

Disclose whether there is a procedure that directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive Committee	The respective committee secretariats send the materials to the members at least two days before the meeting. Management members are likewise available should the directors require additional information.
Board Audit and Compliance Committee	
Corporate Governance/ Nomination/ Remuneration Committee	
Risk Oversight Committee	
Trust Committee	
Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries	
Board Oversight RPT Committee	
Board IT Governance Committee	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Directors are given the discretion to request for external advice whenever desired or necessary.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: (updated – August 3, 2016)

There are several policy changes in the regular course of business for improved process and efficiency, as well as the alignment of policies of the Bank in view of the merger.

Existing Policies	Changes	Reason
Policy on Loans Against Pledge of Government Securities	Inclusion of government securities (GS) as one of the acceptable collaterals for loans and to set the approving authorities for the grant/approval of transactions against pledge of GS	GS are considered as non-risk assets. Risk of default is zero or very very unlikely.
Revised Policy on Own a Philippine Home Loan (OPHL) Program	Changes in the overview and basic policies of the OPHL Program and inclusion of the provisions on age requirement and on loans against Deed of Undertaking of accredited developers	To update the program features and align some provisions with the Policy on Sure Home Loan Program of the Bank
Dividend Policy	Adoption of internal dividend policy	To establish the guidelines on dividend declaration/pay out
Revised Related Party Transactions (RPTs) Policy	To identify covered related parties and set threshold considered significant RPTs	To rationalize the existing policy guidelines
Revised Policy on Management of Large Exposures and Credit Risk Concentrations	Amendment to the basic policies, implementing guidelines and reporting requirements	To comply with BSP Circular No. 855 dated October 29, 2014
Policy on Market Economic Value Equity (EVE)	Adoption of new policy	To measure the interest rate risk in the banking book in the long-term to supplement the earnings-at-risk calculation
Revisions to the PNB Singapore Branch Policy	Revisions in the various sections of the policy	To address the requirements of the Monetary Authority of Singapore, address the finding of Ernst and Young and align the manual with recent changes in the bank policy
Policy on Credit Risk Rating and Scoring Validation	Adoption of new policy	To ensure and increase the reliability of the credit risk rating and scoring model as well as to promote improvements and clearer understanding of strengths and weaknesses of the model
Amendments to the Policy for Availments in Excess of Approved Credit Facilities	Amendments to the guidelines (overview, basic policies, implementing guidelines and	To harmonize credit policies and facilitate the loan approval process of loan accounts

	reporting requirements) and specific approving authorities	
Amendment to Selected Policies: a. Policy on Client Call Program b. Policy on Clean Up Period for Loans c. Policy on Collateral/Security – Real Estate d. Policy on Fire Insurance	<ul style="list-style-type: none"> - Frequency of client calls/plant visits - Changes in the type of loans that are exempted from the clean-up requirements - Surety bond requirement - Alignment/consolidation of the policy and inclusion of specific of specific approving authority 	<ul style="list-style-type: none"> - For flexibility. Frequency shall depend on the size, complexity or nature of the account - To include loans fully secured by GS/IMA/UITF and loans of borrowers with asset size of ₱15.0 Million and below whose credit score range from Excellent to Fair - Designation of officers who will determine the surety bond requirement for real estate collateral with Section 7 RA 26 annotation - To have one (1) policy for both PNB Pasay and PNB Makati
Amendments to the Policy on Transactions which Require Speed of Approval	Amendments to the implementing guidelines	To address concern on the approval of the transactions that need to be implement immediately
Amendments to Various Trading/Dealing Policies: a. After-Trading Hours Time Period Dealing Policy b. Policy on Off-Premises Dealing c. Overnight Trading Order/s Policy d. Policy on Trading of Php and USD Denominated Fixed Income Securities e. Investment and Trading Policy	Update in the policies in terms of reports, responsibilities and risk measures	To give dealers better guidance when trading and investing
Amendment to New Product Approval Process	Amendment to the approving authority	To facilitate timely approval of new treasury products
Updated Information Technology Guidelines on: a. System Development Life Cycle b. Logical Access Control	Revision/update to the guidelines	To align with the requirements of BSP Circular No. 808 and Enterprise Security Management Policy To strengthen control in accessing confidential information and/or customer data.
Amendments to the Policy Guidelines for Retail Banking Group Accounts: a. Second-Endorsed Checks for Deposit b. Loans Fully Secured by Holdout on Private Deposits c. Policy on Domestic Bills Purchase Line	Amendments to the approving authority Amendments to Loan Pricing and Penalty Amendments on checks eligible for purchase	To facilitate approvals and to streamline internal processes of the Bank
Amendments to the Guidelines on Selected Credit Policies and Approving Authorities for Specific Credit Transactions	<ul style="list-style-type: none"> - Amendments to the approving authority - Revisions/updates to the following policy guidelines: <ol style="list-style-type: none"> 1. Interim FS requirement 2. Amendment to terms and conditions of loan approvals 3. Penalty rates on past due obligations 4. Setting of Bank's industry credit exposure limits 	To harmonize the credit policies, facilitate the approval process and expedite the turn around time of loan accounts
Credit Loan Program for Electric Cooperatives (ECs)	Adoption of new credit policy	To expand EC portfolio by speeding up marketing of financial solution to electric cooperatives
Amendments to Selected Credit Policies: a. StartUp/Pre-Operating Companies b. Counterparty Lines	Revisions/update to the credit guidelines	To streamline the credit process and loan approvals of the Bank

<p>c. Term Lending d. Loans Against Pledge of Government Securities e. Collateral – Shares of Stocks/ Club Shares f. Revalidation and Grant of previously approved Case-to-Case Loans g. Collection Fees</p>		
<p>Proposed Amendments to the Approving Authorities on the following: a. Change in Risk Asset Classification (RAC) b. Provisions of Valuation Reserve c. Setting Up of Impairment Loss</p>	<p>Amendments to the approving authority of the following credit transactions: 1. Change in RAC 2. Provisions of Valuation Reserve for Loans and Other Advances, Loan-Related Account Receivables 3. Impairment Loss per Philippine Accounting Standard (PAS) - Approval of discounted future cashflows of individually significant loan accounts - Setting up of impairment loss provision</p>	<p>To facilitate the approval process for changes in the RAC, Provisions of Valuation Reserve, and Setting Up of Impairment Loss.</p>
<p>Amendments to the following: a. Approving Limits of Various Credit Committees b. Approving Authorities for Specific Credit Transactions</p>	<p>Amendments to the following: 1. Approving limits of various credit committees for grant of credit accommodation and deviations from policy 2. Approving authorities for the following specific credit transactions: - Grant of Credit Accommodations and Validation of Project Cost for LGUs - Loans Fully Secured by Holdout on Private Deposits – For Institutional Banking Group (IBG) Accounts - Annual Review of Term Loans/Renewal of Credit Facilities for Regular Accounts - Annual Review of Term Loans/Renewal of Credit Facilities for LGU Accounts - Line Extension - Extension of PN within a valid/unexpired credit line and subject to payment of accrued interest</p>	<p>To facilitate the approval process and expedite the turnaround time of loan accounts.</p>
<p>Policy on Validation of Financial Data & Information</p>	<p>Adoption of a new policy</p>	<p>To comply with BSP Circular No. 855 dated October 29, 2014.</p>
<p>Amendments to the following: a. Approving Limits of Various Credit Committees b. Approving Authorities for Specific Credit Transactions</p>	<p>Amendments to the approving authorities: 1. Deletion of sub-limit on unsecured portion for grant of credit facilities and on all specific credit transactions in the MSA for Credit Matters 2. Earmarking of DBPL against an approved line of higher risk 3. Full/Partial waiver of penalties including re-instated penalties and other charges</p>	<p>To facilitate the approval process and expedite the turnaround time of loan accounts.</p>
<p>Proposed Amendments to the Policy on Country Risk Limits</p>	<p>Amendments to the Policy on Country Risk Limits, as follows: • Management Action Trigger • Counterparty Transactions per Country Risk Category • Internal Country Risk Rating Methodology</p>	<ul style="list-style-type: none"> • To expand the trigger and include the downgrade in country rating by Moody's/Standard & Poor's in view of the proposed revised internal country risk rating methodology of Financial Institutions Division per their Board recommendation dated June 6, 2016. • To align existing policy with the transactions of the Treasury Group.
<p>Retail Banking Group Credit Committee (RBGCC) and Amendments to the Approving Authorities for Specific Credit Transactions</p>	<ul style="list-style-type: none"> • Creation of RBGCC which shall replace the existing Consumer Banking Group Credit Committee and Global Consumer 	<p>To facilitate the approval process and expedite the turnaround time of credit transactions.</p>

of the Retail Banking Group (RBG)	<p>Loans Credit Committee and shall handle approval of credit transactions from the Retail Banking Group, Consumer Finance Group and Global Filipino Banking Group.</p> <ul style="list-style-type: none"> • Amendments to the approving authorities/limits for the following credit transactions of RBG: <ul style="list-style-type: none"> - Domestic Bills Purchase Line - Domestic Bills Purchase on Case-to-Case Basis - Acceptance of Second-Endorsed Checks for Deposit - Case-to-Case Acceptance of Second-Endorsed Checks - Loans Fully Secured by Holdout on Private Deposits - Grant of Loans against Pledge of Government Securities 	
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D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The remuneration for CEO is determined taking into consideration (a) his/her qualifications; (b) salary range for the rank and position; (c) result of a commissioned Banking Industry Compensation Survey; (d) budget; and (e) other factors which affect compensation	The remuneration to four (4) executives is determined taking into consideration (a) their qualifications; (b) salary range for the rank and position; (c) result of a commissioned Banking Industry Compensation Survey; (d) budget; and (e) other factors which affect compensation
(2) Variable remuneration	Not Applicable	Not Applicable
(3) Per diem allowance	Not Applicable	Not Applicable
(4) Bonus	The Bonus is based on the Bank's policy under PNB Board Resolution No. 12/07-24-09 of July 24, 2009 (re: "Amendment to the Compensation and Benefit Policy for Officers")	The Bonus is based on the Bank's policy under PNB Board Resolution No. 12/07-24-09 of July 24, 2009 (re: "Amendment to the Compensation and Benefit Policy for Officers")
(5) Stock Options and other financial instruments	Not Applicable	Not Applicable
(6) Others (specify)	Not Applicable	Not Applicable

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors Non-Executive Directors	The remuneration and structures are based on the Bank's policy under PNB Board Resolution No. 06/10-23-09 of October 23, 2009 (re: "Policy on Remuneration of Directors and Officers")	The remuneration and structures are based on the Bank's policy under PNB Board Resolution No. 06/10-23-09 of October 23, 2009 (re: "Policy on Remuneration of Directors and Officers")	The remuneration and structures are based on the Bank's policy under PNB Board Resolution No. 06/10-23-09 of October 23, 2009 (re: "Policy on Remuneration of Directors and Officers")

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
No one from among the senior management of the banks owns 5% or more of the total outstanding and issued PNB shares	Not Applicable	Not Applicable	Not Applicable
TOTAL			

2) Does the Annual Report disclose the following: (updated – October 2016)

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	None
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	None
Number of board of directors/commissioners meetings held during the year	None
Attendance details of each director/commissioner in respect of meetings held	None
Details of remuneration of the CEO and each member of the board of directors/commissioners*	None

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

- Not applicable.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.		
<ul style="list-style-type: none"> • Engagement fee for the audit of the Bank's Financial Statements as of December 31, 2014 (inclusive of out-of-pocket expenses [OPE] but excluding Value Added Tax [VAT]) 	P12.802 million	-
<ul style="list-style-type: none"> • Engagement fee for the review of the Financial Statements as of June 30, 2014 and engagement fee for the issuance of Comfort Letter related to the offering of PNB Long Term Negotiable Certificates of Time Deposit (LTNCD) in June 2014 	P6.350 million	-

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

1. Advisories (internal/external; branches) in formats depending on the message and purpose
2. Website
3. Social Media – Facebook and Twitter
4. Print Media
5. Radio
6. Letter Advices to Publics
7. Short Message Service
8. Electronic Channels – ATM, Phone, Mobile