

from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Bank.

An Independent Director shall refer to a person who (a) is not and has not been an officer or employee of the bank, its subsidiaries or affiliates or related companies during the past three (3) years counted from the date of his election; (b) is not a director or officer of the related companies of the Bank's majority stockholder; (c) is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the Bank, or in any of its related companies or of its majority corporate shareholders; (d) is not a relative, legitimate or common-law of any director, officer or majority shareholder of the Bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law; (e) is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies; (f) is not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship; (g) does not engage and has not engaged, whether by himself or with other person or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the bank or any of its related companies or substantial shareholders, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment; and (h) a regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a 2-year "cooling-off period."

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

The Bank is compliant with BSP Circular No. 749, Series of 2012 and SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated March 31, 2016 and BSP CL-2016-073 dated August 24, 2016.

IDs elected in 2012 may be re-elected in 2017 until 2021 (4 consecutive years), without the two (2)-year cooling-off period, if there are no suitable replacements, subject to prior written notice and justification to the SEC.

Independent Director of a bank may serve as such for a total of five consecutive years, opt to undergo a "cooling off" period of two (2) years and after which, an ID can be re-elected and serve for another five (5) consecutive years.

IDs shall be perpetually barred from being elected as such after serving for ten (10) years and the two year cooling off period or after serving nine consecutive years.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Harry C. Tan	Director	May 31, 2016	Expiration of term
Deogracias N. Vistan	Independent Director	May 31, 2016	Expiration of term

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The Corporate Governance Committee (acting as the Bank's Nomination Committee) shall promulgate the guidelines or criteria to govern the conduct of the nomination; and also perform other duties as provided under the BSP rules and regulations. Nomination of the directors shall be conducted by the same Committee prior to a Stockholders' meeting. All recommendations shall be signed by the nominating stockholder/s together with the acceptance and conformity by the would-be nominees. The Committee shall pre-screen the qualifications and prepare the final list of all candidates which shall contain all the information about the nominees. The Committee	In compliance with MORB Subsection X141.2 of the BSP, a director of the Bank shall have the following qualifications: 1. He must be a holder of at least one (1) share of stock of the Bank; 2. He shall be at least a college graduate or have at least five (5) year-experience in business to substitute for such formal education; 3. He shall be at least twenty-five (25) years old at the time of his election or appointment; 4. He must have attended a special seminar on corporate governance for board of Directors conducted or accredited by BSP or SEC: Provided, That incumbent Directors must attend said seminar within

	<p>determines whether the nominees are fit and proper and qualified to be elected as member of the Board. Only nominees whose names appear on the final list of candidates shall be eligible for election. No other nominations shall be entertained after the final list of candidates shall have been prepared; and no further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting. The directors shall be elected by the stockholders entitled to vote during the annual meeting of stockholders and shall hold for one (1) year and until their successors are elected and qualified.</p> <p>This above process is in compliance with Subsection X141.2 of the MORB of the BSP re: Qualifications of a Director and in accordance with the procedures for the nomination and election of independent directors set forth in Rule 38 of the Securities Regulation Code which was incorporated in the PNB By-Laws.</p>	<p>a period of six (6) months from date of election;</p> <ol style="list-style-type: none"> 5. He must be fit and proper for the position of a director of the bank, proven to possess integrity/probity, physical/ mental fitness, relevant education/ financial literacy/training; knowledge and experience, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities; 6. He shall be assiduous in his work habits; 7. Practical understanding of the business of the Bank; and 8. Membership in good standing in relevant industry, business or professional organizations. <p>An elected director has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements per regulatory guidelines.</p> <p>The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.</p>
b. Re-appointment		
(i) Executive Directors	- Same as above. -	- Same as above. -
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	The Bank adopts the criteria enumerated under Subsection X143.1 of the MORB of the BSP; and the Revised Corporate Governance Manual of the Bank on the permanent disqualification of a director.	As enumerated under Subsection X143.1 of the MORB of the BSP, the Revised Manual of Corporate Governance of the Bank and Section 27 of the Corporation Code of the Philippines on the permanent disqualification of a director.
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors	The Bank adopts the criteria enumerated under Subsection X143.1 of the MORB of the BSP; and the Revised Corporate Governance Manual of the Bank on the temporary disqualification of a director.	The Bank adopts the criteria enumerated under Subsection X143.1 of the MORB of the BSP and the Revised Manual of Corporate Governance of the Bank on the temporary disqualification of a director.
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	In case of violation of any of the provisions of the Corporation Code of the Philippines and Revised Corporate Governance Manual of the Bank, the maximum penalty of removal from office shall be imposed to the directors.	As provided under Section 28 of the Corporation Code of the Philippines, and in case of violation of any of the provisions of the Revised Manual of Corporate Governance of the Bank, the maximum penalty of removal from office shall be imposed to the directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	Re-instatement of a director to the position shall be upon the remediation and/or correction of his temporary disqualification.	As enumerated in the Revised Corporate Governance Manual of the Bank, a temporary disqualified director shall, within sixty (60) business days from such disqualification, may take the appropriate action to remedy or correct his disqualification and to be re-instated to his position.
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	Suspension of a director from office shall	In case of violation of any of the provisions of

(ii) Non-Executive Directors	be imposed on the second violation of any provisions of the revised Corporate Governance Manual of the Bank.	the Revised Manual of Corporate Governance of the Bank, the suspension of the directors from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Florencia G. Tarruela	1,033,376,867
Felix Enrico R. Alfiler	1,033,081,260
Florido P. Casuela	1,016,055,914
Leonilo G. Coronel	1,033,378,807
Edgar A. Cua	1,033,378,807
Reynaldo A. Maclang	996,596,128
Estelito P. Mendoza	991,052,874
Christopher J. Nelson	1,016,292,395
Federico C. Pascual	1,016,507,589
Cecilio K. Pedro	1,033,378,807
Washington Z. Sycip	988,403,467
Carmen K. Tan	1,016,749,816
Lucio C. Tan	990,943,245
Lucio K. Tan, Jr.	991,052,874
Michael G. Tan	1,033,127,883

6) Orientation and Education Program

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

The Bank furnishes all of its directors with a copy of the general and specific duties and responsibilities of the Board of Directors as prescribed under Items "b" and "c" of Subsection X141.3 of the Manual of Regulations for Banks (MORB) at the time of their election. The directors concerned are each required to acknowledge receipt of the copies of such specific duties and responsibilities and certify that they fully understand the same. Copies of the acknowledgment and certification are then submitted to the BSP within 10 business days after the date of election. A director shall, before his assumption of office or within a period of six (6) months from date of election, is required to attend a seminar on corporate governance which shall be conducted by a private or government dully accredited by the BSP or SEC.

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

Participant(s)	Title of Seminar/ Date
2016	
Christopher J. Nelson, Director Maila Katrina Y. Ilarde, Corporate Secretary Alice Z. Cordero, FSVP	3 rd Annual SEC-PSE Corporate Governance Forum by the Securities and Exchange Commission on November 22, 2016 at the Philippine International Convention Center (PICC), PICC Complex, Roxas Boulevard, Manila
Lucio K. Tan, Jr., Director	Seminar on Best Practices in Parliamentary Procedures for Board Directors and Top Management by the Center for Global Best Practices on October 19, 2016 at Allied Bank Center, Ayala Avenue, Makati City
Federico C. Pascual, Independent Director	Distinguished Corporate Governance Speaker Series Seminar by the Institute of Corporate Directors on October 7, 2016 at the Makati Diamond Hotel
Schubert Caesar C. Austero, SVP	OD Conversations on System Thinking and the OD Practitioners on September 29, 2016
John Howard D. Medina, FSVP	Strategic Collective Bargaining for Employers Seminar by ECOP on September 22-23, 2016
Edgar A. Cua, Independent Director	Corporate Governance Orientation Program by the Institute of Corporate Directors on August 25, 2016 at the Makati Shangri-la Hotel
Estelito P. Mendoza, Director	Seminar on Corporate Governance by SGV & Co. on August 9, 2016 at the SMC Head Office Complex, Mandaluyong City
Florencia G. Tarruela, Chairman/Independent Director Felix Enrico R. Alfiler, Vice Chairman/Independent Director Florido P. Casuela, Director Leonilo G. Coronel, Director	Corporate Governance Forum by the Securities and Exchange Commission on August 3, 2016 at the Philippine International Convention Center (PICC), PICC Complex, Roxas Boulevard, Manila

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