

The Bank espouses the highest principles of good corporate governance as embodied in its Amended By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual. It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities affected by the Bank's activities and its various publics. The Bank espouses professionalism among its Board of Directors, executives and employees in managing the company, its subsidiaries and affiliates; and is vigilant in its adherence of laws and regulations. The Bank practices a philosophy of rational checks and balances and adopts a structured approach to its operating processes.

The Bank's operations are managed through an established organizational structure with adequate policies and procedures embodied in manuals approved by management and board committees and the Board. These manuals are subjected to periodic review and updated to be consistent with the new laws and regulations that conform to international standards and best practices. The Bank has adopted the Revised Corporate Governance Manual aligned with recently issued regulatory guidelines and new reportorial disclosures for entities within the group structure and significant transactions among related parties with particular focus on the Related Party Transaction (RPT) Policy.

BOARD OF DIRECTORS

PNB is led by its Board of Directors composed of fifteen members, including five independent directors including the Chairperson, who are elected annually by the stockholders. They are primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance, and corporate values.

The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations, such as the IMF and the World Bank. Moreover, it is supported by individuals with distinct finance, audit, and legal competencies collectively holding a broad range of expertise and related banking experiences that provide value in strengthening and upholding good corporate governance practices in the Bank.

The Bank's Board of Directors, key officers, and its subsidiaries regularly undergo training in corporate governance. In November, 2014, the most recent seminar was conducted by the Institute of Corporate Directors (ICD). In recognition of the distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility, two directors were inducted "fellow" by the Philippine Institute of Corporate Directors, and one director was certified as a "fellow" by the Institute of Corporate Directors of Australia.

INDEPENDENT DIRECTORS

In carrying out their responsibilities, the directors are to act prudently exercising independent judgment while encouraging transparency and

accountability. The Bank's Board is comprised of five (5) independent directors representing 33% of the members of the Board, beyond the 20% requirement of the SEC. The appointment of the five independent directors, composed of the Board Chairperson Florencia G. Tarriela, and Messrs. Felix Enrico R. Alfiler, Deogracias N. Vistan, Cecilio K. Pedro and Federico C. Pascual, were approved and confirmed by the appropriate regulatory bodies.

The independent directors, act as Chairman of the Board at the Board Credit & Policy Committee, Corporate Governance/Nomination/Remuneration Committee, Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries, Board Audit and Compliance Committee, and Board Oversight Related Party Transaction (RPT) Committee. The independent directors are also members of four other board committees such as the Board ICAAP Steering Committee, Trust Committee, Board IT Governance Committee, and Risk Oversight Committee. The latter board committee Chairman is a non-executive director and former president of a government bank with universal banking license.

CHAIRPERSON OF THE BOARD

The Chairperson of the Board, Florencia G. Tarriela, holds an extensive background and experience in the banking industry, and maintains an active membership in numerous banking and non-profit institutions. Currently, she is a Life Sustaining Member of BAIPHIL and Trustee of Finex and TSPI Development Corporation. Her prior appointments include Under Secretary of Finance; alternate Monetary Board of Bangko Sentral ng Pilipinas; Alternate Board Member of Land Bank and PDIC; and Managing Partner & the first Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Chairperson Florencia G. Tarriela seats as member of the six (6) Board Committees.

The relationship of the Chairperson of the Board and the President & Chief Executive Officer are complimentary as it provides appropriate balance of power, increased accountability, mutually independent decision making by the Board and the management responsibility in executing strategic plans of the Bank.

BOARD COMMITTEES

The ten (10) board committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates, namely:

- Board Credit & Policy Committee;
- Board Credit Committee;
- Board Audit and Compliance Committee;
- Risk Oversight Committee;
- Board ICAAP Steering Committee;
- Trust Committee;
- Corporate Governance/Nomination/Remuneration Committee;
- Board Oversight Committee – Domestic and Foreign Offices/ Subsidiaries;
- Board IT Governance Committee
- Board Oversight RPT Committee.

The frequency of the board committee meetings are stated in their respective charters and are held generally on a monthly basis or special board committee meetings are called as often as necessary. The board committee secretariats are responsible to ensure that the regular agenda of the meetings, attendance of members and resource persons are communicated prior to meetings and that discussion are properly recorded and endorsed to the Board for approval.

In 2014, the Board Committees centered on improving and strengthening the following:

- Implementation of the BSP guidelines in assessing the quality of the Bank's Corporate Governance framework such as Governance Landscape, Risk Governance, Fitness and Propriety of Board and Management; and Controls and Independent Oversight.
- Expansion of the Board Overseas Offices Oversight Committee to include and cover domestic subsidiaries; thus, renaming it the "Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries" (BOC) providing oversight to both domestic and foreign offices/ subsidiaries and ensuring their profitable operations and long-term viability vis-à-vis the bank's strategic goals.
- Establishment of the Board IT Corporate Governance Committee in 2014 to handle the oversight of the critical IT projects of the Bank. This includes the enhancement of the Bank's Corebanking System Project wherein PNB hired as Project Director a seasoned banker with extensive banking experience in bank operations and technology with foreign banks including management of migration systems with local banks. The Corebanking Project Director improved further the Project Plan to ensure seamless execution of the timelines by expanding the project's table of organization. Series of focused group discussions on project timeliness and priorities are on-going to ensure the new Corebanking System's full production live date by February of 2017.
- Creation of the Board Oversight RPT Committee (BORC) reinforcing the bank's firm commitment to align with the principles of the ASEAN Corporate Governance Scorecard (ACGS) and Basel III guidelines in terms of good corporate governance in dealing fairly with its clients, investors, shareholders, upholding the philosophy of integrity, accountability, and transparency. In 2014, the bank strengthened and embedded RPT policies and procedures in the Operations Manuals of its business units, subsidiaries, and affiliates. This is to ensure transparency, thus, eliminating potential conflicts of interest among employees, management, board, and shareholders including entities in the conglomerate.

BOARD COMMITTEES AS OF DECEMBER 31, 2014

BOARD CREDIT & POLICY COMMITTEE	BOARD CREDIT COMMITTEE
1. Mr. FELIX ENRICO R. ALFILER* - Chairman	1. Mr. FLORIDO P. CASUELA - Chairman
2. Mr. REYNALDO A. MACLANG - Member	2. Mr. JOSEPH T. CHUA - Member
3. Mr. HARRY C. TAN - Member	3. Mr. LEONILLO G. CORONEL - Member
4. Mr. LUCIO K. TAN, JR. - Member	4. Mr. REYNALDO A. MACLANG - Member
5. Mr. MICHAEL G. TAN - Member	5. Mr. FEDERICO C. PASCUAL* - Member
6. Ms. FLORENCIA G. TARRIELA* - Member	6. Mr. HARRY C. TAN - Member
7. Mr. DEOGRACIAS N. VISTAN* - Member	7. Mr. MICHAEL G. TAN - Member

RISK OVERSIGHT COMMITTEE	BOARD AUDIT AND COMPLIANCE COMMITTEE
1. Mr. FLORIDO P. CASUELA - Chairman	1. Mr. DEOGRACIAS N. VISTAN* - Chairman
2. Mr. JOSEPH T. CHUA - Member	2. Mr. FELIX ENRICO R. ALFILER* - Member
3. Mr. LEONILLO G. CORONEL - Member	3. Mr. FLORIDO P. CASUELA - Member
4. Mr. HARRY C. TAN - Member	4. Mr. FEDERICO C. PASCUAL* - Member
5. Ms. FLORENCIA G. TARRIELA* - Member	5. Mr. HARRY C. TAN - Member

BOARD ICAAP STEERING COMMITTEE	TRUST COMMITTEE
1. Mr. MICHAEL G. TAN - Chairman	1. Mr. LEONILLO G. CORONEL - Chairman
2. Mr. FLORIDO P. CASUELA - Member	2. Mr. CECILIO K. PEDRO* - Member
3. Mr. REYNALDO A. MACLANG - Member	3. Ms. FLORENCIA G. TARRIELA* - Member
4. Ms. FLORENCIA G. TARRIELA* - Member	4. Ms. JOSEPHINE E. JOLEJOLE - Ex-Officio
5. Mr. DEOGRACIAS N. VISTAN* - Member	5. Mr. REYNALDO A. MACLANG - Ex-Officio

CORPORATE GOVERNANCE/ NOMINATION/REMUNERATION COMMITTEE	BOARD OVERSIGHT COMMITTEE - DOMESTIC AND FOREIGN OFFICES/SUBSIDIARIES*
1. Mr. FELIX ENRICO R. ALFILER* - Chairman	1. Mr. DEOGRACIAS N. VISTAN* - Chairman
2. Mr. REYNALDO A. MACLANG - Member	2. Mr. FELIX ENRICO R. ALFILER* - Member
3. Mr. FEDERICO C. PASCUAL* - Member	3. Mr. JOSEPH T. CHUA - Member
4. Mr. LUCIO K. TAN, JR. - Member	4. Mr. LEONILLO G. CORONEL - Member
5. Mr. MICHAEL G. TAN - Member	5. Mr. FEDERICO C. PASCUAL* - Member
6. Ms. FLORENCIA G. TARRIELA* - Member	
7. Mr. DEOGRACIAS N. VISTAN* - Member	

MEMBERSHIP OF VARIOUS BOARD COMMITTEES

BOARD OVERSIGHT RPT COMMITTEE	BOARD IT GOVERNANCE COMMITTEE
1. Mr. FEDERICO C. PASCUAL* - Chairman	1. Mr. LEONILLO G. CORONEL - Chairman
2. Mr. FELIX ENRICO R. ALFILER* - Member	2. Mr. FLORIDO P. CASUELA - Member
3. Mr. DEOGRACIAS N. VISTAN* - Member	3. Mr. JOSEPH T. CHUA - Member
4. Ms. ALICE Z. CORDERO - Member	4. Mr. CECILIO K. PEDRO* - Member
5. Mr. DIOSCORO TEODORICO LUM - Member	5. Ms. FLORENCIA G. TARRIELA* - Member

* Independent Directors