

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE  
ANNUAL CORPORATE GOVERNANCE REPORT  
FOR THE YEAR 2015

1. Report is Filed for the Year: **2015**
2. Exact Name of Registrant as Specified in its Charter: **PHILIPPINE NATIONAL BANK**
3. **PNB Financial Center**  
**President Diosdado Macapagal Boulevard**  
**Pasay City, Metro Manila**  
Address of Principal Office  

**1300**  
Postal Code
4. SEC Identification Number: **AS096-005555**
5. (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: **000-188-209**
7. **(632) 891-6040 to 70 / (632) 526-3131 to 70**  
Issuer's Telephone number, including area code
8. **Not Applicable**  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	15
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Actual number of Directors for the year 2016	15
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#### (a) Composition of the Board (updated – October 2016)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
1. Florencia G. Tarriela	ID	N/A	Mr. Reynaldo A. Maclang, None	May 29, 2001	May 31, 2016 (5 years)	Annual Meeting	15 yrs.
2. Felix Enrico R. Alfiler	ID	N/A	Mr. Reynaldo A. Maclang, None	Dec. 16, 2011	May 31, 2016 (5 years)	Annual Meeting	4 yrs. 5 mos.
3. Florido P. Casuela	NED	N/A	Mr. Reynaldo A. Maclang	May 30, 2006	May 31, 2016	Annual Meeting	10 yrs.
4. Leonilo G. Coronel	NED	N/A	Mr. Reynaldo A. Maclang	May 28, 2013	May 31, 2016	Annual Meeting	3 yrs.
5. Edgar A. Cua	ID	N/A	Mr. Reynaldo A. Maclang, None	May 31, 2016	May 31, 2016 (0)	Annual Meeting	0
6. Reynaldo A. Maclang	ED	N/A	Mr. Reynaldo A. Maclang	February 9, 2013	May 31, 2016	Annual Meeting	3 yrs. 3 mos.
7. Estelito P. Mendoza	NED	N/A	Mr. Reynaldo A. Maclang	Dec. 23, 2008	May 31, 2016	Annual Meeting	7 yrs. 5 mos.
8. Christopher J. Nelson	NED	N/A	Mr. Reynaldo A. Maclang	May 26, 2015	May 31, 2016	Annual Meeting	1 yr.
9. Federico C. Pascual	ID	N/A	Mr. Reynaldo A. Maclang, None	May 27, 2014	May 31, 2016 (2 year)	Annual Meeting	2 yrs.
10. Cecilio K. Pedro	ID	N/A	Mr. Reynaldo A. Maclang, None	February 28, 2014	May 31, 2016 (2 year)	Annual Meeting	2 yr. 3 mos.
11. Washington Z. Sycip	NED	N/A	Mr. Reynaldo A. Maclang	Dec. 8, 1999	May 31, 2016	Annual Meeting	16 yrs. 5 mos.
12. Carmen K. Tan	NED	N/A	Mr. Reynaldo A. Maclang	May 31, 2016	May 31, 2016	Annual Meeting	0
13. Lucio C. Tan	NED	N/A	Mr. Reynaldo A. Maclang	Dec. 8, 1999	May 31, 2016	Annual Meeting	16 yrs. 5 mos.
14. Lucio K. Tan, Jr.	NED	N/A	Mr. Reynaldo A. Maclang	Sept. 28, 2007	May 31, 2016	Annual Meeting	8 yrs. 8 mos.
15. Michael G. Tan	NED	N/A	Mr. Reynaldo A. Maclang	February 9, 2013	May 31, 2016	Annual Meeting	3 yrs. 3 mos.

<sup>1</sup>Reckoned from the election immediately following January 2, 2012.

Name	<b>FLORENCIA G. TARRIELA</b>
Age	69
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines</li> <li>* Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination</li> </ul>
Current Position in the Bank	Chairman of the Board/Independent Director
Date of First Appointment	<ul style="list-style-type: none"> <li>* May 29, 2001 (as Director)</li> <li>* May 24, 2005 (as Chairman of the Board)</li> <li>* May 30, 2006 (as Independent Director)</li> </ul>
Directorship in Other Listed Companies	Independent Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, PNB-IBJL Equipment Rentals Corporation and PNB International Investments Corporation</li> <li>* Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World</li> <li>* Director/Vice President of Tarriela Management Company and Director/Vice President/ Assistant Treasurer of Gozon Development Corporation</li> <li>* Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director</li> <li>* Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc.</li> <li>* Co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), IV ("Against All Odds"), and V ("Beyond All Barriers"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil"</li> <li>* Environmentalist and practices natural ways of gardening</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Independent Director of PNB Life Insurance, Inc.</li> <li>* Undersecretary of Finance</li> <li>* Alternate Monetary Board Member of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation</li> <li>* Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A.</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* President, Bank Administration Institute of the Philippines</li> <li>* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement</li> </ul>

Name	<b>FELIX ENRICO R. ALFILER</b>
Age	66
Nationality	Filipino
Education	Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	Vice Chairman/Independent Director
Date of First Appointment	January 1, 2012
Directorship in Other Listed Companies	None
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman/Independent Director of PNB RCI Holdings Co., Ltd.</li> <li>* Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp.</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Senior Advisor to the World Bank Group Executive Board in Washington, D.C.</li> <li>* Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization</li> <li>* Director of the Bangko Sentral ng Pilipinas</li> <li>* Assistant to the Governor of the Central Bank of the Philippines</li> <li>* Senior Advisor to the Executive Director at the International Monetary Fund</li> <li>* Associate Director at the Central Bank</li> <li>* Head of the Technical Group of the CB Open Market Committee</li> <li>* Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts</li> <li>* Advisor at Lazaro Tiu and Associates, Inc.</li> <li>* President of Pilgrims (Asia Pacific) Advisors, Ltd.</li> <li>* President of the Cement Manufacturers Association of the Philippines (CeMAP)</li> <li>* Board Member of the Federation of Philippine Industries (FPI)</li> </ul>

- \* Vice President of the Philippine Product Safety and Quality Foundation, Inc.
- \* Convenor for Fair Trade Alliance.

Name	<b>FLORIDO P. CASUELA</b>
Age	75
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines</li> <li>* Masters in Business Administration from the University of the Philippines</li> <li>* Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania</li> </ul>
Government Civil Service Eligibilities	Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	Director
Date of First Appointment	May 30, 2006
Directorship in Other Listed Companies	None
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB Securities, Inc.</li> <li>* Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Senior Adviser of the Bank of Makati, Inc.</li> <li>* Director of PNB Life Insurance, Inc.</li> <li>* President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation</li> <li>* Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc.</li> <li>* Director, Meralco</li> <li>* Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc.</li> <li>* Director of Sagittarius Mines, Inc.</li> <li>* Senior Adviser in the Bangko Sentral ng Pilipinas.</li> <li>* Senior Executive Vice President of United Overseas Bank (Westmont Bank)</li> <li>* Executive Vice President of PDCP (Producers Bank)</li> <li>* Senior Vice President of Philippine National Bank</li> <li>* Special Assistant to the Chairman of the National Power Corporation</li> <li>* First Vice President of Bank of Commerce</li> <li>* Vice President of Metropolitan Bank &amp; Trust Co.</li> <li>* Audit Staff of Joaquin Cunanan, CPAs</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration</li> <li>* Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter</li> </ul>
Name	<b>LEONILO G. CORONEL</b>
Age	70
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University</li> <li>* Advance Management Program of the University of Hawaii</li> </ul>
Current Position in the Bank	Director
Date of First Appointment	May 28, 2013
Directorship in Other Listed Companies	Independent Director of Megawide Construction Corporation
Other Current Positions	<ul style="list-style-type: none"> <li>* Independent Director of DBP-Daiwa Capital Markets Phil.</li> <li>* Director of Software Ventures International</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation</li> <li>* Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation</li> <li>* Director/Treasurer of Philippine Depository and Trust Corporation</li> <li>* Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council</li> <li>* Managing Director of BAP-Credit Bureau</li> <li>* President of Cebu Bankers Association</li> <li>* Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* Worked with Citibank, Manila for twenty (20) years, occupying various positions.</li> </ul>
	Fellow of the Australian Institute of Company Directors in 2002

Name	<b>EDGAR A. CUA</b>
Age	61
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University</li> <li>* Masters of Arts in Economics degree from the University of Southern California</li> <li>* Masters of Planning Urban and Regional Environment degree from the University of Southern California</li> <li>* Advanced Chinese from the Beijing Language and Culture University</li> <li>* Sustainable Development Training Program, Cambridge University</li> </ul>
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 31, 2016
Other Current Positions	<ul style="list-style-type: none"> <li>* Independent Director of PNB Capital and Investment Corporation</li> <li>* Director of Davao Unicar Corporation</li> </ul>
Previous Positions	<ul style="list-style-type: none"> <li>* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China(PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC.</li> <li>* Staff Consultant, SGV &amp; Co.</li> </ul>
Name	<b>REYNALDO A. MACLANG</b>
Age	78
Nationality	Filipino
Education	Bachelor of Laws from the Ateneo de Manila University
Current Position in the Bank	President of the Bank
Date of First Appointment	<ul style="list-style-type: none"> <li>* February 9, 2013 (as Director)</li> <li>* May 27, 2014 (as President)</li> </ul>
Directorship in Other Listed Companies	None
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB (Europe) Plc.</li> <li>* Director of Allied Leasing &amp; Finance Corporation, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management &amp; Development Corporation and PNB Forex, Inc.</li> <li>* Director of the Bankers Association of the Philippines, Asian Bankers Association, LGU Guarantee Corporation and Bancnet, Inc., where he is also a Treasurer.</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Director of PNB Savings Bank</li> <li>* President of Allied Savings Bank from 1986 to 2001</li> <li>* President of Allied Banking Corporation (ABC) from 2001 to 2009</li> <li>* Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.</li> </ul>
Name	<b>ESTELITO P. MENDOZA</b>
Age	86
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Laws (cum laude) from the University of the Philippines</li> <li>* Master of Laws from the Harvard University</li> </ul>
Current Position in the Bank	Director
Date of First Appointment	January 1, 2009
Directorship in Other Listed Companies	Director of San Miguel Corporation and Petron Corporation
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman of Prestige Travel, Inc.</li> <li>* Director of Philippine Airlines, Inc.</li> <li>* Practicing lawyer for more than sixty (60) years</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Professorial Lecturer of law at the University of the Philippines</li> <li>* Undersecretary of Justice, Solicitor General and Minister of Justice</li> <li>* Member of the Batasang Pambansa and Provincial Governor of Pampanga</li> <li>* Chairman of the Sixth (Legal) Committee, 31<sup>st</sup> Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the</li> </ul>

	East
	* Doctor of Humane Letters degree by the Misamis University
	* Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns
	* University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"
Name	<b>CHRISTOPHER J. NELSON</b>
Age	57
Nationality	British
Education	* Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K. * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	Director
Date of First Appointment	March 21, 2013 (Director) May 27, 2014 (Board Advisor) May 26, 2015 (Director)
Directorship in Other Listed Companies	None
Other Current Positions	* Chairman of Lux Et Sal Corporation * Director of the Philippine Band of Mercy, the Federation of Philippine Industries, Bellagio 3 Condominium Association, Inc., and Greenlands Community * Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., and British Chamber of Commerce of the Philippines, where he is also the Executive Chairman * Member of the Society of Fellows of the Institute of Corporate Directors
Other Previous Positions	* Director of PNB Holdings Corporation * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa
Name	<b>FEDERICO C. PASCUAL</b>
Age	73
Nationality	Filipino
Education	* Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Masters of Laws, Columbia University
Current Position in the Bank	Independent Director
Date of First Appointment	May 27, 2014
Directorship in Other Listed Companies	None
Other Current Positions	* Independent Director of PNB Life Insurance, Inc., PNB-IBJL Leasing and Finance Corporation, PNB International Investments Corporation and PNB Holdings Corporation * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Director of Global Energy Growth System and Apo Reef World Resort * Proprietor of Green Grower Farm * Partner of the University of Nueva Caceres in Bataan
Other Previous Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc. * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation * Various positions with PNB for twenty (20) years in various positions, including Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation and PNOC-AFC * Co-Chairman of the Industry Development Council of the Department of Trade and Industry * Treasurer of BAP-Credit Guarantee * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCC Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation and Certified Data Centre Professional



Name	<b>CECILIO K. PEDRO</b>
Age	62
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Business Management from the Ateneo de Manila University</li> <li>* Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines</li> </ul>
Current Position in the Bank	Independent Director
Date of First Appointment	February 28, 2014
Other Current Positions	<ul style="list-style-type: none"> <li>* Independent Director of PNB Savings Bank</li> <li>* Chief Executive Officer (CEO)/President of Lamoian Corporation</li> <li>* Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc.</li> <li>* Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress</li> <li>* Chairman of the Deaf Evangelistic Alliance Foundation, Inc.</li> <li>* Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.</li> <li>* Chairman of Asian Theological Seminary</li> <li>* CEO/President of Aluminum Container, Inc.</li> <li>* Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.)</li> </ul>
Other Previous Positions	
Awards/Citations	<ul style="list-style-type: none"> <li>* Recipient of the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award</li> <li>* Recognized by the House of Representatives for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012</li> </ul>
Name	<b>WASHINGTON Z. SYCIP</b>
Age	95
Nationality	Filipino-American
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Commerce from the University of Sto. Tomas</li> <li>* Masters in Commerce from the University of Sto. Tomas and Columbia University</li> </ul>
Current Position in the Bank	Director
Date of First Appointment	December 8, 1999
Directorship in Other Listed Companies	<ul style="list-style-type: none"> <li>* Chairman of Cityland Development Corporation</li> <li>* Independent Director of Belle Corporation, First Philippine Holdings Corporation</li> <li>* Lopez Holdings Corporation, and Metro Pacific Investments Corporation</li> <li>* Director of LT Group, Inc. and MacroAsia Corporation</li> </ul>
Other Current Positions	<ul style="list-style-type: none"> <li>* Founder of SGV Group</li> <li>* One of the founders and Chairman Emeritus of the Asian Institute of Management</li> <li>* Member of the Board of Overseers of the Graduate School of Business at Columbia University</li> <li>* Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France</li> <li>* Honorary Life Trustee of The Asia Society</li> <li>* Member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* President of the International Federation of Accountants</li> <li>* Member of the International Advisory Board of the Council on Foreign Relations</li> <li>* Vice Chairman of the Board of Trustees of The Conference Board</li> <li>* Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange</li> <li>* Served in the international boards of the American International Group, AT&amp;T, Australia &amp; New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others.</li> <li>* Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011</li> <li>* Lifetime Achievement Award given by Columbia Business School and Asia Society</li> <li>* Ramon Magsaysay Award for International Understanding</li> <li>* Management Man of the Year given by the Management Association of the Philippines</li> <li>* Officer's Cross of the Order of Merit given by the Federal Republic of Germany</li> <li>* Star of the Order of Merit Conferred by the Republic of Australia</li> <li>* Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden</li> </ul>

Name	<b>CARMEN K. TAN</b>
Age	75
Nationality	Filipino
Current Position in the Bank	Director
Date of First Appointment	May 31, 2016
Directorship in Other Listed Companies	* Director of MacroAsia Corporation, LT Group, Inc., and PAL Holdings, Inc.
Other Current Positions	* Director: Asia Brewery, The Charter House, Inc., Dominion Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Trustmark Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Cosmic Holdings Corp., and Buona Sorte Holdings, Inc.
Name	<b>LUCIO C. TAN</b>
Age	82
Nationality	Filipino
Education	Bachelor of Science in Chemical Engineering degree from Far Eastern University and later from the University of Sto. Tomas Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	Director
Date of First Appointment	December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. and University of the East * Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation * Chairman: Air Philippines Corporation, Eton Properties Philippines, Inc., Eton City, Inc. Belton Communities, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Asian Alcohol Corporation, Absolut Distillers, Inc., The Charter House, Inc., PMFTC, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, PNB Savings Bank, PNB Life Insurance, Inc., Alliedbankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allied Leasing and Finance Corporation, Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominion Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc. * President: Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President * Chairman: Allied Banking Corporation * Various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world
Other Previous Positions	
Awards/Citations	
Name	<b>LUCIO K. TAN, JR.</b>
Age	49
Nationality	Filipino
Education	* Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics), University of California Davis, U.S.A. * Executive Masters in Business Administration, Hong Kong University of Science and Technology (Business School) and J.L. Kellogg School of Management of Northwestern University, Hong Kong * Courses in Basic and Intermediate Japanese Language, Languages International, Makati and Asia Center for Foreign Languages, Ortigas
Current Position in the Bank	Director
Date of First Appointment	September 28, 2007
Directorship in Other Listed Companies	* Director of MacroAsia Corporation, LT Group, Inc., PAL Holdings, Inc. and Victorias Milling Company
Other Current Positions	* President/Director of Tanduay Distillers, Inc. and Eton Properties Philippines, Inc. * Director of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, PNB Savings Bank, Allied

	Commercial Bank, Allied Leasing and Finance Corporation, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited
Other Previous Positions	<ul style="list-style-type: none"> <li>* Director of PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Allied Bankers Insurance Corporation, Foremost Farms, Inc., Manufacturing Services &amp; Trade Corp., Grandspan Development Corporation, Absolut Distillers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduary Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated</li> <li>* EVP and Director of Fortune Tobacco Corporation</li> <li>* President and Chief Executive Officer of MacroAsia Corporation</li> <li>* Director of Tanduary Distillers, Inc.</li> <li>* Executive Vice President of Fortune Tobacco Corporation</li> </ul>
Name	<b>MICHAEL G. TAN</b>
Age	50
Nationality	Filipino
Education	Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	Director
Date of First Appointment	February 9, 2013
Directorship in Other Listed Companies	<ul style="list-style-type: none"> <li>* Director and President of LT Group, Inc.</li> <li>* Director of PAL Holdings, Inc. and Victorias Milling Corporation</li> </ul>
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB Management and Development Corporation</li> <li>* Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited</li> <li>* Chief Operating Officer of Asia Brewery, Inc.</li> <li>* Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB Holdings Corporation</li> <li>* Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013</li> </ul>

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. (updated - October 2016)

The Board of Directors, Management and Staff of the PNB Group commit themselves to adhere to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended By-Laws, Code of Conduct and its Revised Corporate Governance Manual. The Bank 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 its activities and various public; professionalism among its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for the laws and regulations of the countries affecting its businesses. Internally, it follows a philosophy of rational check and balances as well as structured approach to its business operations.

The Board and Management believe that corporate governance is a critical component of sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the Bank, its subsidiaries and affiliates.

The Bank recognizes that the most cogent proof of good corporate governance is visible to the eyes of its investors. Therefore, the following provisions regarding the Shareholders' Rights and Protection of Minority Stockholders' Interest are included in the Bank's Revised Corporate Governance Manual, for the guidance of all internal and external parties concerned, as governance covenant between the Bank and all its investors:

- Right to vote on all matters that requires their consent or approval. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- Right to inspect corporate books and records. Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
- Right to information. The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealings with the

Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda in the meeting, provided the items are for legitimate business purposes. The minority shareholders shall have access to any information relating to matters for which management is accountable.

- **Appraisal right.** The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code, under certain circumstances, such as: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties; or (3) in cases of merger or consolidation. Under Section 42 of the Corporation Code, a stockholder is likewise given an appraisal right in cases where a corporation decides to invest its funds in another corporation or business. The stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
- **Right to dividends.** Dividends shall be declared and paid out of the surplus profits of the Bank as often and at such times as the Board may determine and in accordance with the provisions of the law and regulations of the Bangko Sentral ng Pilipinas (BSP) and Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for any violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.

All material information about the Bank which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be publicly disclosed to the regulators in a timely manner. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the Annual Report.

The Board is primarily accountable to the stockholders. The Board shall commit at all times to fully disclose material information dealings for the interest of the stakeholders. It shall be the Board's responsibility to foster the long-term success of the Bank, its subsidiaries and affiliates; and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of the Bank, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large.

(c) How often does the Board review and approve the vision and mission?

The review of the vision and mission is done every year at the start of the strategic planning process as all objectives, KRAs and performance indicators are aligned with the strategic directions of the Bank as articulated in the vision-mission statements.

A more structured review of the vision and mission for possible revision is conducted at the start of the crafting of a long-range plan such as the five-year development plan of the Bank or the crafting of the integration plan of the merged Bank.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup> (updated – October 2016)

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Florencia G. Tarriela	PNB Capital and Investment Corporation PNB International Investments Corporation PNB-IBJL Leasing and Finance Corporation PNB-IBJL Equipment Rentals Corporation	Chairman/ID ID Chairman/ID Chairman/ID
Felix Enrico R. Alfiler	PNB RCI Holdings Co., Ltd. PNB General Insurers Co, Inc. PNB International Investments Corporation PNB Savings Bank	Chairman/ID Chairman/ID ID ID
Florido P. Casuela	PNB Securities, Inc. PNB RCI Holdings Co., Ltd. PNB International Investments Corporation PNB Savings Bank	Chairman NED NED NED
Edgar A. Cua	PNB Capital and Investment Corporation	ID

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Reynaldo A. Maclang	PNB (Europe) Plc Allied Leasing and Finance Corporation PNB Forex, Inc. Bulawan Mining Corporation PNB Management Development Corporation PNB Global Remittance and Financial Co., (HK) Ltd.	Chairman NED NED NED ED ED
Estelito P. Mendoza	None	Not Applicable
Federico C. Pascual	PNB Life Insurance, Inc. PNB Holdings Corporation PNB-IBJL Leasing and Finance Corporation PNB International Investments Corporation	ID ID ID ID
Cecilio K. Pedro	PNB Savings Bank	ID
Lucio C. Tan	Allied Leasing and Finance Corporation PNB Life Insurance, Inc. PNB Savings Bank Allied Commercial Bank Allied Banking Corporation (HK) Ltd. PNB Holdings Corporation	Chairman Chairman Chairman Chairman Chairman Chairman
Lucio K. Tan, Jr.	PNB Forex, Inc. Bulawan Mining Corporation PNB Management Development Corporation Allied Leasing and Finance Corporation PNB Savings Bank Allied Commercial Bank Allied Banking Corporation (HK) Ltd. PNB Global Remittance and Financial Co., (HK) Ltd.	NED NED NED NED NED NED NED NED
Michael G. Tan	PNB Management Development Corporation PNB Forex, Inc. Bulawan Mining Corporation PNB Savings Bank Allied Commercial Bank PNB Global Remittance and Financial Co., (HK) Ltd. Allied Banking Corporation (HK) Ltd.	Chairman NED NED NED NED NED NED

(ii) Directorship in Other Listed Companies (updated – May 31, 2016)

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Florencia G. Tarriela	LT Group, Inc.	ID
Leonilo G. Coronel	Megawide Construction Corporation	ID
Estelito P. Mendoza	San Miguel Corporation Petron Corporation	NED NED
Washington Z. Sycip	Belle Corporation Cityland Development Corporation First Philippine Holdings Corporation Lopez Holdings Corporation LT Group, Inc. MacroAsia Corporation Metro Pacific Investments Corporation	ID Chairman ID ID NED NED ID
Carmen K. Tan	LT Group, Inc. MacroAsia Corporation PAL Holdings, Inc.	NED NED NED
Lucio C. Tan	PAL Holdings, Inc. LT Group, Inc. MacroAsia Corporation	Chairman and CEO Chairman and CEO Chairman/NED
Lucio K. Tan, Jr.	MacroAsia Corporation LT Group, Inc. PAL Holdings, Inc. Victorias Milling Corporation	NED NED NED NED
Michael G. Tan	LT Group, Inc.	ED

	PAL Holdings, Inc. Victorias Milling Company	NED NED
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(iii) Relationship within the Company and its Group (updated – May 31, 2016)

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Lucio C. Tan	LT Group, Inc. (LTG) (indirect – beneficial owner)	Mr. L. Tan is the Chairman and CEO of LTG.
Carmen K. Tan		Ms. Tan is a director of LTG.
Lucio K. Tan, Jr.		Mr. L. Tan, Jr. is a director of LTG.
Washington Z. SyCip		Mr. SyCip is a director of LTG.
Michael G. Tan		Mr. M. Tan is the President and COO of LTG.
Florencia G. Tarriela		Ms. Tarriela is an independent director of LTG.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines: (updated – October 2016)

	Guidelines	Maximum Number of Directorships in other companies
Executive Director (ED)/ Chief Executive Officer (CEO)	Sec. X145 of the Manual of Regulations for Bank (MORB) re: Interlocking Directorships and/or Officerships	In general, the optimum number shall be related to the capacity of a director to perform his duties diligently.
Non-Executive Director (NED)		Subject further to MORB restrictions, which state that “except as may be authorized by the Monetary Board or as otherwise provided in the MORB, there shall be no concurrent directorship or interlocking directorship and officership between banks or between a bank and a quasi-bank (QB) or a non-bank financial institution (NBFI)”.
	Guidelines	Maximum Number of Directorships in other companies
Independent Director	PNB Revised Corporate Governance Manual	<p>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.</p> <p>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.</p> <p>Under normal circumstances, the Independent Director (ID) can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates;</p> <p>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.</p> <p>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.</p>

(e) Shareholding in the Company (updated – July 22, 2016)

Complete the following table on the members of the company’s Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of	Number of	% of Capital Stock
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	Direct shares	Indirect shares / Through (name of record owner)	
Florencia G. Tarriela	2	0	0.0000001601
Felix Enrico R. Alfiler	0	10,215 (PCD Nominee Corporation – Filipino)	0.0008177628
Florido P. Casuela	0	133 (PCD Nominee Corporation – Filipino)	0.0000106473
Leonilo G. Coronel	0	1 (PCD Nominee Corporation – Filipino)	0.0000000801
Edgar A. Cua	100	0	0.0000080055
Reynaldo A. Maclang	155	0	0.0000124085
Estelito P. Mendoza	0	1,150 (PCD Nominee Corporation – Filipino)	0.0000920634
Christopher J. Nelson	0	100 (PCD Nominee Corporation – Non-Filipino)	0.0000080055
Federico C. Pascual	38	1 (PCD Nominee Corporation – Filipino)	0.0000031222
Cecilio K. Pedro	5,000	0	0.0004002755
Washington Z. Sycip	39,111	0	0.0031310350
Carmen K. Tan	0	5,000 (PCD Nominee Corporation – Filipino)	0.0004002755
Lucio C. Tan	14,843,119	0	1.1882673540
Lucio K. Tan, Jr.	2,300	0	0.0001841267
Michael G. Tan	250	0	0.0000200138
<b>TOTAL</b>	<b>14,889,975</b>	<b>16,700</b>	<b>1.1933553359</b>

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒

No ☐

Identify the Chair and CEO:

<b>Chairman of the Board</b>	Florencia G. Tarriela
<b>CEO/President</b>	Reynaldo A. Maclang

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role Accountabilities Deliverables	<ol style="list-style-type: none"> <li>To call for a meeting of stockholders;</li> <li>To call, convene and preside over all meetings of the Board of Directors whenever he may deem it necessary, either on his own initiative, or upon the request of the President, or two members of the Board; and the stockholders in accordance with the Amended By-Laws;</li> <li>To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, management and the directors;</li> <li>To provide leadership in the Board of Directors. The chairperson of the Board shall ensure effective functioning of the Board, including maintaining a relationship of trust with the Board members;</li> <li>To ensure that the Board takes an informed decision. The chairperson of the Board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-</li> </ol>	<p>The President of the Bank shall, among other power and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Bank. Particularly, he shall have the powers and duties as follows:</p> <ol style="list-style-type: none"> <li>To execute all contracts and to enter into all authorized transactions in behalf of the bank;</li> <li>To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board;</li> <li>To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of at least Vice President or its equivalent;</li> <li>To appoint, promote or remove employees and officers of the Bank except those who are to be appointed or removed by the Board of Directors;</li> <li>To transfer, assign and reassign officers and personnel of the Bank in the interest of the</li> </ol>

	making process; 6. To maintain qualitative and timely lines of communication and information between the Board and management; 7. To assist in ensuring compliance with the PNB Group guidelines on corporate governance; and 8. To perform such other functions as are assigned to him by law or by the Board of Directors.	service; 6. To report periodically to the Board of Directors on the operations of the Bank; 7. To submit annually a report on the result of the operations of the Bank to the stockholders of the Bank; and 8. To delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.
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- 3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions? (updated – October 2016)

It is one of the duties and responsibilities of the Board of Directors (“Board”) to oversee the selection and performance of senior management. The Board is responsible for the appointment of competent, professional, honest and highly-motivated management team at all times; adoption of an effective succession planning program for management; monitoring and assessment of the performance of the management team based on established performance standards that are consistent with the Bank’s strategic objectives; and the conduct of a regular review of PNB Group policies with the management team. The Board shall also ensure that senior management expertise and knowledge shall remain relevant given the Bank’s strategic objectives, complexity of operation and people risk.

The PNB Board of Directors has approved the adoption/implementation of the harmonized PNB Assessment and Development Center Assessors Workshop per Board Resolution No. 04/12-19-14 dated December 19, 2014. The PNB SMP was established to ensure the availability of talents who have the potential and the required competencies, and ready to assume vacant positions as the need arises due to organizational exigencies, particularly for key/critical positions identified by the Talent Board. The process involves the following steps: (1) identification of key/critical positions, (2) nomination of candidates, (3) talent audit, (4) learning and development, (5) talent review, (6) engagement, and (7) placement.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. (updated – October 2016)

The Bank welcomes diversity in the Board of Directors. It is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations with integrity, decade of experience and technical expertise in banking and finance. Furthermore, it is composed of individuals with distinct finance, marketing, audit, risk and legal competencies as well as business leaders with extensive knowledge and experience in different industries such as real estate, fast moving consumer goods and airline industry. This broad and collective range of expertise provides value in strengthening and upholding good corporate governance practices of the Bank. There is no limit or restriction on the membership of the Board on account of age, gender, nationality or race.

The Bank’s Board of Directors is chaired by a woman, Ms. Florencia G. Tarriela, who is likewise an Independent Director. Further, the Bank’s Board of Directors consists of former Bank presidents and well respected finance professionals (Ms. Florencia G. Tarriela, Mr. Florido P. Casuela, Mr. Leonilo G. Coronel, Mr. Federico C. Pascual, Mr. Edgar A. Cua and Mr. Reynaldo A. Maclang), experienced regulator who represented the country with the IMF and World Bank (Mr. Felix Enrico R. Alfiler), an esteemed accounting and management consulting guru (Mr. Washington Z. SyCip), a renowned leader in the business community (Mr. Lucio C. Tan), one of the best legal minds in the Philippines (Mr. Estelito P. Mendoza), well known consumer marketing experts (Mr. Cecilio K. Pedro and Mr. Christopher J. Nelson) and business leaders with extensive knowledge and experience in different industries such as real estate, fast moving consumer goods and airline industry (Carmen K. Tan, Lucio K. Tan, Jr. and Mr. Michael G. Tan).

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Majority of the directors of the Bank have been senior officers, presidents and/or directors of other financial institutions, with integrity, decade of experience and technical expertise in banking and finance.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors: (updated – October 2016)

	Executive	Non-Executive	Independent Director
Role	The President of the Bank shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Bank.	The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank’s strategic objectives, risk strategy, corporate governance and values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the Bank, its subsidiaries and affiliates.	Recognizing the importance of the role of independent directors (ID), the Board has elected the independent directors to act as Chairman of the Board and various board committees.
Accountabilities			
Deliverables	Particularly, he shall have the power and duty:	The Board shall formulate the Bank’s vision,	In the various board committees, the independent directors play an active role in



	<ol style="list-style-type: none"> <li>1. To execute all contracts and to enter into all authorized transactions in behalf of the Bank.</li> <li>2. To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board.</li> <li>3. To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of Vice President or its equivalent.</li> <li>4. To appoint, promote or remove employees and officers of the Bank, except those who are to be appointed or removed by the Board of Directors.</li> <li>5. To transfer, assign and reassign officers and personnel of the Bank in the interest of the service.</li> <li>6. To report periodically to the Board of Directors on the operations of the Bank.</li> <li>7. To submit annually a report on the result of the operations of the Bank to the stockholders of the Bank; and</li> <li>8. To delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.</li> </ol>	<p>mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance of PNB Group.</p> <p>It shall be the Board's responsibility to foster the long-term success of the Bank, its subsidiaries and affiliates and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of PNB Group, its stockholders and other stakeholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large.</p> <p>Below are the specific roles, accountabilities and deliverables of the Non-Executive Directors:</p> <ol style="list-style-type: none"> <li>1. To approve and monitor the implementation of strategic objectives.</li> <li>2. To approve and oversee the implementation of policies governing major areas of operations enterprise wide, as well as risk management policies.</li> <li>3. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Bank, including its trust operations and international operations, as well as subsidiaries and affiliates to anticipate and prepare for possible threats to its operational and financial viability.</li> <li>4. Adopt and maintain adequate risk management policy.</li> <li>5. To oversee selection and performance of senior management.</li> <li>6. To consistently conduct the affairs of the Bank, its subsidiaries and affiliates with a high degree of integrity.</li> <li>7. To define appropriate governance policies and practices for the PNB Group and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.</li> <li>8. To constitute committees to increase efficiency and allow deeper focus in specific areas.</li> <li>9. To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.</li> <li>10. In PNB Group structures, the Board of Directors of the Bank shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the PNB Group. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</li> <li>11. Implement a process for the selection of Directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies</li> </ol>	<p>the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.</p> <p>The Board and the Committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries, and affiliates.</p> <p>In the various board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.</p>
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		<p>and policies.</p> <p>12. Ensure the PNB Group faithful compliance with all applicable laws, regulations and best business practices.</p> <p>13. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the PNB Group.</p> <p>14. Identify the stakeholders in the community in which the PNB Group operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>15. Adopt a system of check and balance within the Board.</p> <p>16. Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Bank and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board.</p> <p>17. Establish and maintain an alternative dispute resolution system in the PNB Group that can amicably settle conflicts or differences between the Bank, its subsidiaries and affiliates and its stockholders; and third parties, including the regulatory authorities.</p> <p>18. Meet at such times or frequency as may be needed.</p> <p>19. Keep the activities and decisions of the Board within its authority under the Amended Articles of Incorporation and Amended By-Laws, and in accordance with existing laws, rules and regulations.</p> <p>20. Appoint a Compliance Officer who shall have the rank of at least a Vice President.</p> <p>21. Adequate governance structures and control processes related to the different activities of the bank, i.e., systems to identify and monitor material risks; organizational structures and accounting procedures; evaluation of quality assets; and disclosure of material information including related party transactions.</p> <p>22. Adequate governance structures and control processes for areas of exposures that may pose significant risk to bank.</p> <p>23. Establish appropriate management information systems.</p> <p>24. Protect the interests of stakeholders adequately.</p>	
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Provide the company's definition of "independence" and describe the company's compliance to the definition. (updated – October 2016)

Independence means the exercise of independent judgment. A director should view each problem or situation objectively. When a disagreement with others occurs, a director should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, a director should support plans and ideas that will be beneficial to the Bank.

The Bank fully complies with the definition of independence by having Independent Directors (IDs) in its Board. As defined in Section 38 of the Securities Regulation Code (SRC), an ID means a person who, apart from his fees and shareholdings, is independent of management, and free 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. (updated – October 2016)

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 (updated – May 31, 2016)

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: (updated – October 2016)

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(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	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

	<p>which shall contain all the information about the nominees. The Committee 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>or SEC: Provided, That incumbent Directors must attend said seminar within a period of six (6) months from date of election;</p> <p>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;</p> <p>6. He shall be assiduous in his work habits;</p> <p>7. Practical understanding of the business of the Bank; and</p> <p>8. Membership in good standing in relevant industry, business or professional organizations.</p> <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>b. Re-appointment</b>		
(i) Executive Directors	- Same as above. -	- Same as above. -
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		
(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		
<b>d. Temporary Disqualification</b>		
(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		
<b>e. Removal</b>		
(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		
<b>f. Re-instatement</b>		
(i) Executive Directors	Re-instatement of a director to the position shall be upon the remediation and/or correction of his temporary	As enumerated in the Revised Corporate Governance Manual of the Bank, a temporary disqualified director shall, within sixty (60)
(ii) Non-Executive Directors		

(iii) Independent Directors	disqualification.	business days from such disqualification, may take the appropriate action to remedy or correct his disqualification and to be re-instated to his position.
<b>g. Suspension</b>		
(i) Executive Directors	Suspension of a director from office shall be imposed on the second violation of any provisions of the revised Corporate Governance Manual of the Bank.	In case of violation of any of the provisions of 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.
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting (May 31, 2016)

Name of Director	Votes Received
Florencia G. Tarriela	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. (updated – October 2016)

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 duly accredited by the BSP or SEC.

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: (updated – October 2016)

Participant(s)	Title of Seminar/ Date
<b>2016</b>	
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
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. Tarriela, Chairman/Independent Director Felix Enrico R. Alfiler, Vice Chairman/Independent Director	Corporate Governance Forum by the Securities and Exchange Commission on August 3, 2016 at the Philippine International

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

<p>             Florido P. Casuela, Director              Leonilo G. Coronel, Director              Edgar A. Cua, Independent Director              Reynaldo A. Maclang, President/Director              Cecilio K. Pedro, Independent Director              Carmen K. Tan, Director              Lucio C. Tan, Director              Michael G. Tan, Director              Manuel T. Gonzales, Board Advisor              William T. Lim, Board Advisor              Harry C. Tan, Board Advisor              Maila Katrina Y. Ilarde, Corporate Secretary              Ruth Pamela E. Tanghal, Assistant Corporate Secretary              Cenon C. Audencial, Jr., EVP              Horacio E. Cebrero III, EVP              Christopher C. Dobles, EVP              Bernardo H. Tocmo, EVP              Nelson C. Reyes, EVP              Alice Z. Cordero, FSVP              Socorro D. Corpus, FSVP              Zacarias E. Gallardo, Jr., FSVP              Miguel Angel G. Gonzalez, FSVP              John Howard D. Medina, FSVP              Benjamin S. Oliva, FSVP              Aida M. Padilla, FSVP              Carmela Leticia A. Pama, FSVP              Allan L. Ang, SVP              Schubert Caesar C. Austero, SVP              Manuel C. Bahena, Jr., SVP              Ponciano C. Bautista, Jr., SVP              Cesar P. Buhay, SVP              Esther F. Capule, SVP              Emeline C. Centeno, SVP              Elisa M. Cua, SVP              Christian Jerome O. Dobles, SVP              Erwin C. Go, SVP              Marie Fe Liza S. Jayme, SVP              Ma. Adelia A. Joson, SVP              Ana Rose T. Kwan, SVP              Cynthia B. Lanot, SVP              Florencio C. Lat, SVP              Maria Paz D. Lim, SVP              Dioscoro Teodorico L. Lim, SVP              Ma. Lourdes S. Liwag, SVP              Maria Victoria P. Manimbo, SVP              Roland V. Oscuro, SVP              Maria Rita S. Pueyo, SVP              Humildad M. Santelices, SVP              Teresita U. Sebastian, SVP              Lee Eng Y. So, SVP              Juanita Margarita O. Umali, SVP              Nanette O. Vergara, SVP              Roberto S. Vergara, FVP              Czarina G. Barbero, VP              Constantino T. Yap, VP           </p> <p>             Per SEC letter dated Feb. 24, 2016, Director Sycip was granted a permanent exemption from attending the corporate governance trainings/seminars requirement pursuant to SEC Memo Circular No. 20, Series of 2013, for his known probity and of a well-recognized stature, influence and reputation in the business community.           </p>	<p>Convention Center (PICC), PICC Complex, Roxas Boulevard, Manila</p>
<p>             Yolanda M. Albano, FSVP              Alice Z. Cordero, FSVP              Manuel C. Bahena, Jr., SVP              Emeline C. Centeno, SVP           </p>	<p>Consulting Skills Program by Ancilla Consultancy on May 10-11, 2016</p>
<p>             Florido P. Casuela, Director              Leonilo G. Coronel, Director           </p>	<p>Learning Session with Gallups Senior Practice Expert by Gallup on April 6, 2016</p>

<p>Federico C. Pascual, Independent Director  Cecilio K. Pedro, Independent Director  Cenon C. Audencial, Jr., EVP  Christopher C. Dobles, EVP  Yolanda M. Albano, FSVP  Socorro D. Corpus, FSVP  Alice Z. Cordeor, FSVP  John Howard D. Medina, FSVP  Benjamin S. Oliva, FSVP  Aida M. Padilla, FSVP  Carmela Leticia A. Pama, FSVP  Emmanuel German V. Plan II, FSVP  Allan L. Ang, SVP  Emeline C. Centeno, SVP  Ma. Adelia A. Joson, SVP  Maria Paz D. Lim, SVP  Czarina G. Barbero, VP</p>	
Maila Katrina Y. Ilarde, Corporate Secretary	Mandatory Continuing Legal Education Lecture Series, March 4, 5, and 11, 2016 and April 2 and 9, 2016, Philippine Law School, Integrated Bar of the Philippines and Venue Open
<p>Manuel C. Bahena, Jr., SVP  Emeline C. Centeno, SVP</p>	Coaching and Mentoring Skills Program by Ancilla Consultancy on February 22-23, 2016
<b>2015</b>	
<p>Cecilio K. Pedro, Independent Director  Harry C. Tan, Director</p>	Corporate Governance Seminar by Risks, Opportunities, Assessment and Management, Inc. (ROAM) on December 18, 2015
<p>Florencia G. Tarriela, Chairman/Independent Director  Felix Enrico R. Alfiler, Vice Chairman/Independent Director  Florido P. Casuela, Director  Leonilo G. Coronel, Director  Reynaldo A. Maclang, President/Director  Christopher J. Nelson, Director  Federico C. Pascual, Independent Director  Manuel T. Gonzales, Board Advisor  Maila Katrina Y. Ilarde, Corporate Secretary  Ruth Pamela E. Tanghal, Assistant Corporate Secretary  Cenon C. Audencial, Jr., EVP  Christopher C. Dobles, EVP  Bernardo H. Tocmo, EVP  Nelson C. Reyes, EVP  Yolanda M. Albano, FSVP  Alice Z. Cordero, FSVP  Socorro D. Corpus, FSVP  Miguel Angel G. Gonzalez, FSVP  John Howard D. Medina, FSVP  Benjamin S. Oliva, FSVP  Aida M. Padilla, FSVP  Carmela Leticia A. Pama, FSVP  Emmanuel German V. Plan II, FSVP  Emeline C. Centeno, SVP  Maria Paz D. Lim, SVP  Dioscoro Teodorico L. Lim, SVP  Norman Martin C. Reyes, SVP  Roberto S. Vergara, FVP  Constantino T. Yap, VP</p>	Annual Corporate Governance Training Program by Institute of Corporate Directors on December 10, 2015
Deogracias N. Vistan, Independent Director	Corporate Governance Seminar by SGV & Co. on December 9, 2015 at New World Hotel
Estelito P. Mendoza, Director	Seminar on Corporate Governance by Risks, Opportunities, Assessment and Management, Inc. (ROAM) on November 11, 2015,
<p>Lucio C. Tan, Director  Lucio K. Tan, Jr., Director  Michael G. Tan, Director</p>	Corporate Governance Board Effectiveness Best Practices Seminar by Center for Global Best Practices on November 11, 2015,
Washington Z. Sycip	Per SEC letter dated August 3, 2015, Director Sycip is exempted for attending a Corporate Governance Training for 2015 for his known probity and of a well-recognized stature, influence and reputation in the business community.
Maila Katrina Y. Ilarde, Corporate Secretary	Corporate Governance Workshop on the ASEAN Corporate Governance Scorecard for Publicly-Listed Companies, April 23, 2015, Securities and Exchange Commission

	Corporate Secretary as Corporate Governance Professional Course, August 17-18, 2015, Institute of Corporate Directors SEC – PSE Corporate Governance Forum, October 15, 2015, Securities and Exchange Commission 2015 Annual Disclosure Rules Seminar, November 11, 2015, Philippine Stock Exchange
Norman Martin C. Reyes, SVP	Cash & Payments Philippines 2015, September 2-3, 2015, Cards and Payments Philippines
Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Nelson C. Reyes, EVP Alice Z. Cordero, FSVP Socorro D. Corpuz, FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Manuel C. Bahena, Jr., SVP Emeline C. Centeno, SVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Norman Martin C. Reyes, SVP Roberto S. Vergara, FVP	Assessment and Development Center Assessors Workshop, June 18, 2015, HR Avatar Philippines
Florencia G. Tarriela, Chairman/Independent Director Felix Enrico R. Alfiler, Vice Chairman/Independent Director Florido P. Casuela, Director Leonilo G. Coronel, Director Reynaldo A. Maclang, Director/ President Christopher J. Nelson, Director Federico C. Pascual, Independent Director Deogracias N. Vistan, Independent Director Joseph T. Chua, Board Advisor Manuel T. Gonzales, Board Advisor William T. Lim, Board Advisor Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Nelson C. Reyes, EVP Alice Z. Cordero, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Manuel C. Bahena, Jr, SVP Emeline C. Centeno, SVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Norman Martin C. Reyes, SVP Roberto S. Vergara, FVP	Non-Life Insurance Seminar, June 2, 2015
Manuel C. Bahena, Jr., SVP	Mandatory Continuing Legal Education Lecture Series, March 3, 7, 14, 27 and 28, 2015, Ateneo Center for Continuing Legal Education and Research (ACCLER)
Emmanuel German V. Plan II, FSVP	What's in Store for the Real Estate Industry? Bubble or Bust?, March 11, 2015, Bankers Institute of the Philippines (BAIPHIL)
Emeline C. Centeno, SVP	Financial Regulatory Reform and Impact to Business Models & Transforming Risk Management Function to Align with Financial Regulatory Reform, March 6, 2015, BAIPHIL
Carmela Leticia A. Pama, FSVP	Updated Guidelines on Sound Credit Risk Management Seminar, February 16, 2015, BAIPHIL
Horacio E. Cebrero III, EVP	12 <sup>th</sup> Annual Asia-Pacific Investor Conference, February 10-12, 2015, Citigroup Manila
<b>2014</b>	
Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP	Corporate Governance Seminar by Institute of Corporate Directors on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City



Jovencio D. Hernandez, EVP Alice Z. Cordero, FSVP Socorro D. Corpus, FSVP Zacarias E. Gallardo, Jr., FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin J. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Manuel C. Bahena, Jr., FVP Josephine E. Jolejole, FVP	
Lucio K. Tan, Jr.	Corporate Governance Seminar on October 21, 2014, by Risk Opportunities, Assessment and Management (ROAM), Inc.
Estelito P. Mendoza	Corporate Governance Seminar on August 19, 2014, by SGV
Horacio E. Cebrero III, EVP Zacarias E. Gallardo, Jr., FSVP	BASEL III: What's Next Under the Capital, Leverage and Macro-Prudential Guidelines on August 7, 2014 at SGV, Makati City
Zacarias E. Gallardo, Jr., FSVP Manuel C. Bahena, Jr., FVP	Mentor Skills Development Workshop on July 15 and August 14, 2014 at PNB Makati Penthouse
Horacio E. Cebrero III, EVP Josephine E. Jolejole, FVP	Securitization in Housing Finance and Introduction to Concentration Risk on July 4, 2014 at SGV, Makati City
Cecilio K. Pedro	Orientation Course on Corporate Governance on June 5, 2014, by the Institute of Corporate Directors
Christopher C. Dobles, EVP	21st Asian Professional Security Association (APSA) International Conference & Secusafe by Secusafe Alliance Philippines on May 14-16, 2014 at Manila Hotel
Alice Z. Cordero, FSVP	Seminar on Concentration Risk and Related Party Transactions on April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Carmela Leticia A. Pama, FSVP Dioscoro Teodorico L. Lim, SVP	Concentration Risk and Related Party Transactions in April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Washington Z. Sycip	Corporate Governance Enhancement Session on Corporate Governance Requirements Under US Laws and Regulations ( PLDT – Corporate Governance Seminar) on April 1, 2014 conducted by the Chief Corporate Governance Officer
Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Alice Z. Cordero, FSVP Socorro D. Corpus, FSVP Zacarias E. Gallardo, Jr., FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin J. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Emmanuel German V. Plan II, FSVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Manuel C. Bahena, Jr., FVP Josephine E. Jolejole, FVP Constantino T. Yap, VP	Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Socorro D. Corpus, FSVP Maria Paz D. Lim, SVP	Comprehensive Competency-Based Learning and Assessment Framework in March 24 and 31, 2014 at PNB Makati Penthouse
Christopher J. Nelson	Distinguished Corporate Governance Speaker Seminar on February 5, 2014 by the Institute of Corporate Directors
Emmanuel German V. Plan II, FSVP	Architecture and Urban Planning: What Business Ladders Need to Know in 2014 in Makati City

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (updated – October 2016)

Name of Directors	Date of Training	Program	Name of Training Institution
<b>2016</b>			
Federico C. Pascual	October 7, 2016	Distinguished Corporate Governance Speaker Series Seminar	Institute of Corporate Directors

Edgar A. Cua	August 25, 2016	Corporate Governance Orientation Program	Institute of Corporate Directors
Estelito P. Mendoza	August 9, 2016	Seminar on Corporate Governance	SGV & Co.
Florencia G. Tarriela Felix Enrico R. Alfiler Florido P. Casuela Leonilo G. Coronel Edgar A. Cua Reynaldo A. Maclang Cecilio K. Pedro Carmen K. Tan Lucio C. Tan Michael G. Tan	August 3, 2016	Corporate Governance Forum	Securities & Exchange Commission (SEC)
Florido P. Casuela Leonilo G. Coronel Federico C. Pascual Cecilio K. Pedro	April 6, 2016	Learning Session with Gallups Senior Practice Expert	Gallup
Washington Z. Sycip	Per SEC letter dated Feb. 24, 2016, Director Sycip has granted a permanent exemption from attending the corporate governance trainings/seminars requirement pursuant to SEC Memo Circular No. 20, Series of 2013, for his known probity and of a well-recognized stature, influence and reputation in the business community.		
2015			
Cecilio K. Pedro Harry C. Tan	December 18, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Florencia G. Tarriela Felix Enrico R. Alfiler Florido P. Casuela Leonilo G. Coronel Reynaldo A. Maclang Christopher J. Nelson Federico C. Pascual	December 10, 2015	Annual Corporate Governance Training Program	The Institute of Corporate Directors
Deogracias N. Vistan	December 9, 2015	Advance Corporate Governance Seminar	
Estelito P. Mendoza	November 11, 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Lucio C. Tan Lucio K. Tan, Jr. Michael G. Tan	November 11, 2015	Corporate Governance Board Effectiveness Best Practices Seminar	Center for Global Best Practices
Washington Z. Sycip	Per SEC letter dated August 3, 2015, Director Sycip is exempted for attending a Corporate Governance Training for 2015 for his known probity and of a well-recognized stature, influence and reputation in the business community.		

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees: (updated – October 2016)

Business Conduct & Ethics	Directors	Senior Management	Employees	Reference/Circular
(a) Conflict of Interest	Covered	Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013); Employee Handbook
(b) Conduct of Business and Fair Dealings		Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013)
(c) Receipt of gifts from third parties		Covered	Covered	Policy on Soliciting and/or Receiving Gifts (Gen. Cir. 1-866/2013 dated April 10, 2013)
(d) Compliance with Laws & Regulations		Covered	Covered	Manual of Policies on Human Resource Management and Development; Code of Conduct (OPP 0318/16 dated May 2, 2016); Employee Handbook
(e) Respect for Trade Secrets/Use of Non-public Information	Covered	Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013); Confidentiality of Information (Gen. Cir. 1-878/2013 dated June 4, 2013); Employee Handbook
(f) Use of Company Funds, Assets and Information		Covered	Covered	Confidentiality of Information (Gen. Cir. 1-878/2013 dated June 4, 2013); Employee Handbook
(g) Employment & Labor		Covered	Covered	Manual of Policies on Human Resource Management

Laws & Policies				and Development; Employee Handbook
(h) Disciplinary action		Covered	Covered	Code of Conduct (OPP 0318/16 dated May 2, 2016); Employee Handbook
(i) Whistle Blower	Covered	Covered	Covered	Whistleblower Policy (OPP 0320/16 dated May 2, 2016)
(j) Conflict Resolution		Covered	Covered	Code of Conduct (OPP 0318/16 dated May 2, 2016)

- Personal Investment Policy – The purpose of PNB’s Personal Investment Policy is to set forth prudent standards of behavior for all employees when conducting their personal investment transactions. Accordingly, the policy provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. PNB employees (officers and staff) 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. The investments should not involve or appear to involve a conflict of interest with the activities of PNB 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.
- Policy on Soliciting and/or Receiving Gifts – The Bank recognizes that maintaining good relationships with clients often require the exchange of gifts as token of appreciation. However, 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 whether in cash or in kind from clients, suppliers, and other business-related parties is strictly prohibited. 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 various conditions.
- Code of Conduct Manual – The Code of Conduct (“Code”) is constituted to prescribe a moral code for PNB employees which would not only instill discipline among them but would yield higher productivity at the workplace and enhance and safeguard the corporate image of the Bank. While the Code defines the offenses as well as the corresponding disciplinary measures that may be imposed, its overall intent is more of prevention of the infraction rather than the administration of disciplinary measures. The Code defines and provides the standards of conduct expected of all employees and enumerates the act or omissions prejudicial to the interest of the Bank.
- Policy on Office Decorum – Bank employees should conduct themselves with proper decorum at all times within or outside the Bank premises in order to protect the good name of the Bank as well as to merit and maintain the trust and confidence not only of Bank clients or customers but the public in general. Proper office decorum includes, among others, the use of stationery and supplies and the principle of confidentiality of information.
- Whistleblower Policy – The Whistleblower Policy aims to: (1) encourage employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulations and/or any misconduct by its directors, officers or staff; (2) conduct a prompt and thorough investigation of any alleged/reported commission of theft/fraud and/or violation and take appropriate corrective action; (3) protect the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation; (4) reduce, if not eliminate, the occurrence of corporate fraud in line with sound banking practice and risk management; and (5) strengthen the Bank’s system on detection and prevention of corporate fraud.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? (updated – October 2016)

Yes. The Bank’s human resource policies, including but not limited to, the Code of Conduct are disseminated by the Human Resource Group through the Bank’s online intranet system and posted at PNB Cybermag, which may be accessed by employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. (updated – 2015)

As required, each bank director and employee accomplishes an Acknowledgement Receipt certifying therein that he/she has been furnished with copies of the above mentioned manuals and policies; that he/she has fully read and understood the provisions embodied therein; and that he/she promises to abide with the rules/regulations of the said manuals and policies. Any failure to abide with the above mentioned manuals and policies is reported by the immediate supervisor and/or Head of Office concerned to the Human Resource Group (HRG) and/or Corporate Governance/Nomination/Remuneration Committee. A designated committee may subsequently validate/evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director.

4) Related Party Transactions

(a) Policies and Procedures (updated – October 2016)

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Board of Directors, Management and Staff of the Philippine National Bank, including trust department and its subsidiaries and affiliates commit themselves to adopt and adhere with the Policy Guidelines on Related Party Transactions (RPTs). These guidelines were formulated in accordance with the requirements of the SEC Revised Code of Corporate Governance; Securities Regulations Code; BSP Guidelines in
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	

(6) Officers including spouse/children/siblings/parents	<p>Strengthening Corporate Governance on Related Party Transactions (RPTs) of Banks; the BSP Guidelines on Related Party Transactions, Prudential Policy on Loans to DOSRI/Subsidiaries/Affiliates, Basel Core Principles (BCP) for Effective Banking Supervision No. 20 and other related laws and regulations.</p> <p>The Bank recognizes that engaging in RPTs have economic benefits to individual entities and to the entire PNB Group. Related Party Transactions (RPTs) are generally allowed provided that these are done on an arm's length basis; monitors these transactions; take appropriate steps to control or mitigate the risks; and write off of exposures to related parties in accordance with standard policies and processes; and in accordance with the board approved RPT policy guidelines. As such, RPTs shall be conducted in the regular course of business (fair process) and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances (fair terms). Cover related parties are DOSRI, Subsidiaries/Affiliates and Beyond (DOS' relatives up to 2<sup>nd</sup> degree level).</p> <p>The Board Oversight RPT Committee (BORC), governed by a Charter, assists the Board in performing its oversight functions for avoiding potential conflicts of interest of shareholders, board members, management, and other stakeholders of PNB Group. The Committee is composed of at least three (3) members of the board of directors, two (2) of whom are independent directors, including the chairperson. The Chief Compliance Officer or Chief Audit Executive may sit as resource persons in the Committee.</p> <p>The Board through the BORC oversees the evaluation of RPT that present the risk of potential abuse; exercises appropriate oversight in the implementation of the control systems for managing RPT exposures; processes and approvals are conducted at arm's length basis; ensures that RPTs handled in sound and prudent manner, with integrity, and in compliance with the board approved RPT Policy Guidelines/Manual; sets an example in complying with supervisory expectations, and practicing good governance for the best interest of the bank and its depositors, creditors, fiduciary clients, and other stakeholders.</p> <p>The RPT accounts are discussed, evaluated and endorsed by the BORC for approval of the Board.</p> <p>RPT dealings are disclosed in the Annual Report prepared by SGV and based on the Board approved PNB RPT Policy. Periodic reports of RPTs are likewise submitted to the BSP in compliance with its regulatory requirement.</p>
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders. (updated – October 2016)

Directors/Officers/Significant Shareholders	
Company	<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</p>
Group	

	<p>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>
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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

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
Corporation & Stockholders	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.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

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

### 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?

Yes. The Board members have independent access to Management and the Corporate Secretary to enable them to have complete information about the matters to be taken up during the meeting, or any action to be taken thereafter.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The following are the duties of the Corporate Secretary as provided by the Bank's By-Laws and Revised Corporate Governance Manual:

- Notify parties concerned of any stockholders and Board meetings;
- Inform the members of the Board, in accordance with the Amended By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

<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.

- (3) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- (4) Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- (5) Provide proper assistance to the members of the Board during all Board and Stockholders' meetings while they are in the performance of their duties and responsibilities under the law and the By-Laws;
- (6) Be responsible for the safekeeping and preservation of the integrity of the Minutes of the meetings, as well as the other official records pertaining to the duties and responsibilities of the Office of the Corporate Secretary;
- (7) Furnish all directors with a copy of the general responsibilities and specific duties and responsibilities of the Board of Directors prescribed under Manual of Regulations for Banks (MORB) Subsec. X141.3(b and c ), as well as the specific duties and responsibilities of a director under Subsec. X141.3(d), within thirty (30) banking days from the time of election. Copies of the acknowledgement and certification by the Directors shall be submitted to the appropriate supervisory and examining department of SES-BSP within fifteen (15) banking days from date thereof;
- (8) Monitor the directors' compliance with the attendance requirements, and issue and submit to the Securities and Exchange Commission (SEC), on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing;
- (9) Keep a list of the Bank's stockholders, their proxies and their stockholdings, maintain the stock transfer book/s and keep track of all outstanding certificates in the manner required by law and regulations, and
  - a. Ascertain the identity and citizenship of the transferee, voting trustee, or proxy of voting shares of stock of the Bank, and require them to submit or disclose such documents and information relative to their stockholdings or any voting trust arrangements thereto;
  - b. Require the transferee, voting trustee, proxy of voting shares of stock to disclose all information with respect to persons related to them within the fourth degree of consanguinity or affinity where they have controlling interest, and the extent thereof;
  - c. Require the transferee or recipient of voting shares of stock to execute an affidavit stating, among other things, that the transferee or recipient of voting shares of stock is a bona fide owner of the said shares of stock, and that he/she acknowledges full awareness of (a) the prohibition against ownership of voting shares of stock in excess of the ceilings and/or (b) the requirement for prior Monetary Board approval for transactions resulting to significant ownership of voting shares of stock of a bank by any person, as provided in Subsec. X126.2 of the MORB and such other rules and regulations of the regulatory agencies, as may be amended from time to time;
  - d. Promptly inform stockholders (a) who have reached any of the ceilings prescribed by laws/BSP regulations of their ineligibility to own or control more than applicable ceiling or (b) who would own voting shares of stock requiring prior Monetary Board approval;
  - e. Disclose the ultimate beneficial owners of bank shares held in the name of Philippine Central Depository (PCD) Nominee Corporation in the annual (or quarterly whenever changes occur) report on Consolidated List of Stockholders and their Stockholdings (BSP 7-16-11), which report shall be made under oath by the corporate secretary;
  - f. Submit financial statements, list of certain stockholders together with their stockholdings, as well as such other reports as prescribed/required by the regulatory agencies;
  - g. Disclose any material transactions, events and information as required under the rules and regulations of the regulatory agencies; and
  - h. Perform such other duties as are necessary or incidental to his office and those that may from time to time be required by the Board, as well as by the rules and regulations of the regulatory agencies.
- (10) Exhibit loyalty to the mission, vision and objectives of the Bank; and
- (11) Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

The Corporate Secretary prepares the Agenda for the Board and Board committee (Board Credit and Policy Committee, Executive Committee and Corporate Governance Committee) meetings, and assists the directors in attending seminars and trainings.

The Chief Compliance Officer is in charge in monitoring the Bank's compliance with the provisions and requirements of the Revised Corporate Governance Manual and relevant banking rules and regulations, as well as keeping the directors updated on any related statutory and regulatory changes.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary of the Bank is a lawyer. She possesses appropriate administrative and interpersonal skills, and has a working knowledge on the operations of the Bank.

- (e) Committee Procedures (updated – May 31, 2016)

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.
Board Audit and Compliance Committee	
Corporate Governance/ Nomination/ Remuneration Committee	
Risk Oversight Committee	Management members are likewise available should the

Trust Committee	directors require additional information.
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 reporting requirements) and specific approving authorities	To harmonize credit policies and facilitate the loan approval process of loan accounts
Amendment to Selected Policies: a. Policy on Client Call Program  b. Policy on Clean Up Period for Loans  c. Policy on Collateral/Security – Real	<ul style="list-style-type: none"> <li>- Frequency of client calls/plant visits</li> <li>- Changes in the type of loans that are exempted from the clean-up requirements</li> </ul>	<ul style="list-style-type: none"> <li>- For flexibility. Frequency shall depend on the size, complexity or nature of the account</li> <li>- 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</li> </ul>



Estate  d. Policy on Fire Insurance	<ul style="list-style-type: none"> <li>- Surety bond requirement</li> <li>- Alignment/consolidation of the policy and inclusion of specific of specific approving authority</li> </ul>	<ul style="list-style-type: none"> <li>- Designation of officers who will determine the surety bond requirement for real estate collateral with Section 7 RA 26 annotation</li> <li>- To have one (1) policy for both PNB Pasay and PNB Makati</li> </ul>
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"> <li>- Amendments to the approving authority</li> <li>- Revisions/updates to the following policy guidelines:               <ol style="list-style-type: none"> <li>1. Interim FS requirement</li> <li>2. Amendment to terms and conditions of loan approvals</li> <li>3. Penalty rates on past due obligations</li> <li>4. Setting of Bank's industry credit exposure limits</li> </ol> </li> </ul>	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 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	Revisions/update to the credit guidelines	To streamline the credit process and loan approvals of the Bank
Proposed Amendments to the Approving Authorities on the following: a. Change in Risk Asset Classification (RAC) b. Provisions of Valuation Reserve	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	To facilitate the approval process for changes in the RAC, Provisions of Valuation Reserve, and Setting Up of Impairment Loss.

c. Setting Up of Impairment Loss	<p>Account Receivables</p> <p>3. Impairment Loss per Philippine Accounting Standard (PAS)</p> <ul style="list-style-type: none"> <li>- Approval of discounted future cashflows of individually significant loan accounts</li> <li>- Setting up of impairment loss provision</li> </ul>	
<p>Amendments to the following:</p> <p>a. Approving Limits of Various Credit Committees</p> <p>b. Approving Authorities for Specific Credit Transactions</p>	<p>Amendments to the following:</p> <p>1. Approving limits of various credit committees for grant of credit accommodation and deviations from policy</p> <p>2. Approving authorities for the following specific credit transactions:</p> <ul style="list-style-type: none"> <li>- Grant of Credit Accommodations and Validation of Project Cost for LGUs</li> <li>- Loans Fully Secured by Holdout on Private Deposits – For Institutional Banking Group (IBG) Accounts</li> <li>- Annual Review of Term Loans/Renewal of Credit Facilities for Regular Accounts</li> <li>- Annual Review of Term Loans/Renewal of Credit Facilities for LGU Accounts</li> <li>- Line Extension</li> <li>- Extension of PN within a valid/unexpired credit line and subject to payment of accrued interest</li> </ul>	To facilitate the approval process and expedite the turnaround time of loan accounts.
Policy on Validation of Financial Data & Information	Adoption of a new policy	To comply with BSP Circular No. 855 dated October 29, 2014.
<p>Amendments to the following:</p> <p>a. Approving Limits of Various Credit Committees</p> <p>b. Approving Authorities for Specific Credit Transactions</p>	<p>Amendments to the approving authorities:</p> <p>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</p> <p>2. Earmarking of DBPL against an approved line of higher risk</p> <p>3. Full/Partial waiver of penalties including re-instated penalties and other charges</p>	To facilitate the approval process and expedite the turnaround time of loan accounts.
Proposed Amendments to the Policy on Country Risk Limits	<p>Amendments to the Policy on Country Risk Limits, as follows:</p> <ul style="list-style-type: none"> <li>• Management Action Trigger</li> <li>• Counterparty Transactions per Country Risk Category</li> <li>• Internal Country Risk Rating Methodology</li> </ul>	<ul style="list-style-type: none"> <li>• To expand the trigger and include the downgrade in country rating by Moody's/Standard &amp; 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.</li> <li>• To align existing policy with the transactions of the Treasury Group.</li> </ul>
Retail Banking Group Credit Committee (RBGCC) and Amendments to the Approving Authorities for Specific Credit Transactions of the Retail Banking Group (RBG)	<ul style="list-style-type: none"> <li>• Creation of RBGCC which shall replace the existing Consumer Banking Group Credit Committee and Global Consumer Loans Credit Committee and shall handle approval of credit transactions from the Retail Banking Group, Consumer Finance Group and Global Filipino Banking Group.</li> <li>• Amendments to the approving authorities/limits for the following credit transactions of RBG: <ul style="list-style-type: none"> <li>- Domestic Bills Purchase Line</li> <li>- Domestic Bills Purchase on Case-to-Case Basis</li> <li>- Acceptance of Second-Endorsed</li> </ul> </li> </ul>	To facilitate the approval process and expedite the turnaround time of credit transactions.

	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	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")
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. (updated – 2015)

Yes. Section 5.8 of the PNB's Amended By-Laws re: Compensation states that: "Directors, as such, shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 30 of the Corporation Code. Each director shall be entitled to a reasonable per diem, as may be determined by the Board."

Remuneration Scheme	Date of Stockholders' Approval
There has been no proposal on remuneration for directors presented to the stockholder for approval in the Annual Stockholders' Meetings held for the years 2013-2015. As of present, the directors do not receive any compensation apart from per diems.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: (updated - 2015)

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	-	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	-	₱28,050,000.00	₱13,900,000.00
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
<b>Total</b>		₱28,050,000.00	₱13,900,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	₱1,850.00	₱11,900.00	₱4,100.00
(f) Hospitalization Plan	₱12,638.83	₱182,773.96	₱70,971.15
(g) Car Plan	-	-	-
(h) Others (Specify)	-	-	-
<b>Total</b>	<b>₱14,488.83</b>	<b>₱194,673.96</b>	<b>₱75,071.15</b>

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	Not Applicable	Not Applicable

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year: (updated - 2015)

Name of Officer/Position	Total Remuneration
Audencial, Cenon, Jr. C.; Cebrero, Horacio III E.; Dobles, Christopher C.; Hernandez, Reyes, Nelson C.	₱78,504,053.00*

\* Inclusive of the remuneration of the President

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board: (updated – July 22, 2016)

Committee	No. of Members			Committee Charter
	Executive Director	Non-Executive Director	Independent Director	
Executive Committee	1	5	3*	Yes
Board Audit and Compliance Committee	0	0	3	Yes
Corporate Governance/Nomination Committee	1	0	4	Yes
Risk Oversight Committee	0	1	2	Yes
Trust Committee	2**	2	1	Yes
Board Oversight Committee – Domestic & Foreign Offices/Subsidiaries	0	3	0	Yes
Board Oversight RPT Committee	2***	0	3	Yes
Board I.T. Governance Committee	0	4	1	Yes

(\*) Non-voting members

(\*\*) Ex-officio members

(\*\*\*) Resource Persons

**BOARD COMMITTEES' FUNCTIONS/KEY RESPONSIBILITIES AND POWER/AUTHORITY (updated – June 24, 2016):**

**A. EXECUTIVE COMMITTEE (EXCOM)**

Function: The Executive Committee shall perform the functions and duties as the Board may delegate.

Key Responsibilities and Power/Authority:

- To exercise its authority to endorse or approve loan recommendations from the Corporate Banking Group (CBG), Commercial Banking Group (ComBG), Retail Banking Group (RBG), and Consumer Finance Group (CFG).
- To evaluate, approve and endorse for Board approval investments in bonds, shares of stock or other financial assets; any borrowings, issuance of capital market instruments and bonds, capital allocation and necessary equity raising exercise
- To approve the restructuring, payment plan, compromise settlement or write-off of past due, problematic and remedial accounts.
- To endorse for Board approval the establishment, relocation, renovation or closure of domestic and overseas branches/offices including the approval of the needed budget.
- To act on proposal for the lease, sale, disposal and any matter pertaining to Real and Other Properties Acquired (ROPAs).
- To approve disbursements for expenses, fines and penalties.
- To propose mergers and acquisitions and provide the budget thereof for Board approval.
- To approve the purchase of real & personal property, divestiture or disposal of assets.
- To review, evaluate, approve and/or endorse for Board approval policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market.
- To determine the risk appetite and set limits on risk taking activities.
- To evaluate and endorse for Board approval Annual Strategic Forecasts, Plans and Budget
- In coordination with the Board Audit & Compliance committee, conduct monthly/quarterly/periodic reviews of financial reports.
- To review, evaluate, approve and/or endorse for board approval the Bank's capital planning, risk assessment, policies and procedures and provide oversight on the adoption and implementation of the Bank's board-approved ICAPP program.

14. All credit transactions approved by the Executive Committee shall be submitted to the Board for notation.

**B. BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)**

Function: The purpose of the Board Audit and Compliance Committee is: (i) to assist the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. ; (ii) provide oversight functions over internal and external auditors and ensure that the internal and external auditors act independently from each other; (iii) provide oversight over compliance functions and/or oversee the compliance program; (iv) the annual independent audit of PNB's financial statements, engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance; (v) compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures; and (vi) fulfillment of the other responsibilities set out therein.

Key Responsibilities and Power/Authority:

1. On Financial Statements: (a) review the quarterly, semi-annual, annual and periodic financial statement signed by the CEO and CFO prior to submission to the Board; and (b) establish a system that addresses, in a timely and effective manner, findings or fraud or error on the financial statements.
2. As an oversight of the Bank's External Auditors.
3. As an oversight of the Bank's Internal Auditor.
4. As an oversight of the Bank's Chief Compliance Officer.
5. Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system including financial reporting control and information technology security.
6. Receive and review reports of internal and external auditors, compliance and regulatory agencies, where applicable and ensure that Management is taking appropriate corrective actions in a timely manner.
7. Conduct self-assessment of the performance of the Bank, BACC as a whole, as well as the individual performance of each committee member annually.
8. Review and evaluate the self-assessment of the performance of the Compliance and Audit Committees of the Bank's subsidiaries and affiliates to ensure that the respective Compliance and Audit Committee policies and activities are aligned with the Bank.
9. Review and assess the adequacy of the BACC Charter annually and recommend any proposed changes for approval of the Board of Directors.
10. Establish effective audit programs that cover IT risk exposures throughout the Bank, risk-focused, promote sound IT controls, ensure the timely resolution of audit deficiencies and period reporting to the Board on the effectiveness of the Banks' IT risk management, internal controls, and IT governance.
11. Shall have explicit authority to investigate any matter within its terms and reference, full access to and cooperation by Management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
12. Shall have the sole authority to select, evaluate, appoint, dismiss, replace and re-appoint the external auditor (subject to stockholder ratification) based on fair and transparent criteria.
13. Shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee.
14. May form and delegate authority to sub-committees, comprised of one or more members of the Committee, as necessary or appropriate.
15. Shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.
16. Shall establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action.

**C. CORPORATE GOVERNANCE/NOMINATION/REMUNERATION COMMITTEE**

Function: The Corporate Governance/Nomination/Remuneration Committee assists the Board of Directors in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and due observance of corporate governance principles and guidelines and the selection of members of the Board and senior executives of the Bank as well as in the appointment of the members of the respective Board committees.

Key Responsibilities and Power/Authority:

1. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.
2. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.
3. Ensure that the Bank shall have at least two (2) Independent Directors (IDs) or such IDs shall constitute at least twenty percent (20%) of the members of the Board, and that any fractional result from applying the required minimum proportion, shall be rounded-up to the nearest whole number.
4. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualification.
5. Develop a form on full business interest disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
6. Oversee the periodic performance evaluation of the Board and its committees and executive management.

7. Review and evaluate the annual self-assessment of the directors, board and committees prior to Board approval/notation.
8. Conduct an annual self-evaluation of the board committee's performance prior to Board approval/notation.
9. Decide the manner by which the Board's performance may be evaluated, as well as whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation).
10. Adopt internal guidelines that will determine the number of directorships of its members that can hold in other corporations and address the competing time commitments that are faced when directors of the Bank serve on multiple boards.
11. Make recommendation to the Board and formulate such policies regarding the continuing education of directors, assignment to Board Committees, succession plan for Board members and senior officers, and their remuneration commensurate with corporate and individual performance.
12. Review and formulate policies to strengthen provision on conflict of interest, salaries and benefits, promotion and career advancement of personnel concerned in line with the existing professional development program and succession plan for senior management.
13. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Bank's culture, financial capacity, business strategy and control environment.
14. Designate the amount of remuneration and fringe benefits, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the Bank successfully.
15. Disallow any director to decide his or her own remuneration.
16. Provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of the aggregate compensation of its executive officers for the previous year and the ensuing year.
17. Establish strategic objectives and a set of corporate values that are communicated throughout the institution.
18. Set and enforce clear lines of responsibility and accountability throughout the Bank.
19. Ensure that the Board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from Management or outside concerns.
20. Effectively utilize the work conducted by internal and external auditors in recognition of the important control function they provide.
21. Ensure that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment.
22. Conduct corporate governance in a transparent manner.
23. Receive and evaluate complaints regarding conflict of interest situations.

#### D. RISK OVERSIGHT COMMITTEE (ROC)

Functions: The BSP-mandated functions of the Risk Oversight Committee are as follows:

1. Identify and evaluate exposures – the ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity).
2. Develop risk management strategies – the ROC shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.
3. Oversee the implementation of the risk management plan – the ROC shall conduct regular discussions on the Bank's current risk exposures based on regular management reports and assess how the concerned units or offices reduced these risks.
4. Review and revise the plan as needed – the ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.

Key Responsibilities: The duties and responsibilities of the ROC with respect to the different fields that it covers according to its charter are the following:

#### Operational and Legal Risks

1. Approve the basic structure of the framework for managing operational risk (i.e. arising from process, system, people and external event), which includes legal risk.
2. Mandated to be aware of the major aspects of the Bank's operational and legal risks, it shall: (a) review, on continuing basis, operational and legal risk exposures and loss events by major business lines; and (b) oversee the effective resolution, management and control of the Bank's operational and legal risk.
3. Assume an oversight role through the Chief Risk Officer and Chief Audit Executive with respect to the management's responsibility for maintaining and implementing effective policies and procedures for managing operational risk in all of the Bank's products, activities, processes and systems; and through the Chief Legal Counsel with respect to legal risk.

#### Strategic and Financial Risks

1. Assume an oversight role through the Head of Corporate Planning Division in monitoring the compatibility of the Bank's strategic goals, business strategies developed, resources deployed and quality of implementation.
2. Review and discuss with management the performance versus target of major business units. ROC may request management for an explanation on unfavourable variance and direct management to change certain policies and strategies.
3. Assess how the Bank generates income and analyze the sensitivity of the Bank's earnings given a set of business conditions.

Reputation Risk: Assume an oversight role through the Service Quality Officer in ensuring the abundance of caution in dealing with customers and the community, as well as the Bank's responsiveness in addressing negative public opinion.

Technology Risk: Assume an oversight role through the IT Governance Committee in ensuring that technology and information security risks are properly identified, monitored, reported and mitigated. This assumes that each member of the ROC:

1. Have the knowledge and skills necessary to understand and effectively manage technology-related risks.
2. Ensure that – (a) an effective technology planning process exists; (b) technology is implemented properly with appropriate controls; and (c) measurement and monitoring efforts effectively identify ways to manage risk exposure.
3. Review, recommend for Board approval, and monitor technology projects that may have significant impact on the Bank's operations, earnings or capital.
4. Establish clearly-defined measurement objectives and conduct periodic reviews to ensure that goals and standards established by management are met.

Compliance Risk: Assume an oversight role through the Chief Compliance Officer with respect to compliance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

Trust Risk: Assumes the oversight role through the bank's Trust Risk Officer with the Corporate Risk Manager, for the identification, measurement, monitoring and control of operations of the Trust Banking Group. This is a specialized function that is distinct from Trust banking Operations.

#### Credit Risk

1. Oversee the Bank wide management of the credit risk internal in the entire portfolio and ensure the adequacy of provisions.
2. Ensure that the following sound and best practices in credit risk management are in place and conduct periodic review of the same: (a) policy and infrastructure; (b) sound credit granting process; (c) system for administration and monitoring of exposure; (d) portfolio management; (e) credit review; (f) review the adequacy of valuation reserves; and (g) work out system for managing problem credits.

Market Risk: Recommend for Board approval market risk policies and risk limits for all trading and balance sheet-related market risks and for investment securities activities.

Interest Rate Risk: Approve the methodology, models and assumptions used to measure market and interest rate risks.

Liquidity Risk: Review compliance with established limits.

Others: Performs such other functions as may be mandated by the Board and regulatory bodies relevant to risk management.

Power/Authority: The ROC has the authority to implement the following:

1. Direct management to submit regular reports on current risk exposures on operational, legal, compliance, strategic, reputation, technology and other risks as well to address said risks.
2. Approve or endorse for Board approval the proposed risk policies and procedures.
3. Access to all Bank's records and any officer or employee of the Bank, as it deems necessary.

#### E. TRUST COMMITTEE

Function: The Trust Committee provides direction for the trust business and management of trust assets, fiduciary accounts, investments and trust services.

Key Responsibilities and Power/Authority:

1. Acts within the sphere of authority as may be provided in the Amended By-Laws and/or as may be delegated by the Board of Directors, such as but not limited to the following:
  - (a) The formulation of specific policies with regard to: (i) correlation of the Trust Banking Group with other departments of the Bank; (ii) personnel; (iii) cost and charges; (iv) kinds of business to be accepted; (v) trust business development; (vi) work with other banks and/or financial institutions;
  - (b) The acceptance and closing of trust and other fiduciary accounts;
  - (c) The initial review of assets placed under the custody of the Trust Banking Group as trustee or fiduciary;
  - (d) The investment, reinvestment and disposition of funds or property;
  - (e) The review and approval of transactions between trust and/or fiduciary accounts; and
  - (f) The review of trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship."
2. Reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank/NBFI. In discharging its functions, it shall:
  - (a) Ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices;
  - (b) Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;
  - (c) Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to fiduciary activities;



- (d) Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Banking Group to effectively carry out its functions;
- (e) Oversee and evaluate performance of the Trust Officer; and
- (f) Report regularly to the Board of Directors on matters arising from fiduciary activities.

F. BOARD OVERSIGHT COMMITTEE – DOMESTIC & FOREIGN OFFICES/SUBSIDIARIES

Function: The Board Oversight Committee was created to provide the required oversight on the domestic and foreign offices/subsidiaries to ensure their profitable operations and long-term viability consistent with the Bank's strategic goals.

Key Responsibilities and Power/Authority:

1. To provide oversight on the business plans, initiatives, overall business operations and regulatory compliance of the domestic subsidiaries and overseas offices to include foreign branches, subsidiaries, marketing desk offices and representative offices.
2. To establish the strategic objectives and the business priorities for the domestic subsidiaries and overseas offices that needs to be regularly communicated throughout the domestic subsidiaries and overseas offices. This will include the evaluation and approval of the Bank's short term, medium term and long term strategic plans and the supporting schedules as components of the major plans and key activities. On periodic basis, the Committee will require the re-forecasting of financial budgets/plans, capital/equity investments, contingency plans and significant changes in market positioning, budgets and re-alignment of the ICAAP Programs for specific business entities.
3. To supervise the formulation of policy guidelines and procedures to ensure the quality of compliance and risk management of the different business legal vehicles by focusing on key risk areas that require closer supervision by the Board and implementation of timely effective corrective actions and/or plans by senior management.
4. To conduct periodic financial performance and management profitability reviews and be informed of market and economic developments and changes in laws and regulatory environment for each of the domestic and overseas business legal vehicle, in coordination with the respective entity Board of Directors, other board committees and senior management group heads that provide oversight support to the domestic subsidiaries and overseas offices.
5. To review and approve business models/licenses, product programs, operations policy and procedures manuals, IT systems and developments, major marketing tie-ups/programs.
6. To review and evaluate qualification of key personnel recommended to be hired or appointed for the domestic subsidiaries and overseas offices as well as those nominated to positions requiring the confirmation of the Board of Directors, and formulate policies for the continuing education of key officers in domestic subsidiaries and overseas offices, their assignment to management committees and the succession planning for the domestic subsidiaries and overseas offices senior management.

G. BOARD OVERSIGHT RPT COMMITTEE

Function: The Board Oversight RPT Committee (BORC) was created to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders.

Key Responsibilities and Power/Authority:

1. Oversee the evaluation of relevant related party transactions (RPT) that present the risk of potential abuse and ensure that rules and regulations, accounting standards in each jurisdiction are considered to properly and effectively implement the Bank's RPT policy guidelines;
2. Exercise sound and objective judgment on the related party transactions for the best interest of the Bank and that the processes and approvals are conducted at arm's length basis;
3. Endorse the related party transaction to the Board for approval.
4. Review and approve policy guidelines and implementing procedures in the handling of relevant RPTs by ensuring an effective compliance with existing laws, rules and regulations, accounting standards and global best practices;
5. Review and inform the Board in advance of any related party transaction causing material conflicts of interest, conclude the transaction with the approval of the Board through an effective monitoring system;
6. Oversee the proposed deals on RPTs clearly articulate the identity of the parties involved and the terms of transactions are made substantially on the same terms as other individuals and businesses of comparable risk;
7. Ensure Bank compliance with the disclosure and reporting of materially significant RPTs.

H. BOARD I.T. GOVERNANCE COMMITTEE

Function: The Board I.T. Governance Committee was created to assist the Board in performing its oversight functions in reviewing, approving and monitoring the Information Technology (IT) Risk Management Framework and IT Strategic Plan of the PNB Group.

Key Responsibilities and Power/Authority:

1. Oversee the development of the long-term and short-term Enterprise IT Strategic Plans.
2. Ensure that IT laws, IT regulatory guidelines and IT corporate standards are considered in the proper and effective implementation of IT risk management policies and procedures.
3. Endorse IT related plans, IT projects, IT policy guidelines and procedures to the Board for approval.
4. Has oversight of the IT Risk Management System.
5. Review and endorse for approval of the Board the Enterprise IT Strategic Plans of the Parent Bank, its subsidiaries and affiliates.

6. Evaluate and endorse for approval of the Board the IT Organizational Structure of the PNB Parent Bank and related entities belonging to the PNB Group - foreign branches, domestic and foreign subsidiaries and affiliates.
7. Review and endorse for approval of the Board the IT Risk Assessment of the PNB Group and its member entities.
8. Review and endorse for approval of the Board IT policy guidelines and implementing procedures in related to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices;
9. Review and inform the Board in a timely manner critical IT Projects and endorse approval of necessary IT budgets to support business plans and priorities.
10. Oversee that IT Project proposals are consistent with the overall IT Strategic Plans.
11. Monitor the IT Group performance, IT Projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities.
12. Review and monitor significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews.

2) Committee Members (updated – July 22, 2016)

(a) Executive Committee

Office	Name	Date of Last Appointment
Chairman (NED)	Florido P. Casuela	May 31, 2016
Member (NED)	Leonilo G. Coronel	May 31, 2016
Member (ED)	Reynaldo A. Maclang	May 31, 2016
Member (NED)	Christopher J. Nelson	May 31, 2016
Member (NED)	Lucio K. Tan, Jr.	May 31, 2016
Member (NED)	Michael G. Tan	May 31, 2016
Member (ID)	Felix Enrico R. Alfiler	May 31, 2016
Member (ID)	Federico C. Pascual	May 31, 2016
Member (ID)	Florencia G. Tarriela	May 31, 2016

(b) Board Audit and Compliance Committee (BACC)

Office	Name	Date of Last Appointment
Chairman (ID)	Felix Enrico R. Alfiler	May 31, 2016
Member (ID)	Edgar A. Cua	May 31, 2016
Member (ID)	Florencia G. Tarriela	May 31, 2016

The Board Audit and Compliance Committee shall be composed of at least three (3) Board members, who shall preferably have accounting and finance background, two (2) of whom shall be independent directors, including the Chairman and another non-executive director with audit experience. The members of the BACC and the Committee Chair shall be appointed by the Board.

Disclose the profile and qualification of the Audit Committee members.

Name	<b>FELIX ENRICO R. ALFILER</b>
Age	66
Nationality	Filipino
Education	Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	Vice Chairman/Independent Director
Date of First Appointment	January 1, 2012
Directorship in Other Listed Companies	None
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman/Independent Director of PNB RCI Holdings Co., Ltd.</li> <li>* Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp.</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Senior Advisor to the World Bank Group Executive Board in Washington, D.C.</li> <li>* Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization</li> <li>* Director of the Bangko Sentral ng Pilipinas</li> <li>* Assistant to the Governor of the Central Bank of the Philippines</li> <li>* Senior Advisor to the Executive Director at the International Monetary Fund</li> <li>* Associate Director at the Central Bank</li> <li>* Head of the Technical Group of the CB Open Market Committee</li> <li>* Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts</li> <li>* Advisor at Lazaro Tiu and Associates, Inc.</li> <li>* President of Pilgrims (Asia Pacific) Advisors, Ltd.</li> </ul>

- \* President of the Cement Manufacturers Association of the Philippines (CeMAP)
- \* Board Member of the Federation of Philippine Industries (FPI)
- \* Vice President of the Philippine Product Safety and Quality Foundation, Inc.
- \* Convenor for Fair Trade Alliance.

Name	<b>EDGAR A. CUA</b>
Age	61
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University</li> <li>* Masters of Arts in Economics degree from the University of Southern California</li> <li>* Masters of Planning Urban and Regional Environment degree from the University of Southern California</li> <li>* Advanced Chinese from the Beijing Language and Culture University</li> <li>* Sustainable Development Training Program, Cambridge University</li> </ul>
Current Position in the Bank	* Independent Director
Date of First Appointment	* May 31, 2016
Other Current Position	* Independent Director of PNB Capital and Investment Corporation
Previous Positions	<ul style="list-style-type: none"> <li>* Director of Davao Unicar Corporation</li> <li>* Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC.</li> <li>* Staff Consultant, SGV &amp; Co.</li> </ul>

Name	<b>FLORENCIA G. TARRIELA</b>
Age	69
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines</li> <li>* Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination</li> </ul>
Current Position in the Bank	Chairman of the Board/Independent Director
Date of First Appointment	<ul style="list-style-type: none"> <li>* May 29, 2001 (as Director)</li> <li>* May 24, 2005 (as Chairman of the Board)</li> <li>* May 30, 2006 (as Independent Director)</li> </ul>
Directorship in Other Listed Companies	Independent Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, PNB-IBJL Equipment Rentals Corporation, and PNB International Investments Corporation</li> <li>* Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World</li> <li>* Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation</li> <li>* Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director</li> <li>* Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc.</li> <li>* Co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), IV ("Against All Odds"), and V ("Beyond All Barriers"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil"</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Environmentalist and practices natural ways of gardening</li> <li>* Undersecretary of Finance</li> <li>* Alternate Monetary Board Member of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation</li> <li>* Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A.</li> <li>* President, Bank Administration Institute of the Philippines</li> </ul>
Awards/Citations	* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement

Describe the Audit Committee's responsibility relative to the external auditor.

The Committee shall have the sole authority to select, evaluate, appoint, and replace the External Auditors subject to stockholder ratification.

It shall recommend to the Board of Directors to grant the President the authority to negotiate and finalize the terms and conditions of the audit engagement as well as the audit fees, and sign, execute and deliver the corresponding contract and all non-audit engagement with the External Auditors subject to the confirmation of the BACC members. Provide oversight of the Bank's External Auditor. Discuss with the External Auditor before the audit commences the nature, scope of the audit. Responsible for the selection process and endorsement of the External Auditor to the Board for approval. Receive and review the reports of external auditor and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies. Evaluate and determine the non-audit work of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their total annual income and to the Bank's overall consultancy expenses.

(c) Corporate Governance Committee\*

Office	Name	Date of Last Appointment
Chairman (ID)	Florencia G. Tarriela	May 31, 2016
Member (ED)	Reynaldo A. Maclang	May 31, 2016
Member (NED)	Felix Enrico R. Alfiler	July 22, 2016
Member (NED)	Federico C. Pascual	July 22, 2016
Member (NED)	Cecilio K. Pedro	July 22, 2016

\* The Corporate Governance Committee acts as the Bank's Nomination and Remuneration Committee

(d) Risk Oversight Committee

Office	Name	Date of Last Appointment
Chairman (ID)	Felix Enrico R. Alfiler	May 31, 2016
Member (NED)	Florido P. Casuela	May 31, 2016
Member (ID)	Edgar A. Cua	May 31, 2016

(e) Trust Committee

Office	Name	Date of Last Appointment
Chairman (ID)	Federico C. Pascual	May 31, 2016
Member (NED)	Leonilo G. Coronel	May 31, 2016
Member (ID)	Christopher J. Nelson	July 22, 2016
Ex-Officio Member	Reynaldo A. Maclang	May 31, 2016
Ex-Officio Member	Roberto S. Vergara	May 31, 2016

(f) Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries

Office	Name	Date of Last Appointment
Chairman (NED)	Christopher J. Nelson	May 31, 2016
Member (ID)	Florido P. Casuela	July 22, 2016
Member (ID)	Michael G. Tan	July 22, 2016

(\*) Domestic Subsidiaries

Office	Name	Date of Last Appointment
Chairman (NED)	Christopher J. Nelson	May 31, 2016
Member (ID)	Florido P. Casuela	July 22, 2016
Member (ID)	Michael G. Tan	July 22, 2016

(\*) Overseas Subsidiaries

(g) Board Oversight RPT Committee

Office	Name	Date of Last Appointment
Chairman (ID)	Federico C. Pascual	May 31, 2016
Member (ID)	Edgar A. Cua	May 31, 2016
Member (ID)	Cecilio K. Pedro	May 31, 2016
Non-voting Member	Alice Z. Cordero	May 31, 2016
Non-voting Member	Dioscoro Teodorico L. Lim	May 31, 2016

(h) Board IT Governance Committee

Office	Name	Date of Last Appointment
Chairman (NED)	Leonilo G. Coronel	May 31, 2016
Member (NED)	Lucio K. Tan, Jr.	May 31, 2016
Member (NED)	Christopher J. Nelson	May 31, 2016
Member (NED)	Florido P. Casuela	May 31, 2016
Member (ID)	Florencia G. Tarriela	May 31, 2016

3) Changes in Committee Members (updated – July 22, 2016)

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
1. Executive Committee	Christopher J. Nelson	Appointed as new member
	Felix Enrico R. Alfiler	Appointed as new member
	Federico C. Pascual	Appointed as new member
	Florencia G. Tarriela	Appointed as new member
	Harry C. Tan	Expiration of term
2. Board Audit and Compliance Committee	Edgar A. Cua	Appointed as new member
	Florencia G. Tarriela	Appointed as new member
	Florido P. Casuela	Appointed to another committee
	Christopher J. Nelson	Appointed to another committee
	Deogracias N. Vistan	Expiration of term
	Harry C. Tan	Expiration of term
3. Corporate Governance/ Nomination/ Remuneration Committee	Florido P. Casuela	Appointed to another committee
	Felix Enrico R. Alfiler	Appointed as new member
	Federico C. Pascual	Appointed as new member
	Cecilio K. Pedro	Appointed as new member
	Christopher J. Nelson	Appointed to another committee
	Michael G. Tan	Appointed to another committee
4. Risk Oversight Committee	Felix Enrico R. Alfiler	Appointed as new member
	Edgar A. Cua	Appointed as new member
	Florencia G. Tarriela	Appointed to another committee
	Leonilo G. Coronel	Appointed to another committee
	Christopher J. Nelson	Appointed to another committee
	Harry C. Tan	Expiration of term
5. Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	Felix Enrico R. Alfiler	Appointed to another committee
	Federico C. Pascual	Appointed to another committee
	Florido P. Casuela	Appointed as new member
	Michael G. Tan	Appointed as new member
6. Board Oversight RPT Committee	Edgar A. Cua	Appointed as new member
	Cecilio K. Pedro	Appointed as new member
	Felix Enrico R. Alfiler	Appointed to another committee
	Deogracias N. Vistan	Expiration of term
7. Board IT Governance Committee	Florencia G. Tarriela	Appointed as new member
	Michael G. Tan	Appointed to another committee
8. Trust Committee	Christopher J. Nelson	Appointed as new member
	Cecilio K. Pedro	Appointed to another committee

4) Work Done and Issues Addressed (updated – October 2016)

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive Committee	1. Endorsed and/or approved loan	1. Credit worthiness of the borrower

	<p>recommendations of not more than ₱1.0 Billion from Corporate Banking Group, Commercial Banking Group, Retail Banking Group and Consumer Banking Group.</p> <ol style="list-style-type: none"> <li>2. Approved the restructuring, payment plan, extension, compromise/full- settlement or write-off of past due problematic and remedial accounts wherein the amount involved is not more than ₱500M.</li> <li>3. Approved proposals for the lease, sale, disposal and any matter pertaining to ROPA with a value of not more than ₱500M.</li> <li>4. Endorsed approval the establishment, relocation/ transfer, renaming, renovation or closure of domestic and overseas branches/offices including the approval of the needed budget.</li> <li>5. Approved disbursements/ budget appropriation for various projects, promotional campaign and events of the Bank not exceeding ₱500M.</li> <li>6. Approved the purchase of real and personal property or disposal of assets with a value of not more than ₱500M.</li> <li>7. Endorsed for Board notation all credit transactions approved by the Excom.</li> </ol>	<ol style="list-style-type: none"> <li>2. Growth of portfolio</li> <li>3. Monitoring of the consumer banking portfolio and account officer/ relationship manager workload</li> </ol>
Board Audit and Compliance Committee	<ol style="list-style-type: none"> <li>1. Reviewed and discussed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Bank, including management's significant judgments and estimates</li> <li>2. Assessed the independence and effectiveness of the external auditors, tax preparers and consulting companies, and endorsed them to the Board of Directors</li> <li>3. Reviewed the scope of work and fees of the external auditors, tax preparers and consulting companies, assessed their independence and effectiveness, and endorsed them to the Board of Directors</li> <li>4. Reviewed and approved the annual plans and programs fo the Internal Audit Group and Global Compliance Group for 2016</li> <li>5. Reviewed and discussed the results of the independent external validation of the Internal Group's Self-Assessment</li> <li>6. Reviewed the results of audits and recommendations of the external auditors and their assessment of the overall quality of the Company's financial reporting process</li> <li>7. Reviewed the 1st and 2nd quarter 2016 performance of the Internal Audit Group and Global Compliance Group</li> <li>8. Reviewed and approved the 2015 Annual Report on the Internal Control Environment</li> <li>9. Reviewed and discussed the reports of the Internal Audit Group and Global Compliance Group, ensuring that management takes timely and appropriate corrective actions, including those involving internal control and compliance issues</li> <li>10. Approved enhancements in the Committee Charter</li> <li>11. Reviewed significant revisions/updates in the Compliance Programs of PNB Parent Bank, its Subsidiaries and Affiliates including</li> </ol>	<ol style="list-style-type: none"> <li>1. Compliance with accounting and reporting standards</li> <li>2. Effectiveness of external auditors plans and that there is adequate coverage of their examination</li> <li>3. Effectiveness of external auditors plans in relation to their respective mandates</li> <li>4. Compliance with regulatory requirements and conformance with international standards</li> <li>5. Resolution of audit observations and monitored the actions taken by Management to rectify outstanding issues</li> <li>6. Adequate coverage of examination of business and operating units of the Bank and subsidiaries. Compliance with regulatory requirements.</li> <li>7. Conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA)</li> <li>8. Tracking of open issues and documentation in the minutes of meeting of the BACC until closure. Compliancw with regulatory requirements.</li> <li>9. Adopted leading good governance practices.</li> <li>10. Compliance with regulatory requirements.</li> </ol>

	foreign branches	
Corporate Governance/ Nomination/Remuneration Committee	<ol style="list-style-type: none"> <li>1. Pre-screened, shortlisted and endorsed approval of the nomination of candidates to become a member of the Board of Directors</li> <li>2. Reviewed and endorsed approval of new and/or amended policies relating to personnel of the Bank</li> <li>3. Approved, noted, and/or endorsed approval of the hiring, resignation, promotion, extension of service, renewal of management contract, transfer, designation, appointment, secondment of Bank personnel</li> <li>4. Endorsed approval of Directors and Officers (D &amp; O) Liability Insurance Policy</li> <li>5. Approved the creation and nomination of the members of the Corporate Social Responsibility (CSR) Committee</li> <li>6. Reviewed and endorsed for approval the various table of organizations (TO) of the different groups of the Bank</li> <li>7. Endorsed for approval the creation of Anti-Cyber Fraud Department</li> <li>8. Approval of the salary structure of the grant of salary adjustment to rank and file employees</li> </ol>	<ol style="list-style-type: none"> <li>1. Review and evaluation of the qualifications of the nominees</li> <li>2. Harmonization of policies and compliance with labor law</li> <li>3. Review and evaluation of the qualifications of personnel</li> <li>4. Consolidation of policy with higher insurance coverage but with a lower annual premium cost</li> <li>5. To handle all matters related to CSR projects</li> <li>6. To enable the group make decisions more efficiently, adapt to changes within the Bank and the industry and be more competitive</li> <li>7. To have a dedicated team that will implement anti-cyber crime policies and enforcement, mitigate the various risk exposures to the customers, Bank employees and the PNB Group, as an institution</li> <li>8. To be competitive and to retain good people</li> </ol>
Risk Oversight Committee	<ol style="list-style-type: none"> <li>1. Endorsed/approved the following policies, limits, guidelines and manuals to address the material risks of the Bank: <ul style="list-style-type: none"> <li>- Revised Credit Risk Management Manual</li> <li>- Annual Credit Review of the Loan Portfolio</li> <li>- Revised Off-Market Rates Tolerance Threshold (Result of Annual Review)</li> <li>- Proposed Revision in the Credit Risk Factors for FX Forwards</li> <li>- 2015 Annual Review of Treasury Value-at-Risk and Stop Loss Limits</li> <li>- 2015 Revised Liquidity Risk Management Manual</li> <li>- 2015 Annual Review of Maximum Cumulative Outflow (MCO) Limits</li> <li>- 2015 Revised Liquidity Contingency Plan (LCP) Manual</li> <li>- Proposed Revision in the Credit Risk Factors for Fixed Income Debt Securities</li> <li>- 2015 Revised Market Risk Management Manual</li> <li>- 2015 Maximum Cumulative Outflow (MCO) Limit</li> <li>- 2015 Earnings at Risk Limit</li> <li>- 2015 Revised Interest Rate Risk in the Banking Book Management Manual</li> <li>- Discussion on Interest Rate Risk Tool-Economic Value of Equity (EVE)</li> <li>- Liquidity Contingency Plan (LCP) as of September 30, 2015 and impact to the Maximum Cumulative Outflow</li> <li>- Merged Business continuity Plan</li> </ul> </li> </ol>	<p>The ROC had provided directives and resolutions on a number of issues that raise risks on the Bank's credit profile, market positions, liquidity risk and interest rate risks, information security, business continuity, and overall operations as enumerated below:</p> <ul style="list-style-type: none"> <li>- Closer monitoring of the Fixed income transactions of the Treasury marketing Group by presenting the fixed income deals of the Treasury marketing Group on a monthly basis. This is to send signals the ROC's tightening of the oversight function.</li> <li>- Reverse stress testing of the liquidity contingency plan to point out the maximum percentage of withdrawals which the Bank is vulnerable and the action to be taken to address the withdrawals.</li> <li>- Briefing on the new risk tool "Economic Value" of Equity which is a complementary tool in the oversight of the interest rate risk in the Banking Book.</li> <li>- Discussion and monitoring of the Bank's other material risks such as Litigation Risks and Customer Complaints Statistics</li> <li>- BCP updates and root causes of issues for unsuccessful units</li> <li>- Prevalence of cyber risks such as ATM Skimming, Credit Card frauds, hacking, phishing were noted both by the Bank and industry. Business units are made aware of these risks and are educated on how to battle them. Risks are maintained on a reasonable level and impacts of actual incidents are mitigated.</li> <li>- For operational loss incidents, recommendations were provided and actions taken by the business units were monitored</li> </ul>

	<p>(BCP) Manual of PNB Makati and Pasay, and updated BCP Manuals of Overseas Branches/Offices, such as Singapore, Hong Kong and Guam</p> <ul style="list-style-type: none"> <li>- Unified RCSA methodologies and templates, being a major tool for ICAAP and Operational purposes, resulting in a single RCSA for the Bank and its subsidiaries. Major changes also include migration from five-rating scale into just four, and the improvement of the assessment criteria.</li> </ul> <ol style="list-style-type: none"> <li>2. Conducted Stress Testing on Large Individual, Conglomerate and Industry Exposures.</li> <li>3. Conducted Rapid Loan Portfolio Review on the Effect of the Yuan Devaluation and Typhoon Lando, Effect of Decreasing Oil Price to PAL and Petron</li> <li>4. Reviewed the Property Valuation and Appraisal Report Enhancement.</li> <li>5. Monitored Intra-group accounts, connected counterparties and economic interdependent accounts</li> <li>6. Model Validation of the Internal Credit Risk Rating</li> <li>7. Gap Analysis on the BSP Circular 855 requirements – Guidelines on the Sound Credit Risk Management</li> </ol> <p>Notation of minutes of the meeting and highlights of operations of the Bank's subsidiaries. Resource speakers from them were also invited to discuss important issues.</p>	<ul style="list-style-type: none"> <li>- Discussion and monitoring of the Bank's other material risks such as Litigation risks and Customer Complaints statistics</li> </ul>
Trust Committee	<ol style="list-style-type: none"> <li>1. Review and approval of various investments for both directional and discretionary accounts.</li> <li>2. Acceptance and closing of various trust and other fiduciary accounts.</li> <li>3. Approval of the rationalized UITF product plate; termination of PNB Plus and AUP Dollar Fund.</li> <li>4. Approval on the amendments to the Declaration of Trust of various UITF to make the features of the products competitive and superior against its competitors.</li> <li>5. Approval on the acquisition on new Trust System to replace existing system for operational efficiency and competitive advantage.</li> <li>6. Approval on counterparty limits and equity accreditations.</li> <li>7. Review and approval of transactions by and between trust accounts to fund the withdrawal of clients and realign the portfolio in accordance with the funds' strategy/guidelines.</li> </ol>	
Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	<p>As an oversight committee, monitor the performance of domestic subsidiaries on a regular basis more particularly on the following:</p> <ol style="list-style-type: none"> <li>1. Financial performance for the month vs. budget</li> <li>2. Status on attainment of strategic objectives</li> <li>3. Major issues on compliance, audit and risk management.</li> </ol>	



Board Oversight RPT Committee (BORC)	<ol style="list-style-type: none"> <li>1. RPT Policy Manual aligned with BSP Circular No. 895 and 914 was reviewed/approved and endorsed by BORC to the Board for final approval.</li> <li>2. Related Party Transactions were reviewed, deliberated, approved/ noted by BORC; endorsed to the Board for final approval; and documented in the Minutes per Board approved RPT policy guidelines Manual.</li> </ol>	Complied with the SEC and BSP rules and regulations on Related Party Transaction (RPT).
Board IT Governance Committee	<ol style="list-style-type: none"> <li>1. Review and endorsed for Board approval IT policy guidelines and implementing procedures relative to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices.</li> <li>2. Reviewed and informed the Board in a timely manner critical IT Projects and endorsed approval of necessary IT budgets to support business plans and priorities;</li> <li>3. Monitored the IT Group performance, IT projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities;</li> <li>4. Reviewed and monitored significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews.</li> </ol>	

5) Committee Program (updated – October 2016)

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues Addressed
Executive Committee	Semi-annual review of portfolio	Monitoring of the consumer banking portfolio and identification of strengths, weaknesses, threats and opportunities
Board Audit and Compliance Committee (BACC)	The BACC holds regular monthly meetings to review and approve Internal Audit and Compliance reports. Special meetings are held to discuss quarterly financial statements submitted to regulators.	Significant issues the BACC is confronted with.
Corporate Governance/ Nomination/Remuneration Committee	<p>Corporate Governance Seminar</p> <p>Institute of Corporate Directors (ICD) Programs</p>	<p>All board members and key senior officers , especially those who are new and have not yet attended the Corporate Governance Seminar, are enjoined to attend the seminars/ trainings at least once a year, in compliance with BSP requirement and SEC Memorandum Circular No. 20, Series of 2013.</p> <p>There are three (3) PNB board members and one (1) board advisor who are ICD Fellows. The other board members are encouraged to attend the ICD Programs and other corporate governance trainings and programs to strengthen the Bank's corporate governance.</p>
Risk Oversight Committee	Coordinates preparation of the annual ICAAP program submitted to Bangko Sentral ng Pilipinas. Completion of Enterprise Information Security Policy. Endorses annual renewal of Risk Management Manuals, Policies on Procedures to further strengthen risk management practices of the Bank enterprise wide. Harmonized risk management policy guidelines for critical risk management reports under the Merged Bank.	
Trust Committee	Push of the Wealth Management Program of Trust Banking Group through Estate Planning targeting the retirees of the LT Group of	

	Companies	
Board Oversight Committee – Domestic & Foreign Subsidiaries and Affiliates	<p>Expanded review &amp; monitoring of monthly performance of oversea and domestic offices. Approved new strategic programs to further strengthen its operations to achieve long-term profitable operations via:</p> <ul style="list-style-type: none"> <li>- New marketing programs, tools &amp; strategies to sell PNB products &amp; services supported by aggressive advertising.</li> <li>- Retention programs were approved to win back lost clients and deepen relationship with existing valued customers.</li> <li>- New distribution channels for remittances through new technology i.e. web-based.</li> </ul>	Rolled-out revenue generating programs and effectively reduced overhead expenses to achieve desired rate of return.
Board Oversight RPT Committee	<ol style="list-style-type: none"> <li>1. Enhance existing RPT policy manual to align with the new regulatory issuances.</li> <li>2. Ensures proper monitoring of RPTs and such RPT dealings are approved by the Board through BORC per Board approved policy guidelines.</li> <li>3. Conduct training and increase awareness of RPT policies and procedures of bank employees.</li> <li>4. Conduct regular monthly meetings or as necessary to review, approve and endorse RPT proposals to the Board for final approval.</li> </ol>	<p>Bank has fully adhered with the SEC/BSP/PSE regulations and enhanced practices to align with global best practices.</p> <p>Established a robust RPT framework and modified/codified existing policies to provide clearer RPT policy guidelines based on regulatory requirements.</p> <p>Officers attended trainings on RPT Policy Guidelines conducted by BSP thru Baiphil to increase awareness on RPT policy guidelines.</p> <p>Bank's RPT dealings are reviewed/approved/noted by BORC and endorsed to Board for final approval per existing RPT policy guidelines.</p>

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the Bank: (updated – October 2016)

The Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. Risk governance is undertaken by a structured hierarchy of committees (both at board level and at the executive / management level) each with specified accountabilities. The continuous flow of information between the board and board-level committees and the corresponding management committees; allow for consistent evaluation of the risks inherent in the business, raise the alarms, if any, and manage the business effectively with strong adherence to process management guidelines and controls.

Strong independent oversight has been established at all levels within the group. The Bank 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 its activities and various public; professionalism among its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for the laws and regulations of the countries affecting its businesses.

Members of the senior management team play a pivotal role in the day-to-day running of the bank. Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the bank's board of directors. The bank's business objectives are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees as follows (see Figure 1):



Figure 1: Board & Management Committees

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who is directly reporting to the Risk Oversight Committee. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL and ICAAP Implementation Division, Market & ALM Division, Operational Risk Division, Information Security / Technology Risk Management, Trust and Fiduciary Risk Division and Business Intelligence & Warehouse Division.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof: (updated – October 2016)

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the Business Units and presented to the Risk Oversight Committee for endorsement for final Board Approval.

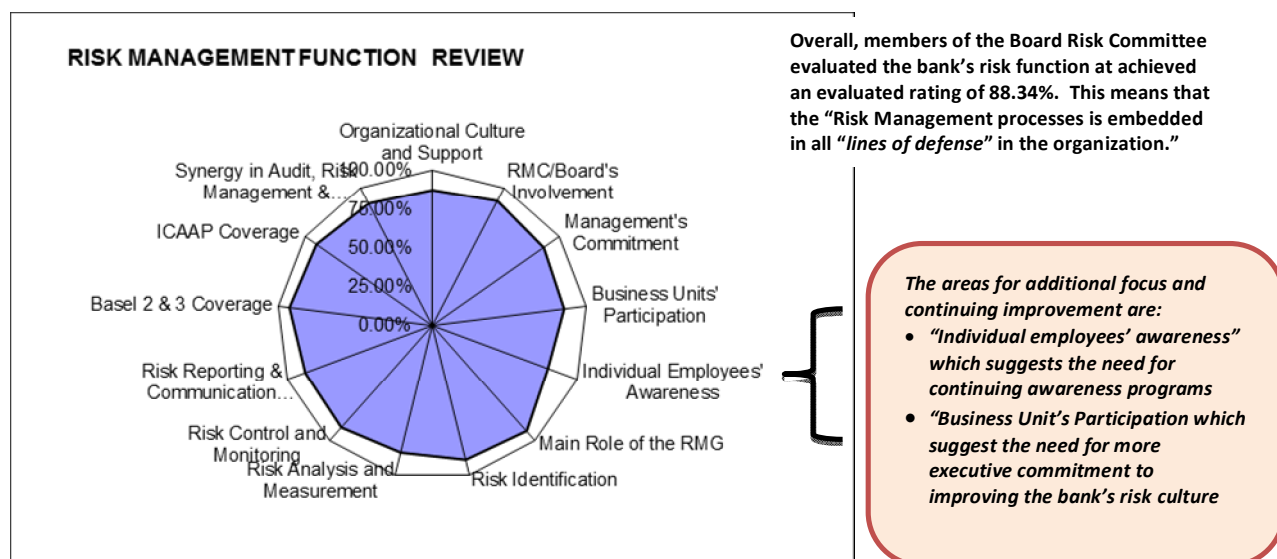


Figure 1: 2016 Overall Assessment of the Risk Management Function

Regular review and assessment of the Enterprise Risk Management Function is completed by both the senior management team (including 1-downs) and the Risk Oversight Committee members. The above evaluation refers to the review by the members of the Risk Oversight Committee.

- (c) Period covered by the review;
- One year.
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness?
- Annually.

Summary of RM Function Evaluation - 2015		
	Score	Assessment
Organizational Culture and Support	87.05%	Effective RM process in place
RMC/Board's Involvement	90.34%	Effective RM process in place
Management's Commitment	87.50%	Effective RM process in place
Business Units' Participation	85.80%	Effective RM process in place
Individual Employees' Awareness	79.83%	Effective RM process in place
Main Role of the RMG	91.89%	Very Effective RM process in place
Risk Identification	90.08%	Effective RM process in place
Risk Analysis and Measurement	85.32%	Effective RM process in place
Risk Control and Monitoring	88.89%	Effective RM process in place
Risk Reporting & Communication (internal&external)	87.86%	Effective RM process in place
Basel 2 & 3 Coverage	93.14%	Very Effective RM process in place
ICAAP Coverage	91.23%	Very Effective RM process in place
Synergy in Audit, Risk Management & Compliance	88.49%	Effective RM process in place
Average Rating	88.34%	Effective RM process in place

Figure 2: Summary of RM Function Evaluation

(e) Where no review was conducted during the year, an explanation why not.

(e)  
(e) Not Applicable.

2) (e)  
(e) Risk Policy

(e)  
(a) Company

(e) Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

(e) The following are the basic principles that the Bank must adhere to in conducting its business, with the objective of minimizing risks and optimizing return on capital:

(e) • First, the Board of directors and its delegated committees have the responsibility of managing the Bank's overall strategies and objectives.

(e) • Second, the Bank works on the basis that risk taking decisions should always be made by a committee consisting of at least three persons, and not by one person alone regardless of position.

(e) • Third, the Bank has policies and procedures in place to guide line management in actually originating, approving and managing these risks.

(e) • Fourth, the Board Risk Oversight Committee is designated by the PNB Board of Directors to assist the Board to oversee the risk profile and the development/maintenance of the risk management framework of PNB and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

(e) • Final Approval of the Bank's overall risk framework is accomplished by the Board of Directors en banc.

(e)  
(a) Group

(e) Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Enterprise Risk Management (ERM) Framework	ERM Policy Document	To formalize the Bank's ERM Framework and to articulate the roles and responsibilities of the Board of Directors, management and employees, and relevant committees accordingly. It is intended that this framework will provide the overall guidance in the Risk Management functions of <u>identification, measurement, analysis, monitoring and control of risks</u> .
Market Risk	Market Risk Management Manual	The Market Risk Manual covers subsidiaries and affiliate with market risk exposure. This include Value At Risk (VaR) Monitoring and setting of VaR Limits.
Liquidity Risk	Liquidity Risk Management Manual	The Liquidity Risk Management Manual covers subsidiaries and affiliate with funding liquidity risk exposure. This would include monitoring of liquidity gaps and the setting of cumulative liquidity gap limit up to one year.
Interest Rate Risk	Interest Rate Risk in the Banking Book	The Interest Rate Risk Management Manual covers subsidiaries and affiliate with exposure in net interest income arising from mismatch of repriceable assets and repriceable liabilities. This would include the monitoring of repricing gap and the setting of the Earnings at Risk Limit for the repricing gap per tenor bucket.
Market Risk Price Risk in the Trading Portfolio	<p>The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position taking activities for the fixed income, foreign exchange and equities markets.</p> <p>The Bank also employs the stop loss monitoring tool to monitor the exposure in the price risks. Stop loss limits are set up to prevent actual losses resulting from mark to market. To complement the VAR measure, the Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.</p>	<p>To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99% confidence level and one holding period (equities and FX VAR) to ten day holding period for fixed income VAR.</p> <p>VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR mode.</p>
Structural Market Risk	Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. Limits have been set on the tolerable level of earnings at risk. Compliance to the limit is monitored regularly.	To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.
Liquidity and Funding Risk	The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolio as well as regular testing of availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations.	The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.
Credit Risk	All credit risk policies issued by the regulatory bodies (BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies	The Bank's credit risk weighted assets are continuously monitored to ensure that the exposures are kept within limits (both internal and external).

	<p>reflect the Bank's lending profile and focus on:</p> <ul style="list-style-type: none"> <li>a) the risk tolerance and/or risk appetite;</li> <li>b) the required return on asset that the Bank expects to achieve;</li> <li>c) the adequacy of capital for credit risk.</li> </ul>	Adherence to regulatory policies and requirements are also prioritized with a view to protecting Bank assets as well as servicing client's requirements
<b>Operational Risk</b>		
People Risk	HR Policies are defined to encompass all related personnel factors such as: hiring, training, compensation and benefits, performance management – to ensure the readiness of all bank personnel to perform the functions as designated.	<ul style="list-style-type: none"> <li>a) Hiring: Continuous partnership between the HR Group and the lines of business and support units exist to ensure that the final accountability for hiring of personnel lies in the unit where each candidate is to be assigned. A thorough background check on each candidate is also accomplished to ensure this conforms with the bank's level of standards</li> <li>b) Training: each personnel is required to attend a specified number of hours on training (both internal and external. Training Workshops may also be conducted within the specific lines of business as the executive in charge sees fit. Specialized training is also given due focus where needed.</li> <li>c) Compensation &amp; Benefits (C&amp;B): A regular review of the Bank's overall C&amp;B policies is accomplished with the assistance of 3<sup>rd</sup> party subject matter experts to ensure that the Bank's benefits program is in line with the Board approved policies.</li> <li>d) Performance Management: A uniform standard of performance appraisal is applied to all personnel of the Bank based on an annual review of each employee's objectives. These objectives are reviewed by the seniors in charge to ensure that these are in line with the Bank's overall strategic and revenue and expense objectives.</li> </ul> <p>Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are either re-trained, re-tooled and re-skilled to equip them better.</p>
Process Risk	Operational Policies and Procedures follow a formal process of approval via the Operations Committee. The OPCOM is a management level committee to ensure that most processes are designed with audited fail-safes and checking procedures.	<p>The overall foundation of the formalized operational policies and procedures stems from a strict separation of functions by the revenue generating side and the implementation and systems side of the Bank.</p> <p>The Internal Audit Group, as well as the various officers tasked with the review function, regularly monitors the implementation of these documented policies and procedures.</p>
Business Strategy Risk	Annual Strategic Planning Exercise is accomplished to document the bank's objectives for a minimum of 3 years. A quarterly review of the bank's profitability is accomplished accordingly	<p>Strategic Risk can arise when the direction/strategy of the bank can lead to non-achievement of business targets. This results in a new focus of a business sector without consolidating this with the bank's overall business plan and strategy.</p> <p>At PNB, strategic risk is managed through each business sector performing "actuals vs targets" sessions with and report to the Board of Directors through regular Management Profitability Reporting Sessions. In addition, the coordination between business sectors are done through regular meetings by the Senior Management Team to ensure that overall business targets are continually revisited.</p>
Business Environment Risk	Product Management Framework New Product Roll outs go through a rigorous process where elements such as:	Product Management Business Framework where old and new products alike are monitored by assigned product managers who are fully involved and

	competition, regulations, legal, client acceptability, profitability – are taken into account.	engaged in coordinating with the various business sector heads in achieving the bank's business plan. Further, a Product Committee composed of senior managers has been convened and meets regularly to ensure that business environment is closely monitored as to competition; delivery channels and over all service levels are kept at acceptable levels.
Information Technology Risk	<p>Information Technology Strategic Plan is formulated in line with the overall bank's business plan. This is formalized via the approval channel – Board IT Governance Committee and Board of Directors.</p> <p>Enterprise Project Management (EPMF) Framework for technology driven Projects where both the business, technology and support groups are involved</p>	<p>The Bank has institutionalized and implemented the board-level IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG.</p> <p>Further, the Bank has formalized the Project Implementation Process (through the EPMF for defined systems implementation to include among others the creation of a PROJECT STEERING COMMITTEE to oversee the project's progress and to ensure that the project's objectives are achieved.</p>
Information Security Risk	<p>Enterprise Information Security Policies, the cornerstone of the Bank's information security management system, is a component of an effective Corporate Governance.</p> <p>This communicates Management's directives and support for PNB's information security programs and strategies. The high level security policies stated herein are based on International Organization for Standardization (ISO) 27000 series of internationally-accepted information security and risk management standards, related laws and regulations.</p>	Adoption of globally accepted ISMS (Information Security Management System – in compliance with BSP Circulars and ISO mandated functions) – is continuously reviewed and revised as necessary to ensure that the bank's information assets are duly protected and that the risk of theft, leakage and fraud are minimized, and/or eliminated.
Business Continuity Risk	Business Continuity Program – administered throughout the organization where each business unit formulates individual BCP.	<p>a) Call Tree Program (a component of the BCP) is administered throughout organization to ensure that each personnel stays connected when an emergency situation arises from natural and man-made disasters</p> <p>b) Business Impact Analysis – is accomplished on a regular basis to provide a central forum of prioritizing services whenever an emergency situation arises</p> <p>c) BCP Technical Tests are done on an annual basis to determine readiness of the bank's applications and system for continued delivery of prioritized services</p>

Note: The Bank applies the same risk management policy for both the Bank and its subsidiaries and affiliates as a Group.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
Stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock of the corporation may control the vote for matters such as the amendment of articles of incorporation, removal of directors, shorten or extend corporate term, increase or decrease capital, sale or other disposition of assets, invest corporate funds in another corporation or business or for any other purpose, declaration of dividends, merger or consolidation, voluntary dissolution, etc.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The Enterprise Risk Management Function (ERM) in the Bank is managed through the continuous review, evaluation and agreement between the Board of Directors and management. The Board of Directors, through its various designated committees, provides policy directions, reviews performance and ensures that safe and sound management practices are always adhered to in all of the Bank's engagement and transactions.

For ERM, three (3) committees are tasked to oversee the Bank's risk management processes. These are embedded in the charters of (1) Risk Oversight Committee; (2) Board Audit and Compliance Committee; and (3) Corporate Governance Committee.

The ERM Framework is applied to both the Bank and its subsidiaries and affiliates both domestic and overseas. RMG provides the backbone to the Risk Overseers assigned in each of the business units to ensure that the risk management tools are uniformly adopted and executed.

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<b>Market Risk</b>		
Price Risk in the Trading Portfolio	<p>The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position taking activities for the fixed income, foreign exchange and equities markets.</p> <p>The Bank also employs the stop loss monitoring tool to monitor the exposure in the price risks. Stop loss limits are set up to prevent actual losses resulting from mark to market. To complement the VAR measure, the Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.</p>	<p>To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99% confidence level and one-day holding period (equities and FX VAR) to ten-day holding period for fixed income VAR.</p> <p>VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR model.</p>
Structural Market Risk	Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. Limits have been set on the tolerable level of earnings at risk. Compliance to the limit is monitored regularly.	To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.
Liquidity and Funding Risk	The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolio as well as regular testing of availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations.	The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.
Credit Risk	<p>All credit risk policies issued by the regulatory bodies (BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:</p> <ul style="list-style-type: none"> <li>a) the risk tolerance and/or risk appetite;</li> <li>b) the required return on asset that the Bank expects to achieve;</li> <li>c) the adequacy of capital for credit risk;</li> </ul>	<p>The following credit risk management tools are in place:</p> <ul style="list-style-type: none"> <li>a) Credit Limit Structure: The Bank adopts a credit limit structure (regulatory and internal limits) as quantitative measure of the risk tolerance duly approved by the Board. Breaches in limits are monitored via the monthly credit dashboard reported at the Risk Oversight Committee.</li> <li>b) Stringent Credit Evaluation Repayment capacity of prospective borrowers are evaluated using an effective internal risk rating model for corporate and MSME accounts and appropriate credit scoring program for consumers loans. These models are validated to determine</li> </ul>



		<p>its predictive ability.</p> <p>c) Reporting System Effective Management Information System (MIS) are in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.</p> <p>d) Remedial Management System Work-out system for managing problem credits are in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks; and regular review of the sufficiency of valuation reserves.</p> <p>e) Event-Driven Stress Testing Techniques are conducted to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review program is in place to quickly identify possible problem credits on account of evolving events both domestic and global. Results of the stress testing shows minimum impact and have no material effect to Bank's NPL ratio and CAR.</p>
<b>Operational Risk</b>		
People Risk	<p>a) In PNB operational losses may be attributed to human error which can be brought about by inadequate training and management.</p> <p>b) Further, there is the risk of "non-fit" personnel being "forced" to occupy positions that they are not qualified for.</p>	<p>a) This issue is being addressed through formal (continuously conducting trainings) or informal (monthly meetings and discussing issues at hand) means. These trainings also address the issue of relying on key performers instead of cross training each team member.</p> <p>b) Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are either re-trained, re-tooled and re-skilled to equip them better.</p>
Process Risk	Most processes are designed with audited fail-safes and checking procedures. Since processes interact with other risky variables - the external environment, business strategy and people – it is difficult to sound the all clear. However, processes can make an institution vulnerable in other ways.	The Bank has documented policies and procedures duly approved by the Board. The Internal Audit Group as well as the various officers tasked with the review function regularly monitors the implementation of these documented policies and procedures.
Business Strategy Risk	Strategic Risk can arise when the direction/strategy of the bank can lead to non-achievement of business targets. This results in a new focus of a business sector without consolidating this with the bank's overall business plan and strategy.	At PNB, strategic risk is managed through each business sector performing "actuals vs targets" sessions with and report to the Board of Directors through regular Management Profitability Reporting Sessions. In addition, the coordination between business sectors are done through regular meetings by the senior management team to ensure that overall business targets are continually revisited.
Business Environment Risk	<p>Banks tend to have the least control over this source of operational risk yet it still needs to be managed. Business environment risk can arise from unanticipated legislative changes such as consumer affairs, physical threats such as bank robberies, terrorist attacks, natural disasters and regulatory required financial report changes, new or otherwise.</p> <p>New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more</p>	At PNB, we have become fully involved and engaged in the Product Management Business Framework where old and new products alike are monitored by assigned product managers who coordinate with the various business sector heads in achieving the bank's business plan. Further, a Product Committee composed of senior managers has been convened and meets regularly to ensure that business environment is closely monitored as to competition; delivery channels and over all service levels are kept at acceptable levels.

	nimble-footed. The flexibility required to remain in the game leads some banks to take shortcuts that eventually expose them to some new source of operational risk.	
Information Technology Risk	The growing dependence of financial institutions on IT systems is a key source of operational risk. Data corruption problems, whether accidental or deliberate, have been sources of embarrassing and costly operational mistakes. Losses may also result from a simple change in program, which end up being incorrectly tested prior to cut-over to production.	<p>The Bank has institutionalized and implemented the IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG Dashboard prior to it being presented to the Risk Oversight Committee with following focused topics:</p> <ul style="list-style-type: none"> <li>a) Bank's IT Strategic Plan</li> <li>b) Incident Reporting</li> <li>c) Business Continuity Management</li> <li>d) Major IT Projects</li> <li>e) Enterprise Project Management</li> </ul> <p>Further, the Bank has formalized the Project Implementation Process for defined systems implementation to include among others the creation of a Project Steering Committee to oversee the project's progress and to ensure that the project's objectives are achieved.</p>
Information Security Risk	IS Risk is assessed as the unwanted or unintended negative impact or consequence to the bank as a result of exposure to vulnerability or threat to the bank's information assets.	<p>Adoption of risk mitigation and management tools as follows:</p> <ul style="list-style-type: none"> <li>a) Regular Vulnerability and Penetration Testing</li> <li>b) Increased Risk Awareness Campaign</li> <li>c) Tight Data Protection and Incident Management Reporting &amp; corresponding Resolution Program</li> <li>d) Consistent Patch Management Program to prevent External and Internal Attacks</li> <li>e) Regular review of the Business Impact on security threats</li> </ul>
Business Continuity Risk	Business Continuity Program – administered throughout the organization where each business unit formulates individual BCP	<ul style="list-style-type: none"> <li>a) Call Tree Program (a component of the BCP) is administered throughout organization to ensure that each personnel stays connected when an emergency situation arises from natural and man-made disasters</li> <li>b) Business Impact Analysis – is accomplished on a regular basis to provide a central forum of prioritizing services whenever an emergency situation arises</li> <li>c) BCP Technical Tests are done on an annual basis to determine readiness of the bank's applications and system for continued delivery of prioritized services</li> </ul>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Note: The Bank applies the same risk control systems set up for both the Bank and its subsidiaries and affiliates as a Group.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Oversight Committee (ROC)	a) Approval of risk limits such as Value at Risk limits, Stop loss limits, credit risk factors, liquidity gap limits, earnings at risk limit.	Functions: The BSP-mandated functions of the ROC are as follows:

	<p>b) Approval of risk manuals</p> <p>c) Review and notation of current risk exposures via the risk dashboards.</p>	<p>a) Identify and evaluate exposures – The ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity).</p> <p>b) Develop risk management strategies – The ROC shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.</p> <p>c) Oversee the implementation of the risk management plan – the ROC shall conduct regular discussions on the Bank's current risk exposures based on regular management reports and assess how the concerned units or offices reduced these risks.</p> <p>d) Review and revise the plan as needed – The ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.</p>
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## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company:

Internal control system is a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, supervisory requirements, and the organization's policies and procedures. The internal control system shall embody management oversight and control culture; risk recognition and assessment; control activities; information and communication; and monitoring activities and correcting deficiencies.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate:

The Bank's overall risk management system, internal control systems and compliance with policies, procedures and regulations has remained satisfactory. PNB has an integrated bank-wide risk management process of comprehensive identification, assessment, mitigation and monitoring of all relevant material risks exposures of the Bank through individual unit's Risk and Control Self-Assessment (RCSA) process. The RCSA is an integral component of Enterprise Risk Management (ERM) and the Internal Capital Adequacy Assessment Process (ICAAP). The Board of Directors and senior management are consistent and diligent in the discharge of their oversight and governance functions over Bank's internal control system through regular monitoring of major issues of the Bank operations. Periodically, appropriate policies and procedures are issued to strengthen controls versus changes in the economic and regulatory environment.

Under the good governance of both the Board and the President/Chief Executive Officer and with the strong support of senior management to oversee the establishment, administration, and assessment of the Bank's system of risk management and control processes, PNB's internal control environment has been effective and dynamic to ensure the attainment of its business objectives.

(c) Period covered by the review:

One (1) year.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system:

Annually. The criteria for assessing the effectiveness of internal control system include, among others, the results of internal, external and BSP regulatory examinations, occurrence of fraud/irregularity and RCSA.

- (e) Where no review was conducted during the year, an explanation why not. (updated – 2015)

Not applicable. Review was conducted in 2015.

## 2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>The Internal Audit Group (IAG) is headed by the Chief Audit Executive (CAE) reporting directly to the Board Audit and Compliance Committee (BACC). The Internal Audit functions include assessment of internal controls and the recommendations to implement constructive measures to ensure adequate control. It is also tasked to support the Bank's risk management activities and corporate governance initiatives. The functions and responsibilities of the Internal Audit Group and the Chief Audit Executive is covered by the audit charter and Internal Audit Manual which is revised and approved by the Board annually.</p> <p>The major functions that IAG performs are:</p> <ol style="list-style-type: none"> <li>1. Develop an audit charter, approved by both senior management and the BACC, for the internal auditing activity.</li> <li>2. Develop, along with management, an organization model that can be used to map major processes/operations for the purpose of identifying the organization's auditable units.</li> <li>3. Develop a risk assessment methodology for the auditable entities identified in the model of major processes/operations.</li> <li>4. Develop an audit plan based on the risk assessment and requests from management and get it approved by the Board.</li> <li>5. Work with senior management and the BACC to establish a reporting relationship that will ensure that audit recommendations receive appropriate attention.</li> <li>6. Establish a Quality Assurance and Improvement Program (QAIP) for the internal auditing activity that provides assurance that the internal auditing activity: (a) performs in accordance with its charter; (b) adheres to the standards and the Code of Ethics; (c) operates in an effective and efficient manner; and (d) is perceived by the Board and management as adding value and improving an organization's operations.</li> <li>7. The internal audit function shall be established centrally by the parent bank (PNB) and shall have authority over the group (PNB and its Subsidiaries). PNB IAG shall define the internal audit strategies, methodology and scope for PNB and its BSP-supervised domestic and overseas subsidiaries and branches.</li> <li>8. For BSP-supervised subsidiaries with established internal audit functions, the internal audit of said entities shall closely coordinate with PNB IAG to ensure consistent adoption of audit methodologies and alignment of strategies and scope.</li> </ol>		In-house	Dioscoro Teodorico L. Lim	Functionally reporting to the Board through the BACC and administratively to the President

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. The BACC Charter states, among others, that as part of the oversight function of the Bank's Internal Auditor, the BACC is:

*"Responsible for the establishment of the Internal Audit Group and the appointment and replacement of the Chief Audit Executive (who will report directly to the BACC functionally) including annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process."*

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes. The IAG Charter states that:

*"The Chief Audit Executive (CAE) shall report directly/functionally to the Board Audit and Compliance Committee (BACC) and may report administratively to the President and Chief Executive Officer."*

IAG shall have free and unrestricted access to the BACC and any other member of the Board of Directors as needed to fulfil its responsibilities.

Authority is granted for full, free and unrestricted access to any and all of the Bank's, its affiliates and subsidiaries' records, physical properties, and personnel relevant to any function under review. All employees are requested to assist IAG in fulfilling their staff function.

Documents and information given to internal auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them."

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. (updated – 2015)

Name of Audit Staff	Reason
In summary, there were 24 additional auditors (18 newly hired and 6 transferees from other departments) while 10 auditors retired/resigned in 2015.	Turnover of auditors is considered a "normal attrition" scenario in a banking environment.

The BACC Charter state that as part of the oversight function of the Bank's Internal Auditor, the BACC is:

*"Responsible for the establishment of the Internal Audit Group and the appointment and replacement of the Chief Audit Executive (who will report directly to the BACC functionally) including annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process."*

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends. (updated -2015)

<b>Progress Against Plans</b>	The following are the accomplishment rates for 2015:				
		Budget	Actual	Variance	Accomplishment Rate
	Regular Audits	431	432	1	100.02%
	Spot Audits	307	330	23	107.00%
	Confirmation of Balances	525	554	29	106.00%
<b>Issues<sup>6</sup></b>	None				
<b>Findings<sup>7</sup></b>	94.8% resolution rate				
<b>Examination Trends</b>	<ul style="list-style-type: none"> <li>Regular Audits-</li> </ul>				

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

	<ul style="list-style-type: none"> <li>• Spot Audits</li> <li>• Confirmation of Balances</li> <li>• Special Audits/Fraud Investigations/Request for Audit</li> </ul> <p>The results of our internal control review and evaluation on operations of the bank units disclosed that the internal control environment of the Bank is considered effective as the units' ratings remained concentrated at Low Risk.</p>
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(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation." (updated – 2015)

Policies and Procedures	Implementation
Internal Audit Charter	<p>Implemented. Based on the assessment of an independent validator, IAG "Generally Conforms" to the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the Definition of Internal Auditing.</p> <p>In 2015, the IAG likewise performed Self-Assessment and had assessed itself as "Generally Conforms" to the Standards, the Code of Ethics, and the Definition of Internal Auditing. Furthermore, the Self-Assessment will be subject to an independent validation by and an external party outside the Bank. Target date of completion is March 2016.</p>
Board Audit and Compliance Committee Charter	
Audit Risk Assessment	
Audit Planning and Monitoring of Accomplishment	
Pre-Engagement Activities	
Audit Fieldwork and Reporting of Results	
Audit Client Satisfaction Surveys	
Audit Sampling Methodology	
Audit Working Paper Preparation	
Audit Risk Rating System	
Internal and External Quality Assessment Reviews	
Monitoring of Outstanding Audit Issues	
Fraud Investigations	
Professional Development	
Consulting Activities	
Insourced Activities	
Performance Measures	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal Auditors' performance is governed by the provisions of the International Standards for the Professional Practice of Internal Auditing and BSP prescribed standards and regulations, particularly on rotation of auditors.	<p>The credit rating agencies, investment banks, institutional and other potential investors request for data and information prior to their scheduled meetings with the Bank's senior officers.</p> <p>Information provided to them is cut-and-dried data that have already been previously disclosed to the Philippine Stock Exchange and to the public.</p> <p>No write-ups, analyses, opinions and judgments are included in the information provided to these agencies.</p>		
Auditors are bound to carry out their functions in accordance with the Employee Discipline Policies and Procedures/Code of Conduct.			
Auditors shall not install nor develop policies and procedures, prepare reports, or execute activities that fall within the scope of its review.			
The Board Audit and Compliance Committee (BACC) shall have the sole authority to select, evaluate, appoint, dismiss, replace and re-appoint the External Auditors (subject to stockholder ratification) based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC shall set compensation of the external auditor in relation to the scope of its duties and approve in advance			

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>	



2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? (updated – 2015)

Yes. The Bank's corporate social responsibility (CSR) programs are under the purview of the Office of the President of the Bank. The Bank has implemented the following CSR programs in 2014 and 2015:

For the Year 2015:

- É Young & Empowered Students for the Philippines (YESPH)
- É Pagtutulungan ng Bayan Outreach Projects
  - medical/funeral assistance to PNB employees and their families
  - cash assistance to employee-victims of Typhoon Lando
- É PNB-Tan Yan Kee Foundation, Inc. Partnership - TESDA Tacloban Motorcycle Repair Training

For the Year 2014:

- É PNB Greener Path Project of NLEX
- É Dr. Lucio Tan Legacy Forest Project
- É Greener Project in Negros Oriental
- É UPLB Coco-peration
- É Tacloban Mangrove Project
- É Assistance to Tacloban Elementary School
- É Books Across the Seas Project
- É Assistance to Sister of Mary Girstown Students
- É PNB Gives Relief Goods to Caloocan Fire Victims
- É PNB-PMAP Med Mission (Pagtutulungan ng Bayan)
- É Typhoon Glenda/Mario (Pagtutulungan ng Bayan)
- É Little Angels Home (Pagtutulungan ng Bayan)
- É Donation to Tan Yan Kee Foundation

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

PNB recognizes and values its employees as its greatest asset. PNB also believes that the promotion of employee welfare can create happy, loyal and productive employees.

Therefore, PNB has institutionalized programs and policies that protect, enhance and nurture employees' health, safety and general welfare and the giving of awards/recognition through the following:

- Wellness/Insurance
  - É Coverage under a health care maintenance program (including employees' qualified dependents)
  - É Coverage under a group term life and accident insurance
  - É Conduct of annual physical exam; provision of gyms, badminton and basketball courts; grant of discounted rates for immunization/vaccination and other health/wellness products; conduct of lectures/fora on first aid, fitness/nutrition/diet, stress management and the like; conduct of annual fun runs and different sports tournaments
  - É Clinic with doctors, nurses and dentist to provide free medical and dental services and free medicines (pain reliever, anti-allergies, antibiotics, antispasmodic, anti-diarrhea etc.) at the Head Office; and provision of medicine cabinets/first-aid kits in branches
- General Welfare
  - É Annual Team Building activity for each Group/Unit/Branch and socialization events that promote camaraderie among employees such as Bank Anniversary and Christmas party
  - É Support and recognition to various clubs/associations/cooperative organized by employees that promote, encourage and conduct civic, social, cultural and sports activities, as well as savings and loan facilities among its members and provision of mini-grocery at the Head Office
  - É Chapel for spiritual meditation, worship and Eucharistic celebration (daily masses)
  - É Financial assistance and special moratorium on payment of employee fringe benefit loans for employees affected by calamity/natural disaster
  - É Scholarship for employees' qualified children
  - É Free shuttle bus service for Head Office employees (Macapagal Boulevard - Buendia LRT and EDSA-Taft MRT stations routes and back)
  - É Canteen with subsidized food rates and coffee shop at the Head Office
  - É Free parking space at the Head Office
  - É Employee Communications Program which includes: provision of bulletin boards; suggestion boxes; public announcement system; Intranet (e-mail) and on-line newsletters that disseminate Bank policies, corporate updates, job vacancies including tips on health and wellness as well as pointers on being prepared and safe before/during/after natural calamities (earthquake, typhoon, fire and floods)
  - É Special interest and foreign exchange rates and waiver of annual fee of the Bank's credit card for employees
  - É Office uniforms

- Safety/Security
  - É Regular fire and earthquake drill exercises
  - É 24/7 or round-the-clock security
  - É Top-of-the-line centralized alarm system and CCTV coverage
  - É Fumigation of building; regular maintenance of air-conditioning, lighting/electrical, alarm and elevator systems; cleaning of building premises; provision of walkways intended for Persons With Disability (PWD); provision of fire extinguishers and regular maintenance of building water-sprinklers; regular inspection of fire exits
- Awards/Recognition
 

Service Excellence Award for teams and individuals to recognize and further promote employees' excellence, productivity and professional growth; and Service Award to those who have been servicing the Bank for a number of years.
- Policy on Learning and Development
 

Learning and development activities are conducted for all levels of employees, taking into account their learning/training needs vis-a-vis the Bank's corporate mission, objectives, strategies and values. Learning and development shall be a shared responsibility among top management, middle management, supervisors, employees and training staff.

The learning programs in PNB are the following:

  - É Learning within the Bank (In-House)
  - É Learning outside the Bank
  - É Learning program abroad
  - É Orientation and Job Induction of new hires
  - É Student Trainee Program
  - É Junior Executive Development Institute
  - É Management Training Program/Fast Track Training Program
  - É Branch Operations Development Program
  - É Leadership Courses
  - É Human Resources Talent Management Program
- Employee-related approved Bank policies
  - É Policy on Resignation and Retirement
  - É Policy on Work Schedule
  - É Harmonization of Bank Policies on Grant of Bonuses
  - É Revisions on the PNB Policy on Transfer of Employee
  - É Harmonization Policy on PNB Employees Loans
  - É Policy on Special Leave – Anti-Violence Against Women
  - É Workplace Policy on HIV/AIDS
  - É Harmonization of PNB Policies on Leave Benefits
  - É Harmonization Policy on the Group Term Insurance
  - É Harmonized Policy on Christmas/Summer Allowance
  - É Workplace Policy on Breastfeeding
  - É Harmonized Policy on Overtime Pay and Allowance
  - É Policy on Bank Expense – Official Travel
  - É Policy on Employee Relocation/Dislocation
  - É Harmonized Policy on Maternity Leave Benefits

(b) Show data relating to health, safety and welfare of its employees. (updated – October 2016)

- As of June 30, 2016, there are 8,206 Directors, Officers and Staff enrolled under the PNB Group Life Insurance and PNB Group Accident Insurance. A total of 8,126 principals are enrolled under the Bank's comprehensive health care maintenance program covering Directors, Officers, Staff and retired employees with extended coverage. A total of 11,110 subsidized dependents are likewise enrolled under the Bank's healthcare plan.
- A total of 113 PNB Maternity Benefits were processed and paid from January to June 2016.
- The Bank has adopted various health-care activities in the workplace (e.g. discounted vaccinations, lectures on health care or wellness program, etc.). The Bank also has an accredited Health Maintenance Organization (HMO) – accredited physician and nurses who are assigned at the PNB Medical Clinics in Makati and Pasay to attend to various medical needs/consultations of employees. Medicines for minor illnesses (e.g. pain relievers, anti-allergies, antibiotics, anti-spasmodic, anti-diarrhea, etc.) are available at the clinics.

(c) State the company's training and development programmes for its employees. Show the data. (updated – October 2016)

Course Title / Duration	Description	Objectives	Target Employees	No. of Runs	No. of Participants
Orientation	An induction program	At the end of this program, the	Newly Hired	2	6

Program for New Hires  (5 days)	designed to establish an adequately-informed perspective of the Bank's corporate vision, mission, values, policies and procedures, benefits and provide the requisite knowledge on customer service through a workshop.	participants will: 1. Be familiar with the bank's goals, history, organizational set-up, functions/ services of the divisions/ departments. 2. Be able to understand the Bank's personnel policies and procedures, employee benefits and other employment-related matters. 3. Be able to know what the Bank expects of you in terms of job performance and conduct. 4. Be able to demonstrate a positive work attitude through a deeper appreciation of the value of your work. 5. Be able to learn and practice the skills on quality customer service with the aim of: a. sustaining the Bank's competitiveness in the industry; and b. further strengthening the Bank's corporate image.	Employees		
Self-Transformation and Rediscovery (STAR) Workshop  (2 days)	This two -day program was designed to provide the participants with the necessary tools to enhance their personal and corporate effectiveness through self-mastery, values clarification and the projection of a professional image. <i>Program Outline:</i> É Self-Mastery (Self-Knowledge) É Personal Values É Self-Motivation É Habit É Effectiveness É Good grooming and proper hygiene É Corporate wardrobe and visual poise É Workplace etiquette and social graces É Professional image	At the end of the training, participants will be able to: 1. Provide the participants with the necessary tools to enhance their personal and corporate effectiveness 2. Apply skills on how to achieve self-mastery 3. Rediscover personal and corporate values and integrate them with their actions 4. Set personal goals 5. Demonstrate ways on how to motivate oneself	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	83
Leadership & Visioning Workshop  (2 days)	This workshop aims to provide participants with an introduction to the basic concepts and principles of effective leadership and visioning	At the end of the workshop, the participants would be able to: 1. Differentiate leadership and management 2. Describe the five sources of power and how each causes different follower behavior	Officership Program Participants (Part of FTTP, MTP and JEDI)	3	119

		<ol style="list-style-type: none"> <li>Identify qualities associated with effective leaders</li> <li>Enumerate and describe the different leadership styles and their application</li> <li>Develop an appreciation for having leadership vision</li> <li>Prepare action plans to achieve goals and objectives</li> </ol>			
POC (Planning, Organizing, Controlling) for Productivity (2 days)	This program provides participants with the necessary competencies for day-to-day supervision through the application of the management functions.	<p>At the end of the program, participants would be able to:</p> <ol style="list-style-type: none"> <li>Explain the systems approach to management;</li> <li>Explain the different transformational processes in management to include the basic competencies for each process; and</li> <li>Apply the learnings in planning, organizing, and controlling through structured learning exercises and case studies.</li> </ol>	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93
Performance Management (2 days)	This course aims to provide the participants with the different management techniques necessary to achieve superior performance	<p>At the end of the workshop, the participants would be able to:</p> <ol style="list-style-type: none"> <li>To explain the importance of performance management.</li> <li>To identify the roles of the officer in performance management</li> <li>To simulate a formal performance review.</li> </ol>	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93
Managing Effective Teams (MET) (2 days)	This module provides participants with the necessary competencies for the day-to-day supervision through the application of the management function and also gives emphasis on the conceptual framework in building the work team.	<p>At the end of the program, the participants will be able to:</p> <ol style="list-style-type: none"> <li>Recognize the importance of building a team to accomplish goals.</li> <li>Identify the different stages of team development.</li> <li>Identify and practice the necessary skills in managing effective teams.</li> </ol>	Officership Program Participants (Part of FTTP, MTP and JEDI)	3	119
PNB CARES (1 day)	This workshop aims to provide participants with the requisite knowledge and skills to effectively deliver quality customer service for both external and internal customers.	<p>At conclusion of the course participants will be able to:</p> <ol style="list-style-type: none"> <li>Review the concepts and principles of quality customer service.</li> <li>Describe the framework for delivering quality customer service</li> <li>Demonstrate the steps in handling customer complaints</li> </ol>	New Employees (Part of Orientation Program), Officership Program Participants (Part of FTTP, MTP and JEDI)	5	262
Negotiation Skills Training (2 days)	This practical two-day workshop will give participants the tools that	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> <li>Identify the two main</li> </ol>	Employees with Sales Functions	1	26

	are necessary in negotiations to help them identify what is really negotiable. In this highly interactive program, they will learn effective negotiating strategies and tactics. In addition, participants will learn how to read a situation and apply empathy to help minimize the downside risks and avoid bad results.	<p>types of negotiations.</p> <ol style="list-style-type: none"> <li>Describe types of power available to negotiators.</li> <li>Explain guidelines to making concessions more effectively.</li> <li>Demonstrate various response techniques to use during negotiations</li> </ol>	(i.e. AO, RO, BM, etc.)		
Effective Business Writing (2 days)	In today's competitive working environment, it is essential to produce clear, concise and reader-friendly business writing to tight deadlines. Many employees may possess excellent spoken communication skills but often lack confidence when writing business documents. This course will help the participants to understand that writing effectively means delivering their message that is unambiguous, concise and direct to the point.	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> <li>Develop a professional, reader-friendly written style when writing.</li> <li>Organize ideas coherently when writing.</li> <li>Improve written work as a result of practical writing exercises.</li> </ol>	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93
Living Your Values Everyday (LiVE) (1 day)	A one-day program which aims to effect clarification and alignment in the value systems of the individual employee with the core values of the Bank.	<p>At the end of the program, you will be able to:</p> <ol style="list-style-type: none"> <li>Clarify your personal values</li> <li>Appreciate the importance of values in life and work</li> <li>Identify PNB's corporate values</li> <li>Align your personal values with PNB's corporate values</li> </ol>	New Employees (Part of Orientation Program), Officership Program Participants (Part of FTTP, MTP and JEDI)	28	1,029
Presentation Skills Training (2 days)	In this program, participants will learn how to conquer the podium and deliver presentations that get results. From dynamic introductions to powerful closings, participants will have an opportunity during this training to practice and refine their platform skills.	<p>Upon completing this course participants will know how to:</p> <ol style="list-style-type: none"> <li>Develop and organize a presentation for any audience and any event</li> <li>Design visuals to enhance both the presenter's message &amp; performance</li> <li>Deliver visual information in a way that keeps the audience in sync</li> <li>Handle tough questions</li> <li>Master memorization techniques</li> <li>Use humor effectively</li> </ol>	Officership Program Participants (Part of FTTP, MTP and JEDI)	3	134

Developing People (2 days)	This program aims to introduce participants to the different concepts of learning and people development.	At the end of the workshop, the participants would be able to: 1. Define training and appreciate its benefits 2. Explain the steps involved in the Training Cycle 3. Enumerate and describe the adult learning principles 4. Enumerate and apply the steps to On-The-Job-Coaching	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93
Management Training Program (MTP) (87 days)	The Management Training Program (MTP) is a medium-term intensive leadership and management that aims to develop qualified rank-and-file employees to be highly competent officers of the Bank	General Objectives: 1. Develop/enhance management capabilities of employees to render them more responsive to the demands of their job. 2. Develop employees for eventual advancement and/or increased responsibility. 3. Enhance the employees' capability to implement the organization's strategic plans. 4. Help the employee realize his career plans within the organization. 5. Increase the pool of promotable employees by developing sufficient resources at different levels of the Bank to meet management requirements at higher levels this ensuring orderly replacement of management talents.	Rank-and-File personnel from Head Office and other special units of the Bank	1	43
Fast-Track Training Program (FTTP) (65 days)	The Fast-Track Training Program (FTTP) is a management development program for Branch Officers. It is designed to reinforce the competencies and expertise of high-potential rank-and-file employees in managing and servicing the Bank's business.	At the end of the program, the participants are expected to: 1. Acquire knowledge of the Bank Products and Services and their specific features and peculiarities 2. Be familiarized with different aspects of banking such as: Branch Operations, Risk Management, Compliance and other technical aspects of banking. 3. Demonstrate the necessary competencies needed by a Branch Officer, such as Interpersonal and Communication skills, Selling skills, Product knowledge	Officer Candidates (Branches)	1	50
Teller Training Program (13 Days)	The Teller Training Program is a 13-day seminar for PNB Branch Tellers. The seminar includes topics on technical branch operation areas and customer service,	At the end of the program, the participants are expected to: 1. Understand their duties and responsibilities as Bank Tellers 2. Identify the different Retail Cash Products and other Bank products	SSA-Tellers	2	123

	emphasizing on tellering duties. Re-orientation of Bank Tellers on Company profile and HR related policies are also included in the seminar.	<ol style="list-style-type: none"> <li>3. Be familiarized with the Clearing Operations and Teller System</li> <li>4. Improve skills in tellering operations, such as in handling cash, verifying signatures, and detecting counterfeit money, KYC, and providing customer service.</li> <li>5. Be re-oriented with the Company profile and HR policies</li> </ol>			
New Accounts Seminar (7 days)	This course aims to provide participants with the knowledge and skills to efficiently handle the opening and servicing of accounts.	<p>At the end of the course the participants should be able to :</p> <ol style="list-style-type: none"> <li>1. Comply with Bank's guidelines, procedures and KYC Policy in opening and servicing of accounts.</li> <li>2. Identify and discuss the Bank's products and services.</li> </ol>	SSA-New Accounts Service Reps	1	45
Branch Banking System (3 days)	This two-day program aims to provide employees the use of the Core Banking System.	To know how to use and operate the new Core Banking System and its online components to effectively process the financial and non-financial transactions of the Bank.	Branch Employees	4	1,162
Fundamentals of Supervision (2 days)	This two-day course aims to help participants make the transition from team members to responsive and effective supervisors. The discussion and activities will focus on the roles, responsibilities and basic competencies of a supervisor.	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> <li>1. Define supervision and explain its transformational processes.</li> <li>2. Appreciate the roles and responsibilities of a manager.</li> <li>3. Practice the necessary competencies for day-to-day supervision through the use of structured learning exercises and case studies.</li> <li>4. Prepare and present a program plan of action.</li> </ol>	Supervisors	2	64
Officership Certification Program (16 days)	This 16-day course is designed to upgrade the knowledge and competence of the Bank's officers in various areas of branch operations.	<ol style="list-style-type: none"> <li>1. Provide a review of branch operational policies and procedures relative to the Sales and Service functions.</li> <li>2. Enable the participants to assess their customer service and develop a supportive team climate for the delivery of excellent customer service.</li> </ol>	Officership Program Participants (Branch Officers)	1	31
Junior Executive Development Institute (JEDI)	The Junior Executive Development Institute – Management Development Program (JEDI) is an extensive leadership and management development program and comprehensive training designed to	The program aims to train officers with high potential to move up the corporate ladder and could be farmed out to different groups aimed at the Bank's succession plan.	PNB Rank-and-File personnel from the Head Office, Provincial and Metro Manila branches who have a minimum of two years of	1	26

	develop the overall preparedness and technical competencies of existing employees who will become the Bank's future officers. It also aims to ensure a reserve corps of high potential personnel who are adequately trained to assume any officer position in any group within the Bank.		service with the Bank		
In-Branch Selling/High Impact Selling Workshop  (2 days)	This two-day program aims to provide participants with the knowledge and skills to transform their branch into an aggressive sales-oriented distribution point.	At the end of this workshop, the participants will be able to: 1. Develop a sales-oriented mindset. 2. Identify the musts to having a positive attitude. 3. Enumerate and practice the steps in building good sales relationships. 4. Enumerate and apply the steps to the selling cycle.	Officership Program Participants (Part of FTTP and JEDI)	6	198
Consulting Skills Program  (1 day)	This workshop aims to provide participants with the requisite knowledge and skills in becoming effective consultants, improving personal integration and enhancing their consulting skills.	At the end of the 1-day consulting skills workshop, participants will be able to: 1. Gain awareness that the key tool in consulting is the integrated person of the consultant. 2. Get to know the client, his/her personality issues, and dilemmas. 3. Develop the proper service knowledge, attitudes, and skills, specifically, facilitation skills. 4. Understand the consulting cycle, standards and measures of excellence for each phase. 5. Appreciate what it takes to go the extra mile for the JEDI Trainee through best practices.	JEDI Mentors	3	53
Courseware Design  (1 day)	This workshop aims to provide participants with the tools to design and evaluate effective classroom training for their audience according to the training guidelines and objectives.	At the end of the workshop:  The participants will be able to design and evaluate effective classroom training for their audience according to the training guidelines and objectives.  Specifically, they will be able to: <ul style="list-style-type: none"> <li>• Appreciate the learning principles</li> <li>• Describe the training cycle</li> <li>• Write clear training objectives</li> <li>• Prepare a complete program design</li> <li>• Evaluate training effectiveness</li> </ul>	Trainers	1	44
Coaching and Mentoring Skills	This program aims to provide PNB Mentors the	At the end of 1-day mentoring and coaching skills program for	JEDI Mentors	3	55



Workshop (2 days)	advanced tools in mentoring and coaching, and impart to the participants the use of systematic thinking, as opposed to intuition and gut feel, in coaching subordinates. The program will also equip them with fundamental principles, technique and approaches, establishing authentic and meaningful working relationship and to move them towards greater effectiveness in their interface with their mentees.	JEDI Mentors, participants will be able to: <ul style="list-style-type: none"> <li>• Appreciate the link between mentoring/ coaching and leadership</li> <li>• Practice the coaching and mentoring process</li> <li>• Recognize the foundation of emotional quotient and self-mastery</li> <li>• Learn how to create a coaching and mentoring culture</li> <li>• Practice the core competencies</li> <li>• Appreciate the concept and importance of Emotional Intelligence (EQ)</li> <li>• Master the REGROW process and coaching for superior commitment models</li> </ul>			
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- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. (updated – 2015)

#### Awards/Recognition

Service Excellence Award for teams and individuals to recognize and further promote employees' excellence, productivity and professional growth; and Service Award to those who have been servicing the Bank for a number of years. Meritorious/exceptional performance is recognized through the Bank's semi-annual promotion.

#### Salary and Benefit Package

Salary and Benefit Package for rank and file employees is reviewed during Collective Bargaining Agreement (CBA) and/or as may be deemed necessary. For officers, compensation package is reviewed periodically based on performance.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation. (updated – October 2016)

Under the Bank's Whistleblower Policy (as approved under PNB Board Resolution No. 04/03-18-16 of March 18, 2016, 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.

### I. DISCLOSURE AND TRANSPARENCY

- 1) Ownership Structure (updated – 2015)

- (a) Holding 5% shareholding or more (as of December 31, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation (Non-Filipino)	116,921,488	9.3601612421	Various
Key Landmark Investments, Ltd.	109,115,864	8.7352812437	Its stockholders
PCD Nominee Corporation (Filipino)	100,080,817	8.0119796659	Various
Solar Holdings Corporation	67,148,224	5.3755576884	Its stockholders
Caravan Holdings Corporation	67,148,224	5.3755576884	Its stockholders

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
<b>TOTAL</b>			

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"> <li>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])</li> </ul>	P12.802 million	-
<ul style="list-style-type: none"> <li>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</li> </ul>	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

- 5) Date of release of audited financial report: (updated – 2015)

March 27, 2015

- 6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

- 7) Disclosure of RPT (updated – October 2016)

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

All Related Party Transactions (RPTs) are reviewed and endorsed to the Board for approval/notation through the Board Oversight RPT Committee (BORC) based on strict guidelines provided for in the revised RPT Policy Manual. RPT dealings are disclosed in the Annual Report prepared by SGV based on the Bank's Board approved PNB RPT Policy.

In addition to the required reports on DOSRI and transactions with subsidiaries and affiliates under existing regulations, the following periodic reports are likewise submitted to the BSP in compliance with its requirements:

- Report of all entities in the conglomerate structure and disclosure of beneficial owners of shareholdings that are in the name of PCD Nominee Corporation. The report shall be submitted to the BSP within 30 calendar days after the end of every calendar year; and
- Consolidated report on material exposures to related parties, which shall include the material RPTs of the Bank with its non-bank financial subsidiaries and affiliates to be submitted to BSP within 20 calendar days after the end of the reference quarter starting with the quarter ending March 31, 2016.

The information relating to the DOSRI loans of the Group follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Outstanding DOSRI Accounts*	₱7,760,191	₱12,749,637
Percent of DOSRI accounts to total loans	2.35%	4.20%
Percent of unsecured DOSRI accounts to total DOSRI accounts	0.03%	0.01%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	0.00%	0.00%

\*Includes outstanding unused credit accommodations of ₱185.4 million as of September 30, 2015 and ₱198.7 million as of December 31, 2014.

Details on the significant related party transactions of the Group (the Bank and its subsidiaries) and the Bank are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Bank has control. Transactions reported under other related parties represent companies which are under common control of LTGI. (updated –

September 30, 2015			
Accounts	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivables from customers		₱ 20,419,671	Revolving credit lines, secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Housing loans to senior officers; Secured and unsecured; Lease option on car plan Unimpaired; With interest rates ranging from 0.50% to 10.00% with maturities ranging from 1 year to 25 years and payment terms ranging from monthly payment to quarterly payments
Loan commitments		1,897,449	Loan commitments
Interbank loans receivable		175,479	Money Market Line
Due from other banks		9,829,111	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		193,155	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		20,891	Interest accrual on receivables from customers
Deposit liabilities		12,584,270	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		4,223,906	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to other banks		168,500	Clearing accounts funding and settlement of remittances
Sales contract receivable		325,942	Purchased property as collateral; unimpaired; Monthly payment for 5 years with 6% interest.
Accrued interest payable		126,512	Accrued interest on deposit liabilities and bills payable
Other liabilities		657	Mortgage Redemption Insurance
Operating lease		202	Advance rental deposit received for 2 years and 3 mos.
Interest income	₱253,622		Interest income on receivables from customers
Interest expense	177,967		Interest expense on deposit liabilities and bills payable
Rental income	38,489		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum; Monthly rental income
Rent Expense	26,104		"Monthly rent payments to related parties with term ranging from 24 to 240 months"
Fees and commission expense	203,779		Expense on professional fees on service agreement
Other income	129,837		Premiums collected
Other expense	15,559		Claims expense, service and referral fees
Securities transactions:			
Purchases	2,766,018		Outright purchases of securities
Sales	1,463,319		Outright sale of securities
Trading gains	938		Gain from sale of investment securities
Loan releases	18,029,254		Loan drawdowns
Loan collections	11,779,567		Settlement of loans and interest
Net withdrawals	2,400,841		Net withdrawals for the period

December 31, 2014			
Accounts	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivables from customers		₱14,169,98	Revolving credit lines, secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Housing loans to senior officers; Secured and unsecured; Lease option on car plan Unimpaired; With interest rates ranging from 0.50% to 10.00% with maturities ranging from 1 year to 25 years and payment terms ranging from monthly payment to quarterly payments; Collateral includes bank deposit hold-out, real estate and chattel mortgages.
Loan commitments		1,743,51	Loan commitments
Due from other banks		1,094,26	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		107,63	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		60,72	Interest accrual on receivables from customers

Accounts	December 31, 2014		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Deposit liabilities		14,985,11	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		1,725,69	Foreign currency-denominated bills payable with annual interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to other banks		183,43	Clearing accounts funding settlement of remittances
Accrued interest payable		28,51	Accrued interest on deposit liabilities and bills payable
Other liabilities		36,97	Charitable donations and liabilities for lease payments
Operating lease		20	Advance rental deposit received for 2 years and 3 months
Interest income	₱478,40		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	222,98		Interest expense on deposit liabilities and bills payable
Rental income	60,98		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum; Monthly rental income
Rent Expense	9,65		"Monthly rent payments to related parties with term ranging from 24 to 240 months
Fees and commission expense			Expense on professional fees on service agreement
Other income	17		Premiums collected
Other expense	4,02		Claims expense, service and referral fees
Trading gains	735,38		Sale of 161,978,996 common shares in VMC at current market price of P4.50 per share.
Gain on sale of convertible notes	608,43		Gain on sale of VMC convertible notes at the minimum bid price of P3.5 per share.
Securities transactions:			
Purchases	2,113,65		Outright purchases of securities
Sales	537,09		Outright sale of securities
Trading gains	14,75		Gain from sale of investment securities
Loan releases	17,223,81		Loan drawdowns
Loan collections	8,672,77		Settlement of loans and interest
Net deposits for the period	408,85		Net deposits for the period

The related party transactions shall be settled in cash. There are no provisions for credit losses for the nine-months ended September 30, 2015 and December 31, 2014 in relation to amounts due from related parties.

#### J. RIGHTS OF STOCKHOLDERS

##### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

###### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	Section 4.6 of PNB Amended By-Laws states that "unless otherwise provided by law, a quorum at any stockholders' meeting shall consist of the stockholders representing a majority of the voting stock of the Bank present either in person or by proxy".
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###### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Ratification in the Annual Stockholders' Meeting
<b>Description</b>	Ratification of the corporate acts is always part of the agenda of the Annual Stockholders' Meeting.

###### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Stockholders' rights concerning stockholders' meetings which are provided under the Corporation Code are afforded every stockholder of the Bank.	None

Dividends (updated – July 22, 2016)

Declaration Date	Record Date	Payment Date
July 22, 2016	August 19, 2016	On or before September 15, 2016

Note:

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the Bangko Sentral ng Pilipinas (BSP) as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB, however, has adopted the following general policy on the declaration of dividends:

*"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank."*

The Bank has not declared any cash or stock dividends on its common equity for the fiscal year 2015.

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings. (updated – 2015)

Measures Adopted	Communication Procedure
Adoption of SRC Rule 20 – Disclosures to Stockholders Prior to Meeting	Mailing of the Information Statement and Management Report together with the latest Audited Financial Statement to the stockholders at least 15 business days from the date of the stockholders' meeting.
Section 4.4, Article IV of the Bank's Amended By-Laws.	Publication of Notice of Meeting for one (1) week daily in at least one newspaper of newspaper of general circulation
Adoption of the Question and Answer Portion	Stockholders are allowed to take the floor and asked questions to the Chairman of the Board, the other directors or the officers of the Bank to air their concerns. If the queries cannot be addressed immediately on the floor, the stockholders are encouraged to dialogue with Management after the meeting.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Bank complies with the requirements under the Corporation Code in obtaining stockholders' approval for such decisions. Any amendment of the Bank's Articles of Incorporation, increase in capital stock or transfer of all or substantial sale of its assets required the vote of at least two-thirds of the outstanding capital stock.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? (updated – May 31, 2016)
  - a. Date of sending out notices:

For the Annual Stockholders' Meeting held on May 31, 2016

- May 3, 2016

In compliance with SRC Rule 20 (3)(c)(iv), the Information Statement, Management Report and written notice of the meeting was sent to the shareholders of record at least fifteen (15) business days prior to the date of the meeting. In addition, the notice of meeting was likewise published alternately for one (1) week from May 15 to 21, 2015 in three (3) newspapers of general circulation in the Philippines, namely: Philippine Daily Inquirer, Philippine Star and Manila Bulletin, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.

b. Date of the Annual/Special Stockholders' Meeting:

For the Annual Stockholders' Meeting

- May 31, 2016

Section 4.2, Article IV of PNB Amended By-Laws states that "the annual meeting of the stockholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board of Directors, on the last Tuesday of May of each year unless such day is a legal holiday in which case the business day next following shall be the meeting day for the particular year."

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. (updated – May 31, 2016)

The following were the questions and comments raised during the Annual Stockholders' Meeting held on May 31, 2016:

- Mr. Alfred Reiferer took the floor and asked regarding the strategy of the Bank with respect to prospective partnerships. Mr. Maclang said that PNB is always looking for opportunities. He added that if they see a distinct advantage for the Bank, they will be open for proposals for possible partnerships. He clarified, however, that the Bank was not looking for a particular partnership as of the moment.
- On another query of Mr. Reiferer regarding dividends, Mr. Maclang said that Management was looking at year-end computations to determine if the Bank was in a position to declare dividends. The interim financial statements of the Bank, and based on the said examination, the Bank will look for an opportunity to satisfy the stockholders.
- Mr. Mariano M. Soria, a retiree of the Bank, took the floor and congratulated the Bank for a job well done and for celebrating its centennial year. He expressed his wish for the Bank to invite all Bank retirees to join the Centennial Celebration.
- Ms. Ida Tiongson, a former employee of the Bank also congratulated the Bank, its Board, Management and staff for the very good performance and for the centennial celebration. According to Ms. Tiongson, the Bank reached its 100<sup>th</sup> year through good times and bad times.
- Ms. Socorro Gomez, a former employee of the Bank, thanked everyone including the ex-Philnabankers and most especially Chairman Tarriela for making the former employees' stay in PNB more meaningful.
- Mr. Ishmael Canua, a stockholder, asked when the Bank will PNB launch its debit card. He also inquired on the Bank's action plans with respect to cyber crimes. In response, Mr. Martin Reyes said that the debit cards of PNB will be released in July. With respect to cyber crimes, Mr. Reyes said that Management ensured that the Bank's system was tested by third parties. Further, aside from the security of the systems, the Bank also ensured conformity to global and local standards. Mr. Reyes said that PNB will continue to make sure that its systems will be protected to ensure the safety of clients' funds.
- Mr. Alejandro Villapando, a retiree and stockholder of the Bank, had queries about the Bank's income. He asked why the Bank's net income in 2015 was bigger than 2014's when the Gross Income for 2015 was smaller than 2014's. He also took note of the drop in the Bank's share price and asked when he will receive returns on his investments in the Bank. He said that he has not received dividends from the Bank. Mr. Maclang confirmed that the performance of the Bank was better in 2015 than in 2014. Mr. Nelson Reyes remarked that he understood the sentiments of Mr. Villapando, and explained that while the Bank posted revenues, it also incurred expenses. As such, the bigger net income in 2015 was likewise a result of a decline in expenses. On dividends, he said that the financials are currently being assessed by Management, which will then be subject to audit-to determine the propriety of declaring dividends. Mr. Reyes said that the Bank needs to have sufficient capital to sustain its growth. On the share price, he explained that this is determined by the market but he assured the stockholders of Management's hard work to increase the market price of PNB shares. Mr. Maclang added that Management shared the stockholders' desire to see the Bank in a position where it can declare dividends.
- Ms. Anzures, a proxy holder, asked if the sale of PNB Life Insurance, Inc. shares was part of the acts submitted for ratification. Ms. Tarriela answered in the affirmative. Ms. Anzures then said that the minority stockholder represented wished to exercise his right to be informed of certain details of the transaction. Ms. Tarriela took note of the comments of Ms. Anzures.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Annual Stockholders' Meeting (May 31, 2016)			
Resolution	Approving	Dissenting	Abstaining
Confirmation of the Minutes of the 2015 Annual Stockholders' Meeting held on May 26, 2015	1,021,834,704	-	16,931,310
Notation of President's Report	1,021,550,784	-	17,215,230
Approval of the Bank's 2015 Annual Report	1,021,550,784	-	17,215,230
Amendment of Section 4.2, Article IV of the Amended By-Laws to change the date of the Annual Stockholders' Meeting from the last Tuesday of May to the last Tuesday of April of each year	1,021,834,704	-	16,931,310
Approval of the ratification of all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2013 Annual Stockholders' Meeting	1,021,550,784	-	17,215,230
Approval of the Election of the following Directors:			
a) Florencia G. Tarriela	1,021,832,764	1,940	16,931,310
b) Felix Enrico R. Alfiler	1,021,537,157	297,547	16,931,310
c) Florido P. Casuela	1,004,511,811	17,322,893	16,931,310
d) Leonilo G. Coronel	1,021,834,704	-	16,931,310
e) Edgar A. Cua	1,021,834,704	-	16,931,310
f) Reynaldo A. Maclang	985,052,025	37,782,679	16,931,310
g) Estelito P. Mendoza	979,508,771	42,325,933	16,931,310
h) Christopher J. Nelson	1,004,748,292	17,016,412	16,931,310
i) Federico C. Pascual	1,004,963,486	16,871,218	16,931,310
j) Cecilio K. Pedro	1,021,834,704	-	16,931,310
k) Washington Z. Sycip	976,859,364	44,975,340	16,931,310
l) Carmen K. Tan	1,005,205,713	16,628,991	16,931,310
m) Dr. Lucio C. Tan	979,399,142	42,435,562	16,931,310
n) Lucio K. Tan, Jr.	979,508,771	42,325,933	16,931,310
o) Michael G. Tan	1,021,583,780	250,924	16,931,310
Appointment of External Auditor	1,021,834,704	-	16,931,310

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: (updated – May 31, 2016)

The results of the Annual Stockholders' Meeting (ASM) were disclosed to the Bank's regulators, i.e., the Philippine Stock Exchange (PSE), the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and the Philippine Dealing & Exchange Corporation (PDEX) as required. A media briefing was also held after the ASM.

a) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	Not Applicable

b) Stockholders' Attendance

i. Details of Attendance in the Annual/Special Stockholders' Meeting Held: (updated – May 31, 2016)

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Florencia G. Tarriela, Independent Director Felix Enrico R. Alfiler, Independent Director Florido P. Casuela, Director Leonilo G. Coronel, Director Reynaldo A. Maclang, Director	May 31, 2016	In person and by representative to act by written proxy	0.005%	83.154%	83.159%



<p> Estelito P. Mendoza, Director  Christopher J. Nelson, Director  Federico C. Pascual, Independent Director  Cecilio K. Pedro, Independent Director  Washington Z. Sycip, Director  Lucio K. Tan, Jr., Director  Michael G. Tan, Director  Edgar A. Cua, Nominee Director  Joseph T. Chua, Board Advisor  William T. Lim, Board Advisor  Manuel T. Gonzales, Board Advisor  Maila Katrina Y. Ilarde, Corporate Secretary  Ruth Pamela E. Tanghal, Assistant Corporate Secretary  Cenon C. Audencial, Jr., EVP  Horacio E. Cebrero III, EVP  Christopher J. Dobles, EVP  Nelson C. Reyes, EVP  Bernardo H. Tocmo, EVP  Alice Z. Cordero, FSV  Socorro D. Corpus, FSV  Miguel Angel G. Gonzalez, FSV  Benjamin S. Oliva, FSV  Aida M. Padilla, FSV  Carmela A. Pama, FSV  Emmanuel German V. Plan II, FSV  Allan L. Ang, SVP  Emeline C. Centeno, SVP  Christian Jerome Dobles, SVP  Erwin C. Go, SVP  Dioscoro Teodorico L. Lim, SVP  Ma. Paz D. Lim, SVP  Norman Martin C. Reyes, SVP  Helen Y. Ang, FVP  Manuel C. Bahena, Jr., FVP  Roberto S. Vergara, FVP  Czarina Barbero, VP  Constantino T. Yap, VP </p>					
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- ii. Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Validation of votes is handled by the Bank's stock transfer agent with the supervision of the Corporate Secretary.

In compliance with Section 4.7 of PNB By-Laws, all the proxies received will be validated by the Bank's Corporate Secretary at the office of the stock transfer agent. During the validation, the stock transfer agent will verify if the stockholder is included in the list of the stockholders as per record date, and if the signature appearing on the proxy letter tallies against his signature card on file.

- iii. Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. Section 4.9 (re: Voting of Shares in General) of the PNB's Amended By-Laws states that at each meeting of the stockholder, every stockholder entitled to vote on the particular question involved shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors pursuant to Section 3.4 of the said Amended By-Laws.

The manner of voting and counting of votes are as follows:

- Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on record date. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before deadline of submission of proxies shall be honored for purposes of voting.
- For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute

those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.

- c) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and may be done by show of hands.
- d) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

c) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Section 4.7, Article VII of the PNB Amended By-Laws:

Right to Vote; Proxies. Stockholders entitled to vote at a stockholders' meeting may vote either in person or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank. Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to the date of the meeting. Unless otherwise provided in the proxy, it shall be valid for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.

	Company's Policies
Execution and acceptance of proxies	Stockholders entitled to vote at a stockholders' meeting may vote either in person or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank.
Notary	Not required.
Submission of Proxy	Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to date of the meeting.
Several Proxies	Joint and alternative proxies are acceptable.
Validity of Proxy	Per SRC Rule 20(5)(F)(ii), no proxy shall confer authority to vote with respect to more than one meeting (and any adjournment thereof) unless a specific statement is made in the information statement and form of proxy that the proxy is valid for more than one meeting. Provided, however, that no proxy shall be valid and effective for a period longer than five (5) years from the date of the proxy;  Per Sec. 58 of the Corporation Code, unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.
Proxies executed abroad	Acceptable.
Invalidated Proxy	In accordance with the rules under the Securities Regulation Code and the SEC Memorandum No. 5, Series of 1996.
Validation of Proxy	Done by the Corporate Secretary in coordination with the Stock Transfer Agent, usually the day after the deadline for the submission of proxies.
Violation of Proxy	In accordance with the rules under the Securities Regulation Code and the SEC Memorandum Circular No. 5, Series of 1996.

d) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
In compliance with SRC Rule 20 (3)(c)(iv), the Information Statement, Management Report and written notice of the meeting was sent to all shareholders of record at least fifteen (15) business days prior to the date of the meeting. In addition, the notice of meeting was likewise published for one (1) week daily in at least one newspaper of general circulation in the Philippines, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.	The written notice of the meeting together with the Definitive Information Statement and Audited Financial Statement contained in a CD are physically mailed to the last known addresses on record of all the qualified stockholders through the Stock Transfer Agent. This is also disclosed to the regulators and uploaded to the Bank's website. The notice is also published alternately in newspapers of general circulation for one week.

e) Definitive Information Statements and Management Report (updated – May 31, 2016)

	<b>Annual Stockholders' Meeting (May 31, 2016)</b>
Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	29,968 stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 3 to May 10, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 3 to May 10, 2016
State whether CD format or hard copies were distributed	Distributed in CD format
If yes, indicate whether requesting stockholders were provided hard copies	Printed (hard) copies of the contents of the CD, i.e., Definitive Information Statement and Management Report, Secretary's Certificate certifying that none of the directors of the Bank are appointed officials of the Government, Statement of Management's Responsibility for Financial Statements, 2015 Audited Financial Statements, Supplemental Schedules and SEC Form 17-Q Report were made available during the meeting.

f) Does the Notice of Annual/Special Stockholders' Meeting include the following: (updated – May 31, 2016)

	<b>Special Stockholders' Meeting</b>	<b>Annual Stockholders' Meeting (May 31, 2016)</b>
Each resolution to be taken up deals with only one item.	Not Applicable	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Not Applicable	Yes (indicated in the Definitive Information Statement attached to the Notice)
The auditors to be appointed or re-appointed.	Not Applicable	Yes (indicated in the Definitive Information Statement attached to the Notice)
An explanation of the dividend policy, if any dividend is to be declared.	Not Applicable	Not applicable (No dividends were declared)
The amount payable for final dividends.	Not Applicable	Not Applicable
Documents required for proxy vote.	Not Applicable	Proxies were not solicited.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

Documents required for proxy vote – While proxies were not solicited, stockholders were informed that they may issue and vote by proxies. For this purpose, a sample proxy form was included in the Definitive Information Statement sent to the stockholders.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

<b>Policies</b>	<b>Implementation</b>
Right to vote on all matters that require their consent or approval	Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
Right to inspect corporate books and records	All shareholders are allowed to inspect corporate books and records, including minutes of Board meetings and stock registries, in accordance with the Corporation Code and may access the annual reports, including financial statements, without cost or restrictions.

Right to Information	<p>The shareholders are provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <p>All other material information are disclosed to the regulators and uploaded to the Bank's website for easy access by all stockholders of the Bank.</p> <p>The minority shareholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p> <p>The minority shareholders have access to any information relating to matters for which Management is accountable.</p>
Appraisal Right	<p>The shareholders have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.</li> <li>2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and</li> <li>3. In case of merger or consolidation.</li> </ol>
Absence of Pre-emptive Right to Stock Issuances of the Corporation	<p>The stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, and whether the same is issued from the Bank's unissued capital stock or in support of an increase in capital.</p>
Rights to Dividends	<p>Dividends shall be declared and paid out of the surplus profits of the Bank as often and at such times as the Board may determine and in accordance with the provisions of the law and regulations of the Bangko Sentral ng Pilipinas.</p>

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Any stockholder may nominate candidates for the Board.

#### K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

External communications in the form of press releases or pronouncements to the market are coursed through the Marketing Group of the Bank. This covers, among others, write-ups on financials, products, tie-ups, etc. Press releases on financials and any other are approved by the President as endorsed by the Marketing Head and the sponsor of the information. The financial figures have to be signed off by the President, Chief Financial Officer and the Corporate Planning Head. All other required regulatory external pronouncements are released through the Corporate Secretary's Office and forwarded to the appropriate regulatory bodies or institutions.

All others which are at product level have to be signed off by the relevant unit/division involved in the particular communications and the Marketing Head.

Internal communications are handled through the Corporate Communications Unit under the Marketing Group. This involves the sending of e-mail blasts and the updating of the intranet website "Cybermag" as a marketing tool in disseminating information within the organization.

Information security guidelines are strictly prescribed and followed in disseminating information both for internal and external communications.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

FOR STOCKHOLDERS (updated – 2015)

	Details
(1) Objectives	To be able to give quality service and address all the concerns of the PNB stockholders.
(2) Principles	PNB is a customer-centered organization with a passion for service excellence.
(3) Modes of Communications	Verbal and written communications, including e-mail and fax.
(4) Investors Relations Officer	<p>Ms. Maila Katrina Y. Ilarde Corporate Secretary Tel.# (632) 834-0780 Email: <a href="mailto:ilardemky@pnb.com.ph">ilardemky@pnb.com.ph</a></p> <p>PNB Stock Transfer Agent:</p> <p>Ms. Emylyn P. Audemard Corporate Services – PNB Trust Banking Group Tel.# (632) 891-6040 loc. 2307 Email: <a href="mailto:audemardep@pnb.com.ph">audemardep@pnb.com.ph</a>; <a href="mailto:avilesjml@pnb.com.ph">avilesjml@pnb.com.ph</a></p>

FOR OTHER STAKEHOLDERS

	Details
(1) Objectives	<ul style="list-style-type: none"> <li>Promote investors' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers.</li> <li>Improve investors' perception of PNB by keeping them abreast of the developments in the Bank through constant communications and maintaining cordial relations with them.</li> <li>Effectively address concerns/issues that could materially affect the Bank's good image, operations and viability.</li> </ul>
(2) Principles	<ul style="list-style-type: none"> <li>Accuracy and Timeliness <ul style="list-style-type: none"> <li>To provide analysts/credit rating agencies/ investors with correct and up-to-date information on PNB.</li> </ul> </li> <li>Transparency <ul style="list-style-type: none"> <li>To disclose to investors relevant information on the Bank in line with the prescribed standard of disclosure by regulatory agencies.</li> </ul> </li> <li>Consistency and Impartiality <ul style="list-style-type: none"> <li>To make the same information accessible to all interested analysts/ credit rating agencies/investors through various modes of communication.</li> </ul> </li> </ul>
(3) Modes of Communications	<p>É Meetings with the President and other Senior Officers (as requested by investors)</p> <p>É Teleconferences / phone calls</p> <p>É Emails</p>
(4) Investors Relations Officer	<p>SVP Emeline C. Centeno Corporate Planning and Research Division Tel # 526-3131 local 2120/2084 Email address: <a href="mailto:centenoec@pnb.com.ph">centenoec@pnb.com.ph</a> <a href="mailto:iru@pnb.com.ph">iru@pnb.com.ph</a></p>

FOR PUBLIC IN GENERAL

	Details
(1) Objectives	<ul style="list-style-type: none"> <li>To properly communicate corporate news, institutional advocacies and product campaigns to the general public and specific markets through appropriate and effective media channels.</li> <li>To provide the proper feedback channels to potential and existing clients</li> </ul>

	and reply to queries in a timely manner. (Customer Service)
(2) Principles	<ul style="list-style-type: none"> <li>• Timeliness - Timely dissemination of information as required by the public.</li> <li>• Effectivity - To reach the proper audience with the appropriate communication</li> </ul>
(3) Modes of Communications	<ul style="list-style-type: none"> <li>• Internal and External Email Broadcasts</li> <li>• Facebook</li> <li>• Print Media</li> <li>• Radio</li> <li>• Letter Advices to Publics</li> <li>• TV Advertisements (Local, Cable and Overseas)</li> <li>• Press Releases</li> <li>• Short message service alerts</li> <li>• Electronic Channels – ATM, Phone, Mobile</li> <li>• Websites and Social Networks</li> </ul>
(4) Investors Relations Officer	<p>SVP Norman Martin C. Reyes  Chief Marketing Officer / Marketing Group Head  Tel.# (632) 526-3131 loc. 4048  Email address: <a href="mailto:reyesnmc@pnb.com.ph">reyesnmc@pnb.com.ph</a></p> <p><u>Customer Service</u>  <u>Hotline: (632) 573-8888</u>  <u>Email: <a href="mailto:customercare@pnb.com.ph">customercare@pnb.com.ph</a></u></p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? (updated – 2015)

The Bank has created a Capital Management sub-committee of the Asset/Liability Committee to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank. It is composed of the President, Chief Financial Officer, the Head of Treasury, the Head of Corporate Planning, and the President of PNB Capital and Investment Corporation.

The following are undertaken for the acquisition of substantial control in capital markets, merger with another bank and sale of substantial portion of corporate assets:

- Secure Board approval for the envisioned transaction.
- Request for engagement proposals from the following: (i) Financial Advisors (either for valuation purposes and/or for underwriting, or for the rendering of fairness opinion); (ii) Legal Advisors; and (iii) Independent Auditor.
- Do a comparative analysis of the proposals and prepare a recommendation to the Board of Directors.
- Get approval for their engagement.
- Evaluate the papers and secure the necessary approvals:
  - For the merger/ acquisition of substantial control: (a) Board approval; (b) Stockholders approval; (c) PDIC approval; (d) BSP approval; (e) SEC approval; and (f) approval from foreign regulatory authorities, whenever needed.
  - For sale of substantial portion of corporate assets: (a) Board approval; and (b) BSP/other regulatory approvals, if needed.

BSP and SEC rules and regulations on mergers and acquisitions are strictly being followed by PNB.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

- For the Merger of PNB and Allied Bank, Union Bank of Switzerland (UBS) was appointed by the Board of Directors to render a Fairness Opinion in accordance with SEC rules.
- As a rule, PNB hires an advisor for a Fairness Opinion as necessary and on a per transaction basis. Hence, for prospective transactions, PNB will hire whoever is qualified to render Fairness Opinion following SEC rules regarding this matter.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company. (updated – 2015)

The Bank's CSR initiatives have been along three main focus areas:

- Education, particularly for the youth. Along this line, 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. 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 initiatives to build libraries in various schools in the countryside.

2. Environmental protection. The Bank sponsors various tree/mangrove planting activities all over the country. These activities are conducted by branch personnel in various regions.
3. Humanitarian assistance during calamities and to indigents/those requiring special financial assistance. The Bank continues to support various employee-initiated CSR through the 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.

The Bank has formed a CSR Task Force to further provide direction and focus to its various CSR initiatives, particularly in the run up to PNB's centennial celebration in 2016.

#### **M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL**

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President. (updated – October 2016)

Under the Bank's Revised Corporate Governance Manual, the Board established an evaluation system, a tool to determine and measure directors and management compliance with the corporate governance standards and principles.

There are two (2) sets of Evaluation Forms that will assess the bank's corporate governance practices, using the five (5) point rating scale, with 5 being the highest rating.

##### **1. Director's Performance Evaluation Form I**

The directors' self-assessment on director's Individual Qualitative Performance; the Board and Board Committees shall reflect the collective values, performance and competence of the board of directors on corporate governance standards and principles. On the other hand, the performance of the President/CEO is evaluated by the Board of Directors.

##### **2. Management Component Rating Form II**

The directors' self-assessment on the four (4) management component factors, such as: Governance Landscape; Fitness and propriety of the Board and Management; Risk Governance; Controls and Independent Oversight shall reflect the quality and effective implementation of the Bank's corporate governance practices.

Members of the Board conduct a self-assessment in order to evaluate the performance for the previous year. After the Directors' self-evaluation, the results of the assessment are discussed and noted by the Corporate Governance/Nomination/Remuneration Committee before submission to the Board for notation.

#### **N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees. (updated – October 2016)

In case of violation of any of the provisions of the revised Corporate Governance Manual, the following penalties shall be imposed:

<b>Violations</b>	<b>Sanctions</b>
First Violation	Reprimand
Second Violation	Suspension (The duration will depend on the gravity of the violation)
Third Violation	Removal from the office (maximum penalty)

A fine of not more than Pesos: Two Hundred Thousand (P200,000) shall be imposed by the SEC for every year of violation of the Code of Corporate Governance, without prejudice to other sanctions that the Commission may be authorized to impose under the law.