

a financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible conflict of interests shall disassociate from participating in the decision making process and abstain in the discussion, approval and management of such transactions or matters affecting the Bank. The BORC may inform the Corporate Governance/Nomination/Remuneration Committee of the directors/officers' actual/potential conflicts of interest with the Bank, as necessary.

Factors to be considered in evaluating RPTS include (i) related party's relationship to the bank and interest in the transaction; (ii) material facts of the proposed RPT, including the proposed aggregate value of such transaction; (iii) benefits to the Bank of the proposed RPT; (iv) availability of other sources of comparable products or services; and (v) an assessment as to whether the terms of the RPT are comparable to generally available to similarly-situated non-related parties.

#### BOARD OVERSIGHT RPT COMMITTEE (BORC)

The BORC was created in September 2013. The authorities and responsibilities of the BORC are governed by a Charter to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of shareholders, board members, management, and other stakeholders of PNB Group. The Committee is composed of at least five (5) regular members, including the three (3) Independent Directors (IDs); and the two (2) non-voting members, the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO). The CCO is designated as Secretariat of the Committee.

The BORC has the authority to evaluate material RPTs. These should be conducted in the regular course of business on an arm's length basis; and not undertaken on more favorable economic terms (e.g. price, commission, interest rates, fees tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. No corporate or business resources of the Bank are to be misappropriated or misapplied and sound judgment is to be exercised for the best interest of the Bank. Material RPTs are to be reviewed and endorsed to the Board for approval/notation.

The duties and responsibilities of the BORC include: (i) reviewing and approving RPT policy guidelines; (ii) evaluating on an ongoing basis existing relations between and among businesses and counterparties; (iii) assessing all material RPTs; (iv) ensuring that appropriate disclosures are made; (v) reporting to the Board the status and aggregate exposures to related parties;

(vi) ensuring that RPTs, including write-off of exposures are subject to independent reviews; and (vii) overseeing implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance; and BSP Circular No. 749 and 895, including the Code of Conduct and Business Ethics which the Bank consistently adopts. These are as follows:

- Code of Conduct – it prescribes the moral code for PNB Group employees that instills discipline and yields higher productivity at the workplace; and enhances and safeguards the corporate image of the Bank. Its overall intent is more for the prevention of the infraction rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the Bank.
- Whistleblower Policy – this policy encourages the Bank employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff in accordance with the Whistleblower Policy. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.
- Soliciting and/or Receiving Gifts Policy - all employees are expected to observe, discretion and prudence in receiving gifts or donations whether in cash or in kind and other form of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business related parties is strictly prohibited. However, employees may be allowed to receive gifts/donations/sponsorship/financial assistance from clients, suppliers, and other business related parties, provided that gifts/donations/sponsorships worth P2,000.00 and above must be reported to the Human Resource Group (HRG), declaring the value, the giver and action taken, i.e., kept for personal use, donated to charity. On the other hand, gifts with estimated value of more than P5,000.00 shall likewise be reported and turned-over to HRG for donation to any legitimate charitable institution preferred by the concerned employee.
- Personal Investment Policy – set forth prudent standards of behavior for all employees when conducting their personal

investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the bank. These investments should not appear to involve a conflict of interest with the activities of the bank or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long term investment rather than short term speculation. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material nonpublic information about PNB that if known by the public might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.

The Corporate Governance and RPT frameworks are integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group to sustain awareness of group-wide personnel, as well as other stakeholders on good corporate governance and RPT compliance. Corporate governance and RPT trainings support the Bank's commitment of continuing awareness among the Board of Directors, senior management, employees, and other stakeholders of PNB Group.

#### OPERATIONS MANAGEMENT

The responsibility of managing the day-to-day operations of the Bank and implementing the major business plans rests on the President and Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the pertinent management committees: Senior Management Committee, Operations Committee, Asset and Liability Committee, Senior Management Credit Committee, IT Evaluation Committee, Acquired Assets Disposal Committee, Non-Performing Assets Committee, Assets/Records Disposal Committee, Promotions Committee, Product Committee, Bids and Awards Committee, Senior Management ICAAP Steering Committee, AML Review Committee, Administrative Investigation Committee, Branch Site Selection Committee, Selection Committee for Expatriate Personnel, Accreditation of Overseas Remittance Agent, and Committee on Decorum and Investigation. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

The business plans, significant issues and its resolutions are escalated to the level of the Board as part of a strong culture

of accountability and transparency embedded in the entire organization. Most of the management committees have the President as the Chairman with the members comprised of senior management of the Bank and key officers of the various business segments, the Risk Management Group, Office of the Chief Legal Counsel, Internal Audit Group and Global Compliance Group. The composition and appointment of senior officers in the different management committees are assessed periodically and reorganized as necessary in line with the business priorities.

#### COMPLIANCE SYSTEM

The Bank actively promotes the safety and soundness of its operations through a compliance system that fully adheres to banking laws, rules and regulations and to maintain an environment that is governed by high standards and best practices of good corporate governance. This is achieved primarily through the formulation of policies and procedures, an organizational structure and an effective compliance program that will support the Bank's compliance system.

The Chief Compliance Officer (CCO), head of the Global Compliance Group reports directly to the Board Audit and Compliance Committee. The CCO has direct responsibility for the effective implementation and management of the enterprise compliance system covering the Parent Bank, its subsidiaries and affiliates. The CCO is also primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international standards and best practices. The Board of Directors appointed the CCO as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

Global Compliance Group continues to evolve the Bank's Compliance System with the complement of five major divisions, namely: Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing Review Division and Corporate Governance Monitoring Division that provides support to the Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction Committee.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust

MIS and compliance reporting, comprehensive compliance and AML awareness training and independent compliance testing reviews. The Compliance Program also incorporates the new policies, laws and regulations and enhancements to corporate standards of which PNB, including its local and foreign subsidiaries/ affiliates, is required to be fully aware of. The Compliance Program has been implemented consistently in the PNB Group.

The Bank's AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals with FATCA compliance

guidelines, are two major manuals approved by the Board. The Bank is fully committed to adhere to existing and new AML/CFT and FATCA laws, rules, regulations, and implementing guidelines issued by both Philippine and foreign regulators.

The Bank has updated policies and procedures embracing the compliance framework, the corporate governance guidelines and the AML Risk Rating System issued by BSP and foreign regulators on AML/CFT as well as FATCA laws and regulations.

With a comprehensive compliance system effectively implemented enterprise-wide, there has not been material deviation noted by

AS OF JANUARY 29, 2016

BOARD OF DIRECTORS	
Ms. Florencia G. Tarriela*	
Mr. Felix Enrico R. Alfiler*	
Mr. Florido P. Casuela	
Mr. Leonilo G. Coronel	
Mr. Reynaldo A. Maclang	
Mr. Estelito P. Mendoza	
Mr. Christopher J. Nelson	
Mr. Federico C. Pascual*	
Mr. Cecilio K. Pedro*	
Mr. Washington Z. Sycip	
Mr. Harry C. Tan	
Mr. Lucio C. Tan	
Mr. Lucio K. Tan, Jr.	
Mr. Michael G. Tan	
Mr. Deogracias N. Vistan*	

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE	
NAME	POSITION
Felix Enrico R. Alfiler*	- Chairman
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- Member
Lucio K. Tan, Jr.	- Member
Michael G. Tan	- Member
Florencia G. Tarriela*	- Member
Deogracias N. Vistan*	- Member

BOARD AUDIT AND COMPLIANCE COMMITTEE	
NAME	POSITION
Deogracias N. Vistan	- Chairman
Felix Enrico R. Alfiler	- Member
Florido P. Casuela	- Member
Christopher J. Nelson	- Member
Harry C. Tan	- Member

RISK OVERSIGHT COMMITTEE	
NAME	POSITION
Florencia G. Tarriela*	- Chairman
Florido P. Casuela	- Member
Leonilo G. Coronel	- Member
Christopher J. Nelson	- Member
Harry C. Tan	- Member

BOARD OVERSIGHT COMMITTEE – DOMESTIC AND FOREIGN OFFICES/SUBSIDIARIES	
NAME	POSITION
Deogracias N. Vistan*	- Chairman
Felix Enrico R. Alfiler*	- Member
Leonilo G. Coronel	- Member
Christopher J. Nelson	- Member
Federico C. Pascual*	- Member
Cecilio K. Pedro*	- Member
Florencia G. Tarriela*	- Member

BOARD OVERSIGHT RPT COMMITTEE	
NAME	POSITION
Federico C. Pascual*	- Chairman
Felix Enrico R. Alfiler*	- Member
Deogracias N. Vistan*	- Member
Alice Z. Cordero	- Non-Voting Member
Dioscoro Teodorico L. Lim	- Non-Voting Member

BOARD POLICY COMMITTEE	
NAME	POSITION
Felix Enrico R. Alfiler*	- Chairman
Florido P. Casuela	- Member
Leonilo G. Coronel	- Member
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- Member
Federico C. Pascual*	- Member
Harry C. Tan	- Member
Michael G. Tan	- Member
Florencia G. Tarriela*	- Member
Deogracias N. Vistan*	- Member

EXECUTIVE COMMITTEE	
NAME	POSITION
Florido P. Casuela	- Chairman
Leonilo G. Coronel	- Member
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- Member
Harry C. Tan	- Member
Lucio C. Tan	- Member
Lucio K. Tan, Jr.	- Member
Michael G. Tan	- Member
Felix Enrico R. Alfiler*	- Non-Voting Member
Federico C. Pascual*	- Non-Voting Member
Florencia G. Tarriela*	- Non-Voting Member
Deogracias N. Vistan*	- Non-Voting Member

TRUST COMMITTEE	
NAME	POSITION
Leonilo G. Coronel	- Chairman
Federico C. Pascual*	- Member
Cecilio K. Pedro*	- Member
Reynaldo A. Maclang	- Member (Ex-Officio)
Roberto S. Vergara	- Member (Ex-Officio)

BOARD IT GOVERNANCE COMMITTEE	
NAME	POSITION
Leonilo G. Coronel	- Chairman
Florido P. Casuela	- Member
Christopher J. Nelson	- Member
Lucio K. Tan, Jr.	- Member
Michael G. Tan	- Member

\*Independent Director

