

<b>Directors/Officers/Significant Shareholders</b>	
<b>Company</b>	<p>Under the Bank's Revised Corporate Governance Manual, Directors must avoid conflicts or potential conflicts of interest. A conflict of interest occurs when an individual's private or related interests interfere in any way, or are perceived to interfere, with the interests of the Bank as a whole. A conflict situation can arise when a Director takes actions or has interests that may make it difficult for him to preserve his objectivity and carry out his tasks effectively. Conflicts of interests also arise when a Director, or a member of his family, receives improper personal benefits as a result of his position in the Bank.</p> <p>Any query about a Director's actual or potential conflict of interest with the Bank should be brought promptly to the attention of the Board Oversight RPT Committee and Corporate Governance/Nomination/Remuneration Committee, which will evaluate the situation and determine an appropriate course of action, including whether consideration or action by the Board is necessary. Directors involved in any conflict or potential conflict shall disassociate from participating in any decision related thereto.</p> <p>Members of the board, stockholders and management shall disclose to the board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the bank. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.</p> <p>All Bank employees (officers and staff) have a duty to ensure that no personal transaction will be in conflict with their corporate and customer responsibilities. Accordingly, PNB employees shall not buy or sell a security on the basis of knowledge: (1) of a probable change in investment attitude and consequent action by the Bank with respect to that security; (2) that the Bank is effecting or proposes to effect transactions in the security or other transactions which may affect the price of the security to a material degree; or (3) that the Bank is contemplating a transaction of any kind that would have a material effect on a particular company or security.</p> <p>If actual or potential conflict of interest may arise on the part of the employee, he is obligated to disclose in writing to the Bank his participation, whether direct or indirect, in any endeavor which may constitute an actual or potential conflict of interest with that of the Bank and its subsidiaries or affiliates.</p>
<b>Group</b>	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None	Not Applicable	Not Applicable

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None	Not Applicable	Not Applicable

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None that the Bank is aware of.	Not Applicable	Not Applicable

6) **Alternative Dispute Resolution**

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
<b>Corporation &amp; Stockholders</b>	The Bank has adopted various communication systems to allow its stockholders and third parties, including regulatory authorities, to exercise their rights and communicate their concerns/queries to the Bank. The contact details of the Office of the Corporate Secretary and the stock transfer agent of the Bank are posted in the Bank’s website for the easy reference of shareholders and other stakeholders. For regulatory issues, the Bank follows the procedure set forth by the concerned regulators.
<b>Corporation &amp; Third Parties</b>	
<b>Corporation &amp; Regulatory Authorities</b>	

**C. BOARD MEETINGS & ATTENDANCE**

1) Are Board of Directors’ meetings scheduled before or at the beginning of the year? (updated – May 31, 2016)

Yes. The meetings of the Board of Directors are scheduled at the beginning of the year. The Corporate Secretary, through a Memorandum dated December 7, 2015, notified the Board of Directors and Senior Management of the schedule of meetings for the year 2016.

2) Attendance of Directors (updated – 2015)

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended
Chairman/Independent Director	Florencia G. Tarriela	May 26, 2015	16	16
Vice Chair/Independent Director	Felix Enrico R. Alfiler	May 26, 2015	16	15
Member	Florido P. Casuela	May 26, 2015	16	16
Member	Leonilo G. Coronel	May 26, 2015	16	16
Member	Reynaldo A. Maclang	May 26, 2015	16	14
Member	Estelito P. Mendoza	May 26, 2015	16	10
Member	Christopher J. Nelson*	May 26, 2015	9	9
Independent Director	Federico C. Pascual	May 26, 2015	16	16
Independent Director	Cecilio K. Pedro	May 26, 2015	16	14
Member	Washington Z. Sycip	May 26, 2015	16	10
Member	Harry C. Tan	May 26, 2015	16	14
Member	Lucio C. Tan	May 26, 2015	16	10
Member	Lucio K. Tan, Jr.	May 26, 2015	16	15
Member	Michael G. Tan	May 26, 2015	16	15
Independent Director	Deogracias N. Vistan	May 26, 2015	16	16

\* Elected on May 26, 2015 during the Annual Stockholders’ Meeting of the Bank

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? (updated – 2015)

Non-executive directors may call a separate meeting, without the presence of any executive, every quarter, or as the need arises.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. (updated – 2015)

Per Bank policy, Board decisions are made upon a quorum of two-thirds of the Board members present.

5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board? (updated – 2015)

The board papers for Board of Directors’ meetings are provided to the Board five (5) working days in advance, whenever possible and appropriate. Should there be additional items taken up/endorsed after the initial delivery, materials referring to such additional items are promptly provided the Board of Directors at least one (1) day before the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

all audit engagement fees and terms and all audit related tax compliance and all non-audit engagements with the External Auditors.	
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Revised Corporate Governance Manual has been disseminated and/or circularized to all directors, officers and employees of the Bank. Said Manual has been posted in the Bank's I-comply Site of Cybermag/Intranet and PNB Website which is accessible 24/7.

The Chairman, President & CEO and the Chief Compliance Officer of the Bank attest to the Bank's full compliance with the SEC Code of Corporate Governance.

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company's policy and activities relative to the following: (updated – July 22, 2016)

	Policy	Activities
Customers' welfare	The Bank established Customer Service Policy Guidelines under Circular No. 1-774/2006 which will govern the conduct and manner by which all personnel render customer service to bank clients following the office decorum, standard greetings and spiels, as well as common courtesy.	The Bank continues to update the Customer Service Policy Guidelines issued in 2006. Gen Cir. 2-1653/2008 sets the standard for Service Quality. It sets forth the guiding principles of customer service, the protocols to be followed and the procedures for handling complaints. Further enhancements to this standard were issued, namely, Gen Cir. 2-1740/2009 announcing the Customer Service Hotlines and merging all helpdesks and Gen Cir. 2-1803/2010 which refined the procedures when replying to customer inquiries and/or complaints. The Bank likewise utilizes social media to disseminate relevant information regarding its products and services, and to receive and promptly address concerns and complaints of the customers.
Supplier/contractor selection practice	The bank has an established guideline on the "Accreditation of Suppliers/ Contractors" per Sel. Cir. No. 8-169/2005 dated August 26, 2005 to ensure that the Bank, as much as possible/practicable, deals only with the best suppliers/contractors, pre-screened as to their capacity to deliver the best goods/services to the Bank at the lowest possible cost.  The Bank has an established "Manual of Signing Authority (MSA)" as guide to the proper recommending and approving authority/ies in the procurement processes depending on the degree and amount involved on the items to be procured.	From among the list of accredited suppliers/contractors, Corporate Services Division (CSD) invites bidders to submit bids for a particular item/s to be procured. For purchases amounting to P5,000.00 and below, a telephone canvas is used; for over P5,000.00 but less than P5,000.00, a formal quotation is used; and for over P50,000.00, a sealed quotation is used. At least 3 bidders are gathered for each item purchased before an evaluation is made based on the terms of pricing and quality of goods/services offered, recommends to proper approving authority/ies (Heads of CSD/Heads of FAG/Bids and Awards Committee [BAC]/BCPC) the best complying bid/s and upon approval, award the transaction/s to the winning bidder/s.
Environmentally friendly value-chain	PNB participates in environmental protection projects of both the government and private sectors.	<ul style="list-style-type: none"> <li>• PNB's Branches Grow Greener -- Tree Planting Project</li> <li>• Earth Hour</li> <li>• PNB/PAL Recycables Event</li> <li>• Pasay City Walang Plastikan Project (Anti-Plastic Bags Drive)</li> </ul> <p>The Bank sponsors various tree/mangrove planting activities all over the country. These activities are conducted by branch personnel in various regions.</p> <p>The Bank further ensures environmentally friendly operations by limiting paper consumption through</p>

		the use of electronic/paper-less means of communication and documentation. For instance, Notices, agenda, and relevant materials and documents are sent electronically. Copies of the Definitive Information Statement, Annual Report and Financial Statements are likewise provided to the stockholders in CD format.
Community interaction	PNB gets involved in community/school/health/relief/calamity assistance project.	<ul style="list-style-type: none"> <li>• PNB Pagtutulungan ng Bayan outreach projects through distribution of relief goods</li> <li>• PNB Brigada Eskwela – volunteer work of employees to help prepare for school opening.</li> <li>• PNB Tan Yan Kee Philhealth Card Distribution Project – free health card for indigents</li> <li>• Young &amp; Empowered Students for the Philippines (YESPH)</li> <li>• Various Pagtutulungan ng Bayan program. The program provides immediate assistance to victims of natural calamities, and various kinds of assistance to indigents and special communities in hospitals, hospices, orphanages, and other centers.</li> <li>• The Bank continues to grant scholarship to deserving students through the Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies.</li> <li>• In 2015, PNB is pursuing a Financial Literacy Program targeted at the youth, in partnership with the BSP. At the same time, the Bank continues to support initiative to build libraries in various schools in the countryside.</li> </ul>
Anti-corruption programmes and procedures	<p>Under the Bank's Whistleblower Policy (as amended), employees can report or complain about internally any suspected or actual commission of theft/fraud, corruption, etc. The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.</p> <p>Policy on Soliciting and/or Receiving Gifts under Gen. Cir. 1-866/2013. Soliciting gifts/ donations/ sponsorship whether in cash or in kind from clients, suppliers and other business-related parties is strictly prohibited.</p>	<p>A whistleblower can submit a confidential report on suspected or alleged actual event/violation to any head of Corporate Security Group, Legal Group, Internal Audit Group or Human Resource Group using the Disclosure of Violation/Complain Form. The Head of such group shall gather details and information and validate and determine the scope and nature of the complaint and forward the complaint to the Head of Corporate Security Group for further evaluation and thereafter prepare an Incident/Preliminary Report and submit the same to the Admin Investigation Committee for appropriate disposition. The identity of the whistleblower or complainant must be kept in strict confidence.</p> <p>Employees may be allowed to receive gifts/ donations/ sponsorship/ financial assistance whether in cash or in kind from clients, suppliers, and other business-related parties, subject to reporting to HRG using the Gift List Form for worth P2,000.00 and above; and more than P5,000.00 must be turned over to HRG for donation to any legitimate charitable institution. To instill professionalism, superiors/bosses are encouraged to return or decline gifts from subordinates with value of more than P2,000.00.</p>
Safeguarding creditors' rights	<p>The Bank adheres to the highest principles of good corporate governance as embodied in its By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual.</p> <p>It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business.</p>	