, CA, CTD, Proofsheets, GL and remittances. She had 2 years experience as a Senior Analyst in the same Bank before she became an officer. As an officer, she was assigned as Branch Operations Officer and Branch Marketing Officer. Her last stint with UCPB was as Branch Head for Pasay Rotonda Branch. From 2002 to present she held various managerial and executive positions with PBB: Branch Head, Antipolo Branch (2002), Section Head, Remedial & Special Assets Management Group (RSAM) (2003), Head, Credit Services Group (2006-2008), Head, RSAM (2008-2010) and Head, Credit Services Group (2010-present).

Election of Members of the Board

There will be election of the members of the Board during the annual stockholders' meeting. The Stockholders of PBB may nominate individuals to be members of the Board of Directors.

All nominations shall be in writing duly signed by the nominating stockholders or their duly authorized (in writing) representatives, with the written acceptance and conformity of their nominee. The nomination must indicate whether the nominees are intended to be independent directors and shall contain the nominees age, educational attainment, full disclosure of work and/or business experience and/or affiliations. The Directors and Independent Directors shall be elected from among the Bank's Stockholders. All nominees for Directors and Independent Directors must possess the minimum requirements/qualifications and none of the disqualifications prescribed by Article III of the By-Laws, Bangko Sentral ng Pilipinas, Securities and Exchange Commission, and other regulatory agencies/offices of listed banks, which include Sec. 23 and 27 of The Corporation Code (BP Blg. 68). Sec. 15 of The General Banking Law (RA No. 8791), Sec. 38 of The Securities Regulation Code, Sec. 38 of the Revised Implementing Rules and Regulations (RIRR) of the Securities Regulation Code. Sec. X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda.

After the nomination, the Nomination Committee shall prepare a Final List of Candidates, which shall contain all the information about all the nominees for Independent Directors as required under existing rules and regulations. The list shall be made available to the Securities and Exchange Commission and to all the stockholders through the filing and distribution of the Information Statement or in such other reports required by the Securities and Exchange Commission. The name of the person or group of persons who recommended the nomination of the Independent Directors shall be identified in such report including any relationship with the nominee.

The Corporate Governance and Nomination Committee consists of Paterno H. Dizon, Chairman, Amador T. Vallejos, Jr., Member and Benjamin R. Sta. Catalina, Jr., Member.

The nomination Committee created under PBB's Revised Manual on Corporate Governance endorsed the nominees for independent directors for re-election at the upcoming annual stockholders' meeting, in accordance with the qualification set forth in the Manual, as follows:

1. He is a holder of at least one (1) share of stock of PBB;

2. He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
3. He shall be at least twenty-one (21) years old;
4. He shall have proven to possess integrity and probity;
5. He should possess all the qualification required under pertinent regulation of the Bangko Sentral ng Pilipinas; and
6. He is not hostile to or antagonistic to, or engaged in any business, which competes with or is antagonistic to that of the Bank or any of its affiliates and subsidiaries.

Independent Directors

The Nomination committee has determined that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Revised Manual on Corporate Governance.

Recommended Directors For 2014-2015

The Nomination Committee of the Board of Directors of PBB has determined that the following, all of whom are incumbent directors, possess all the qualifications and none of the disqualifications for directorship set out in PBB's Manual on Corporate Governance, duly adopted by the Board pursuant to SRC Rule 38.1. Below is the final list of candidates prepared by the Nomination Committee:

Francis T. Lee

Peter N. Yap

Rolando R. Avante

Amador T. Vallejos, Jr.

Jeffrey S. Yao

Honorio O. Reyes-Lao

Paterno H. Dizon (Independent Director) - Nominated by Francis T. Lee. Not related to the nominee.

Leticia M. Yao

Benjamin R. Sta. Catalina, Jr. (Independent Director) - Nominated by Francis T. Lee. Not related to the nominee.

Roberto A. Atendido

Any changes in the list of nominees shall be communicated to the SEC thru filing of Amended Definitive Information Statement and publication in any newspaper of general circulation.

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 Rodolfo Besinga, et.al."

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.

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 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 equity or 15% of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70% 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, 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	.07%	1.0%

to total DOSRI loans		
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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% ceiling for loans under fringe benefits program under MORB, amounted to Php23.1 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

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.

Item 6. Compensation of Directors and Executive Officers

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	2012	2013	2014 (estimate)
CEO and the four (4) most highly compensated officers of the Bank namely:		25.64	28.93	20.89
Rolando R. Avante	President & CEO			
Alice P. Rodil	Senior Vice President			
Raymond T. Co	Senior Vice President			
Joseph Edwin S. Cabalde	SVP / Treasurer			
Agustin E. Dingle, Jr.	Chief Compliance Officer			

Total Aggregate Compensation of the CEO and the Top 4 Most Highly Compensated Officers of the Bank:	Salary	Other Compensation	Bonus	Total
2012	5.12	12.31	8.21	25.64
2013	5.78	13.89	9.26	28.93

2014 (Estimate)	10.02	6.68	4.17	20.89
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Total Aggregate Compensation of Directors and Officers as a Group:	Salary	Other Compensation	Bonus	Total
2013	68.02	68.93	17.00	135.57
2014 (Estimate)	83.62	74.83	20.90	164.95

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.

Item 7. Independent Public Accountants

Punong Bayan and Araullo (P&A), a member firm of Grant Thornton International Limited, has been the bank's independent accountant for the last eight (8) 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 (2013 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 2013 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	824,320.00
Dec 31, 2013	2,609,152.00

No other services were rendered by P&A and Co that was 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.

The Audit Committee is composed of five (5) members of the Board of Directors namely: Benjamin R. Sta. Catalina, Jr., Chairman; Paterno H. Dizon, member; Jeffrey S. Yao, member; Amador T. Vallejos, Jr., member; and Roberto A. Atendido, member. Two (2) of whom are independent directors, including the Chairman.

The Audit Committee provides oversight of the Bank's financial reporting and control and internal and external audit functions. It monitors and evaluates the adequacy and effectiveness of the internal control system of the Bank. It assists the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and auditing and financial reporting practices.

The committee conducts its meeting every second (2nd) Wednesday of the month and reports its activities to the Board on regular basis.

OTHER MATTERS.

Action with respect to Reports

The following matters will be submitted for approval of the stockholders at the Annual Stockholders Meeting on May 30, 2014.

- 1.) Approval of the Minutes of the Annual Stockholders Meeting held on June 28, 2013
- 2.) President & CEO's report on management operations for 2013
- 3.) Ratification of Past Actions of the Board and of Management
- 4.) Ratification/Confirmation of the appointment of external auditor by the Board of Directors, and
- 5.) Election of Directors for 2014-2015.

In the June 28, 2013 Annual Stockholder's Meeting the following matters were presented before the body:

- 1.) Approval of the Minutes of the Annual Stockholders Meeting held on April 27, 2012
- 2.) President & CEO's report on management operations for 2012
- 3.) Ratification of Past Actions of the Board and of Management
- 4.) Ratification/Confirmation of the appointment of external auditor by the Board of Directors, and
- 5.) Election of Directors for 2013-2014.

The Bank has approved the following proposed amendments to its Articles of Incorporation and By-Laws, to wit:

A. Articles of Incorporation

a.) Article III - That the principal office of the corporation shall be in 350 Rizal Avenue corner 8th Avenue, Gracepark, Caloocan City, Metro Manila, Philippines. (As mandated by SEC Memorandum, Circular 6, Series of 2014).

B. By-Laws

a.) Article II, Section 1 - Change the date of the Annual Stockholders' Meeting from last Friday of April to last Friday of May.

b.) Article II, Section 8 - Change of Closing the Transfer Books of Fixing the Record Date FROM "at least ten (10) working days immediately preceding such meeting, but not to exceed, in any case, twenty (20) days" TO "at least ten (10) working days immediately preceding such meeting, but not to exceed, in any case thirty (30) days."

c.) Article III, Section 2 - Change of date of submission of Nominations for Directors FROM "at least twenty (20) days prior to the date of the regular meeting or special meeting of the stockholders for the election of the directors" TO "at least twenty-five (25) days prior to the date of the regular meeting or special meeting of the stockholders for the election of the directors".

Voting Procedures

Vote Requirement

- 1.) For election of Directors
Pursuant to Section 24 of the Corporation Code, the ten (10) nominees receiving the highest number of votes shall be declared elected.
- 2.) For other matters submitted to a vote, a majority vote of the shareholders present either in person or by proxy is necessary for the approval of such matter.

The method of counting the votes of the shareholders shall be in accordance with the general provisions of the Corporation Code of the Philippines. Counting will be done by tabulation of the votes by the Corporate Secretary with the assistance of her staff and the stock and transfer agent.

The Bank undertakes to provide without charge to each person solicited, upon written request of such person, a copy of the Bank's annual report on SEC Form 17-A. Requests may be sent to Alice P. Rodil, 4/F PBB Corporate Center, 30 Rizal Avenue corner 8th Avenue, Gracepark, Caloocan City.

The Bank likewise undertakes to provide without charge to each person solicited, during the Annual Stockholder's Meeting, a copy of SEC Form 17Q containing PBB's Interim Financial Statements, Management Discussion and Analysis of Financial Condition and Results of Operation.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of on, 20.....

By:

(Signature)
ATTY. ROBERTO S. SANTOS
Corporate Secretary

MANAGEMENT REPORT

A. 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.

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 100 branches as of December 31, 2013 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, Bacolod, Iloilo, Davao and General Santos. 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.

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

Branches

Employees

As of March 20, 2014, the Bank has a total of 937 employees broken down into the following categories:

Executives	62
Managers – Operations and Support	94

NO.	BRANCH NAME	ADDRESS
1	A. Mabini C-3	200 A. Mabini St. Maypajo, Caloocan City
2	Adriatico – Malate	G/F Hostel 1632 Adriatico Street, Malate, Manila
3	Angeles	Lot 5 Blk 1 McArthur Highway, Angeles City
4	Antipolo	Units 3 & 4 Megathon Bldg., Circumferential Road, Brgy. San Roque, Antipolo City
5	Bacolod	Philamlife Bacolod Bldg., Lacson St. cor Galo Street, Bacolod City
6	Baguio	G/F CRTL Bldg. Alabano Ext., Baguio City
7	Baliuag	B.S. Aquino Ave., Bagong Nayon Baliuag, Bulacan
8	Barawe	Unit 5-7 Solimar Bldg., 84 Dipitan cor Barawe Sts., Sta. Mesa Heights, Quezon City
9	Barawe – Kaliraya	Motorex Philippines, Inc. Building 148 Barawe cor. Kaliraya St. Barangay Tatalon, Quezon City
10	Batangas	Cifra 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 Wakas, Bocaue, Bulacan
13	Butuan	Montilla Boulevard cor. T. Calo St., Butuan City, Agusan Del Norte
14	Cabanatuan	Paco Roman St., Cabanatuan City, Nueva Ecija
15	Cagayan de Oro	Door 1 & 2 Suposa Bldg., 281 Recto Ave., Lapasan Highway, Cagayan de Oro City
16	Cagayan de Oro – Cogon	ALLA Inc. Building, JR Boria St. (near corner Don Apolinario 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, corner Zabarte Road, North Caloocan City
20	Carmen Planas	869 Carmen Planas St. Binondo, Manila
21	Cauayan	Maharlika Highway, Barangay San Fermín, Cauayan City, Isabela
22	Cebu City – Downtown	G/F Lianting Bldg., 130 F. Gonzales Street, Cebu City
23	Commonwealth	G/F Delamex - 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	Qubao	Units D, E & F Timbol Bldg., 915 Aurora Blvd., Qubao, Quezon City
27	Dagupan	Rizal St., Dagupan City, Pangasinan
28	Dasmariñas – Cavite	Unit G2 Annie's Plaza Dasma, Barangay San Agustin I, Dasmariñas City, Cavite
29	Davao - Bajada	G/F DCCCI 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	251 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	Capang	Tinio St. Brgy. San Vicente, Capang 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 LGI Building, Ortigas Avenue, Barangay Greenhills, San Juan
40	Iloilo	# 25 Quezon Street, Ilo-Ilo City
41	Imus	Aquinaldo 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	Quilmar Marble Corporation Bldg., # 237 General Luis Street Kaybiga, Caloocan City
45	La Union	G/F Virginia Bldg., Quezon Ave. cor. Flores St. Dominion Bus Terminal, National Highway
46	Laoag	G/F Laoag Allied Marketing Bldg., Barangay 19, Rizal St. Laoag City
47	Lapu-Lapu	G/F AMCO Building M. L. Quezon National Road Pajo, Lapu-Lapu City, Cebu
48	Las Piñas	Unit 1 & 2 G/F San Beda Commercial Zapote Alabang Rd., Las Piñas
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 Tinggo, 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 Tanong, Malabon City
58	Maiolos	Paseo del Congreso Calmon, Maiolos City, Bulacan
59	Manatuyong	Unit I, Facilities Centre Shaw Blvd., Manatuyong City
60	Mandaue	Unit 1-2 Wireless Plaza Bldg., H. Cortes Avenue cor H-way Seno Subanglaku, Mandaue City
61	Marikina	306 J. P. Rizal St., Sta. Elena Marikina City
62	Masinaug, Antipolo	Unit 104 G/F Rikland Centre Marcos Highway, Mayamot Antipolo City
63	Meycauayan	Medical Plaza Bldg., McArthur Highway, Banga, Meycauayan, Bulacan
64	Muntinlupa	G/F Units 1 & 2 # 50 National Road, Putatan, Muntinlupa City
65	Muzon	607 Luwesan Muzon, City of San Jose del Monte, Bulacan
66	Naga	Unit C 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	Novaliches	Kyote Bldg., 838 Quirino Highway Novaliches, Quezon City
69	Olongapo	2420 Rizal Avenue Barangay East Bajac Bajac Olongapo City
70	Ortigas	Ortigas Home Depot Complex P28-29, Bldg. B #1 Julia Vargas Avenue, corner Meralco Avenue, Barangay Ugong Pasig City
71	Padre Algue	1105 F. M. Guerrero Street corner Padre Algue Street G/F City Square Residences Tondo, Manila
72	Pasay	2241 C. k. Sy Bldg., Taft 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. corner Rosemarie Street, Pasig City
75	Paso de Blas	Paso de Blas Road cor. P. Santiago St. Barangay Paso de Blas, Valenzuela City
76	Palermo – Quiapo	707 Palermo 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, Maninangring, 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	Sucal	Unit B-10-A Jaka Plaza Mall A. Santos Avenue, Sucal, 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	Luneway Bldg. F. Taracdo Street, Tarlac City
94	The Fort	Units 104-105 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. Paitok, Quezon City
100	Zamboanga	Wee Agro Building, Veterans Avenue, Zamboanga City

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Managers – Branch / Marketing	248
Staff	533
Total	937

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.

Market Information

The common shares of PBB was listed last February 19, 2013. The price of the Registrant's shares as of April 25, 2014 closed at Php23.40.

Quarter	Stock	High	Low	Close
1Q 2013*	PBB	38.85	33.30	34.30
2Q 2013	PBB	37.20	23.70	25.80
3Q 2013	PBB	27.00	21.85	24.15
4Q 2013	PBB	24.95	21.60	21.95
1Q 2014	PBB	24.00	21.90	23.00

*PBB was only listed on 19-Feb-13

Holders

As of the March 31, 2014, 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	PCD NOMINEE CORPORATION - FILIPINO	289,648,340.00	84.36%
2	ALFREDO M. YAO	22,199,910.00	6.46%
3	ZEST-O-CORPORATION	14,999,940.00	4.37%
4	PCD NOMINEE CORPORATION-NON FILIPINO	10,149,410.00	2.96%
5	FRANCIS T. LEE	2,536,000.00	0.74%
6	FRANCIS T. LEE	1,764,000.00	0.51%
7	ROBERTO L. OBIEDO	270,000.00	0.08%
8	JAMES G. DY	250,000.00	0.07%
9	SIOT KENG GO DY	200,000.00	0.06%
10	ROBERTO LEE OBIEDO	200,000.00	0.06%
11	PETER Y. SEE	200,000.00	0.06%
12	WILBERT G. UY	200,000.00	0.06%
13	ARVIN UY TING OR IRENE IMEE LO TING	175,000.00	0.05%
14	EUSEBIO S. GO	100,000.00	0.03%
15	REYNATO KEH LIM &/OR SUSANA DY LIM	100,000.00	0.03%
16	XIAOHAN WU	94,900.00	0.03%
17	ANG ENG ENG	50,000.00	0.01%
18	ROBERT MALICSI QUING	50,000.00	0.01%
19	ALFONSO S. CHAN	30,000.00	0.01%
20	EDWARD GO	21,400.00	0.01%
21	DELFIN J. REYES	20,000.00	0.01%
22	SHARON DY LAW	20,000.00	0.01%
23	ANITA N. TY	16,000.00	0.00%
24	MARIANO C. TIU	10,000.00	0.00%
25	GARRY V. BARRANDA	6,000.00	0.00%
26	RICARDO DELFIN &/OR ROSALINDA T. KING	5,000.00	0.00%
27	JOSE Q. CIFRA	3,000.00	0.00%
28	MARIETA C. ONOFRE	3,000.00	0.00%
29	KING, RICARDO DELFIN &/OR ROSALINDA T. KING	2,800.00	0.00%
30	MANUEL C. VALDEZ	2,000.00	0.00%

31	ROMEO B. MOLANO	2,000.00	0.00%
32	ANTONIO KAN SIA	2,000.00	0.00%
33	MIRAN P. VILLANUEVA	1,000.00	0.00%
34	ROGELIO J. BONDOC	1,000.00	0.00%
35	NADEZHDA ISKRA F. HERRERA	500.00	0.00%
36	DELA CRUZ, YOLANDA M. OR DELA CRUZ, EMILIO M.	100.00	0.00%
37	PHILIP &/OR ELNORA N. TURNER	100.00	0.00%
	Total	343,333,400.00	100.00%

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 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:

- 3.) Its clearing account with BSP is not overdrawn;
- 4.) BSP's liquidity floor requirement for government funds;
- 5.) BSP's minimum capitalization requirement and risk-based capital ratio;
- 6.) Prescribed EFCDU/FCDU cover consisting of 30 per cent liquidity cover and 100 percent asset cover
- 7.) Statutory and liquidity reserves requirement;
- 8.) It has no past due loans or accommodation with BSP or any institutions;
- 9.) It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;
- 10.) 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 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.

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.

In 2012, the PBB revised its Corporate Governance Manual in compliance with the Revised Corporate Governance Framework mandated upon all banks by the Bangko Sentral Ng Pilipinas through Circular Nos. 749 and 757. PBB submitted its Revised Corporate Governance Manual to the SEC on December 3, 2012.

There were no violations or deviations against the provisions of the Corporate Governance Manual noted in 2012.

Undertaking

The Bank will provide without charge its Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addresses to Atty. Roberto S. Santos, Asst. Corporate Secretary, 4/F PBB Corporate Center, 350 Rizal Avenue corner 8th Avenue, Grace Park, Caloocan City.

B. 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 48 ATMs located all over the country. In 2012, The Bank was granted 15 licenses to establish branches in restricted areas and five (5) licenses to establish branches in non-restricted areas of 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 deposit, 4th in terms of capital 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 2.51% and 17.63%, 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.

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 FCDU deposits with other institutions), 10 per cent (on onshore income from FCDU 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 Php2.232bn 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 increases 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, traveling 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 Php349.457m from Php654.589m in 2012 to Php1.004bn 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 interest 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 its 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 its 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, traveling and depreciation were due to the branch expansion program of the bank. Onetime expenses such as taxes and licenses were due to the bank's preparation for the listing of its shares that necessitates the payment of applicable fees to the Securities and Exchange 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 as 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, 2012 and for the years ended December 31, 2010 and 2011, the Bank's principal sources of liquidity were funds from operations including deposits. As of December 31, 2012, the Bank had cash and cash equivalents of Php4,509.17 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	4,509.17	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

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.

PBB estimates its capital expenditure for the entire 2013 at Php400 million used primarily for branch expansion and IT upgrade.

Financial Position

December 31, 2013 vs. December 31, 2012

PBB's assets reached Php47.158bn as of December 31, 2013. This is 42.45% 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 Php195.423m or 4.805% due to increased deposits to BSP as a result of very liquid position during 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 19.82% or Php196.909m from Php993.430m in December 31, 2012 to Php796.521m in December 31, 2013.

PBB's liabilities amounted to P40.131bn as of December 31, 2013. This is Php11.414bn or 39.75% 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 36.73% or Php552.157m from P1.503bn in December 31, 2012 to P2.055bn 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 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 December 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 110.55% or P531.06 million from P480.37 in December 31,

2011 to P993.43 million in December 31, 2012.

PBB's liabilities amounted to P28.72 billion as of December 31, 2012. This is P6.49 billion or 22.60% higher as compared to December 31, 2011 level of P22.23 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 P121.48 million in December 2011 to P765.49 million in December 2012.

4.) Accrued expenses and other liabilities increased by 65.29% or P593.72 million from P909.33 million in December 31, 2011 to P1.50 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 5.54% or P26.62 million from P506.99 million in December 31, 2010 to P480.37 million in December 31, 2011

PBB's liabilities amounted to P22.22 billion as of December 31, 2011. This is P2.57 billion or 13.08% 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.

6.) Accrued expenses and other liabilities increased by 6.86% or 58.36 million from P850.97 in December 31, 2010 to P909.33 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 year 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.

SCHEDULE OF AGING OF LOANS RECEIVABLES (PSE Requirement per Circular No. 2164-99) As of December 31, 2013

Current Accounts (by maturity)	
Up to 12 months	23,438,923
Over 1 year to 3 years	3,233,766
Over 3 years to 5 years	2,340,064
Over 5 years	2,671,514
Past due and items in litigations	721,781
Loans Receivables (gross)	32,406,048
Less:	
Unearned and other deferred income	89,802
Allowance for credit losses	716,333
Loans Receivables (Net)	31,599,913

FINANCIAL SOUNDNESS INDICATORS
(As Required by SRC Rule)

	December 31, 2013	December 31, 2012
Current Ratio ⁽¹⁾	100.76%	120.97%
Solvency Ratio ⁽²⁾	1.18%	1.15%
Debt-to-equity ⁽³⁾	5.69%	6.52%
Asset-to-equity ⁽⁴⁾	6.69%	7.52%
Interest rate coverage ratio ⁽⁵⁾	325.73%	212.11%
Return on Equity ⁽⁶⁾	17.63%	16.41%
Return on Assets ⁽⁷⁾	2.51%	2.24%
Net Interest Margin ^{(8) (9)}	4.52%	3.84%
Cost-to-Income Ratio ⁽¹⁰⁾	50.92%	45.32%

Notes:

5. Current assets divided by current liabilities
6. Total assets divided by total liabilities
7. Total liabilities divided by total equity
8. Total assets divided by total equity
9. Income before interest and taxes divided by interest expense
10. Net income divided by average total equity for the periods indicated (annualized)
11. Net income divided by average total assets for the periods indicated (annualized)
12. Net interest income divided by average interest-earning assets (incl. interbank loans, trading and investment securities and loans)
13. Starting April 2012, the BSP stopped paying interest on reserves on customer deposits of banks. The Q1 2013 computation considered the Bank's deposit with BSP as non-earning. In Q1 2012 and previous to that, it is considered part of earning assets. NIM is Q1 2012 would have been 7.3% if this was to be calculated on same

basis as that of Q1 2013

14. Other expenses (excl. provision for impairment and credit losses)divided by net interest and other income for the periods indicated

FINANCIAL SOUNDNESS INDICATORS
(As Required by SRC Rule)
for the years indicated

	2013	2012	2011
Return on average capital			
<u>Net profit</u>	20.6%	16.20%	24.30%
Average total capital accounts			
Return on average resources			
<u>Net profit</u>	2.5%	2.2%	3.10%
Average total resources			
Net interest margin			
<u>Net interest income</u>	4.6%	3.90%	4.60%
Average interest earning resources			
Capital to risk assets ratio			
<u>Total capital</u>	16%	18.86%	26.50%
Risk resources			
Liquidity ratio			
<u>Current assets</u>	1.0	1.2	1.1
Current liabilities			
Debt-to-equity ratio			
<u>Liabilities</u>	5.8	6.5	6.0
Equity			

Asset-to-equity ratio			
$\frac{\text{Asset}}{\text{Equity}}$	6.8	7.5	7.0
Interest rate coverage ratio			
$\frac{\text{Earnings before interests and taxes}}{\text{Interest expense}}$	3.3	2.1	2.5
Solvency			
$\frac{\text{Total Assets}}{\text{Total Liabilities}}$	1.18	1.15	1.17

The Bank undertakes to provide without charge to each stockholders, upon written request of such person, a copy of the Bank's annual report on SEC Form 17-A. Requests may be sent to Alice P. Rodil, 4/F PBB Corporate Center, 30 Rizal Avenue corner 8th Avenue, Gracepark, Calocan City.