



# PNB

**Office of the Corporate Secretary**

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January 20, 2015

**PHILIPPINE DEALING & EXCHANGE CORPORATION**

37<sup>th</sup> Floor, Tower 1, The Enterprise Center  
6766 Ayala Avenue corner Paseo de Roxas  
Makati City

Attention: **Ms. Vina Vanessa S. Salonga**  
Head - Issuer Compliance and Disclosure Department

Dear Ms. Salonga:

We are pleased to furnish the Philippine Dealing & Exchange Corporation (PDEX) a copy of the Consolidated Changes in the Annual Corporate Governance Report (ACGR) for the Year 2014 of the Philippine National Bank.

For your info and records. Thank you.

Very truly yours,

  
**DORIS S. TE**  
Corporate Secretary

Philippine National Bank  
PNB Financial Center  
Pres. Diosdado Macapagal Blvd.,  
Pasay City, Metro Manila 1300, Philippines

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**PHILIPPINE NATIONAL BANK  
CONSOLIDATED CHANGES IN THE ACGR FOR 2014**

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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	15
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(a) Composition of the Board

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	Dr.. Lucio C. Tan, None	May 29, 2001	May 27, 2014 ( 2 years )	Annual Meeting	13 years
2. Felix Enrico R. Alfiler	ID	N/A	Dr. Lucio C. Tan, None	Dec. 16, 2011	May 27, 2014 (2 years)	Annual Meeting	3 years
3. Florido P. Casuela	NED	N/A	Dr. Lucio C. Tan	May 30, 2006	May 27, 2014	Annual Meeting	8 years
4. Joseph T. Chua	NED	N/A	Dr. Lucio C. Tan	May 27, 2014	May 27, 2014	Annual Meeting	0
5. Leonilo G. Coronel	NED	N/A	Dr. Lucio C. Tan	May 28, 2013	May 27, 2014	Annual Meeting	1 year
6. Reynaldo A. Maclang	ED	N/A	Dr. Lucio C. Tan	February 9, 2013	May 27, 2014	Annual Meeting	1 year
7. Estelito P. Mendoza	NED	N/A	Dr. Lucio C. Tan	Dec. 23, 2008	May 27, 2014	Annual Meeting	6 years
8. Federico C. Pascual	ID	N/A	Dr. Lucio C. Tan, None	May 27, 2014	May 27, 2014 (0)	Annual Meeting	0
9. Cecilio K. Pedro	ID	N/A	Dr. Lucio C. Tan, None	February 28, 2014	May 27, 2014 (0)	Annual Meeting	0
10. Washington Z. Sycip	NED	N/A	Dr. Lucio C. Tan	Dec. 8, 1999	May 27, 2014	Annual Meeting	15 years
11. Harry C. Tan	NED	N/A	Dr. Lucio C. Tan	February 9, 2013	May 27, 2014	Annual Meeting	1 year
12. Dr. Lucio C. Tan	NED	N/A	Dr. Lucio C. Tan	Dec. 8, 1999	May 27, 2014	Annual Meeting	15 years
13. Lucio K. Tan, Jr.	NED	N/A	Dr. Lucio C. Tan	Sept. 28, 2007	May 27, 2014	Annual Meeting	7 years
14. Michael G. Tan	NED	N/A	Dr. Lucio C. Tan	February 9, 2013	May 27, 2014	Annual Meeting	1 year
15. Deogracias N. Vistan	ID	N/A	Dr. Lucio C. Tan, None	July 15, 2011	May 27, 2014 (2 years)	Annual Meeting	3 years

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

(b) Directorship in Other Companies  
 (i) Directorship in the Company's Group

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Florencia G. Tarriela	PNB Capital and Investment Corporation PNB Life Insurance, Inc. PNB International Investments Corporation	Chairman/ID ID ID
Felix Enrico R. Alfiler	PNB RCI Holdings Co., Ltd. Japan-PNB Leasing and Finance Corporation PNB International Investments Corporation Allied Savings Bank	Chairman/ID ID ID ID
Florido P. Casuela	PNB Securities, Inc. PNB RCI Holdings Co., Ltd. PNB International Investments Corporation Allied Savings Bank	Chairman NED NED NED
Joseph T. Chua	Bulawan Mining Corporation PNB General Insurers Co., Inc. PNB Management Development Corporation	NED NED NED
Leonilo G. Coronel	Japan-PNB Leasing and Finance Corporation Japan-PNB Equipment Rentals Corporation	Chairman Chairman
Reynaldo A. Maclang	PNB (Europe) Plc Allied Leasing and Finance Corporation Allied Savings Bank PNB Global Remittance and Financial Co., (HK) Ltd. PNB Forex, Inc. Bulawan Mining Corporation PNB Management Development Corporation	Chairman NED NED NED NED NED NED
Estelito P. Mendoza	None	Not Applicable
Federico C. Pascual	PNB General Insurers Co., Inc. PNB Holdings Corporation PNB International Investments Corporation	Chairman/ID ID ID
Cecilio K. Pedro	Allied Savings Bank	ID
Washington Z. Sycip	None	Not Applicable
Harry C. Tan	PNB Global Remittance and Financial Co., (HK) Ltd. Bulawan Mining Corporation PNB Management Development Corporation Allied Savings Bank Allied Commercial Bank Allied Banking Corporation (HK) Ltd.	Chairman Chairman NED NED NED NED
Dr. Lucio C. Tan	Allied Leasing and Finance Corporation Allied Banking Corporation (HK) Ltd. Allied Commercial Bank PNB Life Insurance, Inc. Allied Savings Bank	Chairman Chairman Chairman Chairman Chairman

Re: PNB Consolidated Changes in the ACGR for 2014

Lucio K. Tan, Jr.	PNB Capital and Investments Corporation	NED
	PNB Forex, Inc.	NED
	Bulawan Mining Corporation	NED
	PNB Management Development Corporation	NED
	Allied Leasing and Finance Corporation	NED
	Allied Savings Bank	NED
	Allied Commercial Bank	NED
	Allied Banking Corporation (HK) Ltd.	NED
Michael G. Tan	PNB Global Remittance and Financial Co., (HK) Ltd.	NED
	PNB Management Development Corporation	Chairman
	PNB Holdings Corporation	Chairman
	PNB Forex, Inc.	NED
	Bulawan Mining Corporation	NED
	Allied Commercial Bank	NED
	Allied Savings Bank	NED
Deogracias N. Vistan	PNB Global Remittance and Financial Co., (HK) Ltd.	NED
	Allied Banking Corporation (HK) Ltd.	NED
Deogracias N. Vistan	PNB International Investments Corporation	Chairman/ID
	PNB Capital and Investment Corporation	ID

(ii) Directorship in Other Listed Companies

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
Joseph T. Chua	MacroAsia Corporation	NED
Leonilo G. Coronel	Megawide Construction Corporation	ID
Estelito P. Mendoza	San Miguel Corporation	NED
	Petron	NED
Washington Z. Sycip	Belle Corporation	ID
	Cityland Development Corporation	Chairman
	Century Properties Group, Inc.	ID
	First Philippine Holdings Corporation	ID
	Lopez Holdings Corporation	ID
	LT Group, Inc.	Director
	MacroAsia Corporation	Chairman
Metro Pacific Investments Corporation		ID
Harry C. Tan	LT Group, Inc.	Vice Chairman
	PAL Holdings, Inc.	NED
Lucio C. Tan	PAL Holdings, Inc.	Chairman and CEO
	LT Group, Inc.	Chairman and CEO
Lucio K. Tan, Jr.	MacroAsia Corporation	NED
	LT Group, Inc.	NED
Michael G. Tan	LT Group, Inc.	NED
	PAL Holdings, Inc.	NED
	Victorias Milling Company	NED
Deogracias N. Vistan	Lorenzo Shipping Corporation	ID

(c) Shareholding in the Company

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Florencia G. Tarriela	2	None	0.0000001601
Felix Enrico R. Alfiler	None	115 (under PCD Nominee Corporation – Filipino)	0.0000092063
Florido P. Casuela	None	133 (under PCD Nominee Corporation – Filipino)	0.0000106473
Joseph T. Chua	None	11,315 (under PCD Nominee Corporation – Filipino)	0.0009058234
Leonilo G. Coronel	None	1 (under PCD Nominee Corporation – Filipino)	0.0000000801
Reynaldo A. Maclang	155	None	0.0000124085
Estelito P. Mendoza	None	1,150 (under PCD Nominee Corporation – Filipino)	0.0000920634
Federico C. Pascual	38	1 (under PCD Nominee Corporation – Filipino)	0.0000031222
Cecilio K. Pedro	5,000	None	0.0004002755
Washington Z. Sycip	39,111	None	0.0031310350
Harry C. Tan	230	None	0.0000184127
Dr. Lucio C. Tan	14,843,119	None	1.1882673540
Lucio K. Tan, Jr.	2,300	None	0.0001841267
Michael G. Tan	250	None	0.0000200138
Deogracias N. Vistan	None	100 (under PCD Nominee Corporation – Filipino)	0.0000080055
<b>TOTAL</b>	<b>14,890,205</b>	<b>12,815</b> (under PCD Nominee Corporation – Filipino)	<b>1.1930627345</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:

Chairman of the Board	Florencia G. Tarriela
CEO/President	Reynaldo A. Maclang*

\*Mr. Reynaldo A. Maclang was appointed as President and CEO of the bank effective May 27, 2014.

3) Plan for succession of CEO/Managing Director/President and top key positions

The PNB Board of Directors has approved the adoption/implementation of the succession plan for the Bank, under its Board Resolution No. 03/01-19-2007 dated January 19, 2007. The PNB succession policy ensures that there are ready successors who have been well-trained and suitably prepared to assume sudden and anticipated vacancies. The bank has a succession plan reviewed and approved annually by the Corporate Governance/Nomination/Remuneration Committee. Group Heads are required to complete the succession matrix with at least 2 understudies/successors for key positions.

4) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Name	Position	Date of Cessation	Reason
Omar Byron T. Mier	Director/President and CEO	May 27, 2014	Expiration of term
Christopher J. Nelson	Director	May 27, 2014	Expiration of term

(b) Voting result of the last Annual General Meeting (May 27, 2014)

Name of Director	Votes Received
Florencia G. Tarriela	Majority
Felix Enrico R. Alfiler	Majority
Florido P. Casuela	Majority
Joseph T. Chua	Majority
Leonilo G. Coronel	Majority
Reynaldo A. Maclang	Majority
Estelito P. Mendoza	Majority
Federico C. Pascual	Majority
Cecilio K. Pedro	Majority
Washington Z. Sycip	Majority
Harry C. Tan	Majority
Dr. Lucio C. Tan	Majority
Lucio K. Tan, Jr.	Majority
Michael G. Tan	Majority
Deogracias N. Vistan	Majority

5) Orientation and Education Program

(a) In-house Training and External Courses by Directors & Senior Management

Name of Directors	Date of Training	Program	Name of Training Institution
Florencia G. Tarriela	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Felix Enrico R. Alfiler	November 26, 2014	Corporate Governance Seminar	The Institute of Corporate Directors
Florido P. Casuela	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Joseph T. Chua	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Leonilo G. Coronel	March 6 and 7, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Reynaldo A. Maclang	November 26, 2014	Corporate Governance Seminar	The Institute of Corporate Directors
Estelito P. Mendoza	September 19, 2014	Corporate Governance Seminar	SGV
Federico C. Pascual	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Cecilio K. Pedro	June 05, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors

Washington Z. Sycip	April 1, 2014	Corporate Governance Enhancement Session on Corporate Governance Requirements Under US Laws and Regulations	PLDT - Corporate Governance Seminar conducted by the Chief Corporate Governance Officer
Harry C. Tan	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Dr. Lucio C. Tan	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Lucio K. Tan, Jr.	October 21, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Michael G. Tan	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Deogracias N. Vistan	November 26, 2014	Corporate Governance Seminar	The Institute of Corporate Directors

Key Officers	TITLE OF SEMINAR, DATE AND VENUE
EVP Cenon C. Audencial Jr.	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 &amp; 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>
EVP Horacio E. Cebrero III	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Securitization in Housing Finance and Introduction to Concentration Risk on July 4, 2014 at SGV, Makati City</li> <li>➤ BASEL III: What's Next Under the Capital, Leverage and Macro-Prudential Guidelines on August 7, 2014 at SGV, Makati City</li> </ul>
EVP Christopher C. Dobles	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 &amp; 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ 21st Asian Professional Security Association (APSA) International Conference &amp; Secusafe by Secusafe Alliance Philippines on May 14-16, 2014 at Manila Hotel</li> </ul>
EVP Jovencio D. Hernandez	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>
FSVP Alice Z. Cordero	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Seminar on Concentration Risk and Related Party Transactions on April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City</li> </ul>
FSVP Socorro D. Corpus	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Comprehensive Competency-Based Learning and Assessment Framework in March 24 and 31, 2014 at PNB Makati Penthouse</li> </ul>
FSVP Zacarias E. Gallardo, Jr.	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Mentor Skills Development Workshop on July 15 and August 14, 2014 at PNB Makati</li> </ul>



	<p>Penthouse</p> <ul style="list-style-type: none"> <li>➤ BASEL III: What's Next Under the Capital, Leverage and Macro-Prudential Guidelines in 2014 on August 7, 2014 at SGV, Makati City</li> </ul>
FSVP Miguel Angel G. Gonzales	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>
FSVP John Howard D. Medina	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 &amp; 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>
FSVP Benjamin S. Oliva	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 &amp; 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>
FSVP Aida M. Padilla	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 &amp; 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>
FSVP Carmela Leticia A. Pama	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 &amp; 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Concentration Risk and Related Party Transactions in April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City</li> </ul>
FSVP Emmanuel German V. Plan II	<ul style="list-style-type: none"> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Architecture and Urban Planning: What Business Leaders Need to Know in 2014 in Makati City</li> </ul>
SVP Dioscoro Teodorico L. Lim	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Concentration Risk and Related Party Transactions in April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City</li> </ul>
SVP Maria Paz D. Lim	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Comprehensive Competency-Based Learning and Assessment Framework in March 24 and 31, 2014 at PNB Makati Penthouse.</li> </ul>
FVP Manuel C. Bahena, Jr.	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Mentor Skills Development Workshop on July 15 and August 14, 2014 at PNB Makati Penthouse</li> </ul>
FVP Josephine E. Jolejole	<ul style="list-style-type: none"> <li>➤ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City</li> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> <li>➤ Securitization in Housing Finance and Introduction to Concentration Risk in 2014 on July 4, 2014 at SGV, Makati City</li> </ul>
VP Constantino T. Yap	<ul style="list-style-type: none"> <li>➤ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City</li> </ul>

## B. CODE OF BUSINESS CONDUCT & ETHICS

### 1. Dissemination of Code of Conduct

The Bank's human resource policies including but not limited to the Code of Conduct are disseminated by the Human Resource Group via the Bank's email network to all employees (officers and rank and file) and accessible through the Bank's intranet system (PNB Cybermag). All new hires are required to attend classroom training on Corporate Governance and Code of Conduct briefings.

## 2. Compliance with Code of Conduct

Compliance and implementation of PNB Code of Conduct is stipulated in the PNB Code of Conduct Manual. Fact Finding Committees and Disciplinary Authorities created / formed as approved by the Board are mandated to observe procedures, proceedings, and timelines in performing their respective functions. Corresponding sanctions are enumerated in the PNB Code of Conduct in case of violation or non observance of Bank policies by bank employees. Code of conduct evaluations, policies and procedures, enhancement in the ethical standards of the bank are reviewed and approved by the Corporate Governance/Nomination/Remuneration Committee.

## C. BOARD MEETINGS AND ATTENDANCE

### 1. Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended
Chairman/Independent Director	Florencia G. Tarriela	May 27, 2014	22	22
Vice Chair/Independent Director	Felix Enrico R. Alfiler***	May 27, 2014	22	10
Member	Florido P. Casuela	May 27, 2014	22	21
Member	Joseph T. Chua*	May 27, 2014	13	12
Member	Leonilo G. Coronel	May 27, 2014	22	22
Member	Reynaldo A. Maclang	May 27, 2014	22	22
Member	Estelito P. Mendoza	May 27, 2014	22	14
Independent Director	Federico C. Pascual*	May 27, 2014	13	13
Independent Director	Cecilio K. Pedro**	May 27, 2014	19	16
Member	Washington Z. Sycip	May 27, 2014	22	17
Member	Harry C. Tan	May 27, 2014	22	17
Member	Lucio C. Tan	May 27, 2014	22	16
Member	Lucio K. Tan, Jr.	May 27, 2014	22	13
Member	Michael G. Tan	May 27, 2014	22	19
Independent Director	Deogracias N. Vistan	May 27, 2014	22	22

\* Elected on May 27, 2014 during the Annual Stockholders' Meeting of the Bank

\*\* Elected on February 28, 2014

\*\*\* On medical leave of absence since January 1, 2014. He participated in Board meetings via teleconferencing since June 27, 2014.

### 2. Changes in Existing Policies – to harmonize the personnel policies under the merged bank

Existing Policies	Changes	Reason
MSA - Branch Operations	Annual review/revision of approving authorities for Branch Operations	To facilitate approval of transactions in the branches for the integrated management of merged bank branches
Amendments to the approving limits of Board CreditCom and Board CPC	Revised the approving limits of Board CreditCom and Board CPC	To facilitate the approving limits of Board CreditCom and Board CPC under the Merged Bank
Revised Policy on Sure Home Loan Program	I. Amendments to the basic policies, implementing guidelines and approving authorities of the Sure Home Loan Program. II. Included a provision on the guidelines and required	To simplify and update the program features as well as to align some provisions with

	documentation in case the loan proceeds to be released is against the DOU of an accredited real estate developer.	the Policy on Home Flexi Loan Program and Motor Vehicle Loan Program
Guidelines on Booking and Valuation of Real and Other Properties (ROPA) under GAAP	Included guidelines for booking and valuation of ROPA properties under Generally Accepted Accounting Principles (GAAP).	Board approved new policy guidelines on booking of ROPA as part of the ROPA strategy
Policy on External Credit Investigation	Accreditation and credit investigation guidelines for external credit investigators, in case the bank shall engage the services of external credit investigators.	To streamline the processes and procedures in the outsourcing of the Bank's accreditation of external CI service providers that will support loan expansion and ROPA disposal programs.
Policy Guidelines and Approving Authorities on Loans Fully Secured by Deposit Holdout	Amendments to the policy guidelines and approving authorities for Loans Fully Secured by Holdout	To align the credit policies and approving authorities for the merged Bank.
Creation of Global Consumer Loans Credit Committee (GLCC)		To facilitate approval of consumer loan recommendations for overseas offices managed by the Global Filipino Banking Group of up to Php10M. Support consumer banking strategic direction for PNB Savings as the hub for the consumer business.
Amendments to the Policy on External Appraisal	Amended the guideline pertaining to the Validation of appraisal reports for ROPA properties	To streamline the appraisal process requirements and support turnaround time for the sale of Real and Other Properties Acquired (ROPA)
Revised Policy on Related Party Transaction (RPT)	Amended the policy to consider and incorporate the important provisions of the BSP Circulars.	To align and comply with the recent BSP regulations on related party transactions (RPTs) framework.
Policy on PNB Corporate Social Responsibility	Adoption of the Policy on PNB Corporate Social Responsibility under the merged Bank.	To integrate guidelines on the Bank's Corporate Social Responsibility initiatives for the merged bank.
Policies on Compensation, Benefits and Incentives	For bank rank and file employees whose regular work hours (under a night shift schedule) fall or are rendered between 6:01 PM to 6:00	Harmonization of policy to be adopted under the merged Bank.
PNB Perfect Attendance Award Program	Align benefits, allowances and incentive programs.	
Policies on Paternity Leave Benefit	For rank and file employees who achieve perfect attendance record for at least one semester in a calendar year.	
Policy on Solo Parent Leave Benefit	Pursuant to Republic Act No. 8187 entitled "An Act Granting Paternity Leave of Seven (7) Days with Full Pay to All Married Male Employees in the Private and Public Sectors for the First Four (4) Deliveries of the Legitimate Spouse with Whom He is Cohabiting and for Other Purposes", otherwise known as the "Paternity Leave Act of 1996".	
	, pursuant to Republic Act No. 8972 entitled "An Act Providing for the Benefits and Privileges to Solo Parents and their Children, Appropriating Funds Therefor and for Other Purposes", otherwise known as the "Solo Parents' Welfare Act of 2000".	

Policy on Hazard Pay	For rank and file employees, including those on probationary status, who are designated to perform cash/deposit pick-up/delivery and ATM off-site cash loading/servicing.	
PNB Car Plan for Officers	The PNB Officers' Car Plan involves the acquisition by the Bank of brand new motor vehicles for the purpose of leasing them out to qualified officers over a period of five (5) years, thru financing arrangement, with the officer's option to purchase the said leased vehicle upon expiration of the lease term, as the case may be.	

#### D. BOARD COMMITTEES

##### 1. Number of Members, Functions and Responsibilities

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

##### BOARD CREDIT AND POLICY COMMITTEE

The Board CPC was created in 2014 to take over the functions of the former Executive Committee and perform other functions and duties as the Board may confer upon it.

##### BOARD CREDIT COMMITTEE

The Committee shall perform the functions and duties as the Board may confer upon it primarily in the approval of loans and deviations to credit policy guidelines under the merged bank.

##### BOARD OVERSIGHT COMMITTEE – DOMESTIC & FOREIGN OFFICES/SUBSIDIARIES

A newly created Board Committee 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.

##### BOARD I.T. GOVERNANCE COMMITTEE

To assist the Board in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the PNB Group. This is a new committee tasked to focus on IT strategic plans and on-going migration to a new Core Banking System.

2. Committee Members

(a) Board Credit and Policy Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	July 17, 2012	68	2 years
Vice Chair (ID)	Florencia G. Tarriela	May 29, 2001	68	13 years
Member (ED)	Reynaldo A. Maclang	Feb. 9, 2013	68	1 year
Member (NED)	Harry C. Tan	Feb. 9, 2013	68	1 year
Member (NED)	Lucio K. Tan, Jr.	May 29, 2008	68	6 years
Member (NED)	Michael G. Tan	Feb. 9, 2013	68	1 year
Member (ID)	Deogracias N. Vistan	May 29, 2012	68	2 years
Alternate Member (NED)	Florido P. Casuela*	May 28, 2008	68	6 years

\* Appointed as alternate member effective May 27, 2014 for the duration of sick leave of absence of Dir. Alfiler.

(b) Board Credit Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Florido P. Casuela	Feb. 9, 2013	46	1 year
Vice Chair (ED)	Reynaldo A. Maclang	Feb. 9, 2013	46	1 year
Member (NED)	Harry C. Tan	Feb. 9, 2013	46	1 year
Member (NED)	Michael G. Tan	Feb. 9, 2013	46	1 year
Member (NED)	Leonilo G. Coronel*	May 27, 2014	30	0
Member (NED)	Joseph T. Chua*	May 27, 2014	30	0
Member (ID)	Federico C. Pascual*	May 27, 2014	30	0

\* Elected on May 27, 2014

(c) Board Audit and Compliance Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	August 1, 2011	18	34 years
Member (ID)	Felix Enrico R. Alfiler	May 27, 2014	10	0
Member (NED)	Florido P. Casuela	June 25, 2010	18	4 years
Member (ID)	Federico C. Pascual	May 27, 2014	10	0
Member (NED)	Harry C. Tan	May 27, 2014	10	0

(d) Corporate Governance/Nomination/Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	Sept. 27, 2013	14	1 year
Member (ED)	Reynaldo A. Maclang	Jan. 16, 2014	14	0
Member (ID)	Federico C. Pascual*	Oct. 16, 2014	2	0
Member (NED)	Lucio K. Tan, Jr.	Feb. 9, 2013	14	1 year
Member (NED)	Michael G. Tan	Feb. 9, 2013	14	1 year
Member (ID)	Florencia G. Tarriela	May 24, 2005	14	9 years
Member (ID)	Deogracias N. Vistan	July 15, 2011	14	3 years

\* Elected on October 16, 2014 vice Atty. Estelito P. Mendoza

(e) Risk Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Florido P. Casuela	May 30, 2006	16	8 years
Member (NED)	Joseph T. Chua	May 27, 2014	7	0
Member (NED)	Leonilo G. Coronel	Sept. 27, 2013	16	1 year
Member (NED)	Harry C. Tan	Feb. 9, 2013	7	1 year
Member (ID)	Florencia G. Tarriela	May 29, 2001	16	13 years

(f) Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	May 27, 2014	6	0
Member (ID)	Cecilio K. Pedro	May 27, 2014	6	0
Member (ID)	Florencia G. Tarriela	May 27, 2014	6	0
Ex-Officio Member	Reynaldo A. Maclang	May 27, 2014	6	0
Ex-Officio Member	Josephine E. Jolejole	June 15, 2013	9	1 year

(g) Board ICAAP Steering Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Michael G. Tan	Feb. 9, 2013	1	1 year
Member (NED)	Florido P. Casuela	Dec. 10, 2010	2	4 years
Member (ED)	Reynaldo A. Maclang	Feb. 9, 2013	2	1 year
Member (ID)	Florencia G. Tarriela	Dec. 10, 2010	2	4 years
Member (ID)	Deogracias N. Vistan	July 15, 2011	2	3 years

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

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 29, 2012	12	2 years
Member (ID)	Felix Enrico R. Alfiler	May 29, 2012	12	2 years
Member (NED)	Joseph T. Chua	May 27, 2014	12	0
Member (NED)	Leonilo G. Coronel	Sept. 27, 2013	12	> 1 year
Member (ID)	Federico C. Pascual	May 27, 2014	12	0

(i) Board Oversight RPT Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Federico C. Pascual <sup>1/</sup>	May 27, 2014	10	0
Member (ID)	Felix Enrico R. Alfiler <sup>2/</sup>	Sept. 27, 2013	16	1 year
Member (ID)	Deogracias N. Vistan	Sept. 27, 2013	16	1 year
Alternate Member (ID)	Florencia G. Tarriela <sup>3/</sup>	Sept. 27, 2013	16	1 year

Non-voting Member	Alice Z. Cordero	Dec. 20, 2013	16	1 year
Non-voting Member	Dioscoro Teodorico L. Lim	Dec. 20, 2013	16	1 year

<sup>1/</sup> Appointed as member effective May 27, 2014 and assumed as Chairman effective October 24, 2014

<sup>2/</sup> On medical leave of absence since January 1, 2014.

<sup>3/</sup> Appointed as alternate member for Dir. Alfiler effective May 27, 2014.

(j) Board IT Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	April 10, 2014	10	< 1 year
Member (NED)	Florido P. Casuela	April 10, 2014	10	< 1 year
Member (NED)	Joseph T. Chua	May 27, 2014	8	< 1 year
Member (ID)	Cecilio K. Pedro	May 27, 2014	8	< 1 year
Member (ID)	Florencia G. Tarriela	May 27, 2014	8	< 1 year

3. Changes in Committee Members

Name of Committee	Name	Reason
1. Board Credit and Policy Committee	Omar Byron T. Mier	Retired effective May 27, 2014
	Christopher J. Nelson	Appointed as Board Advisor effective May 27, 2014
	Leonilo G. Coronel	Appointed from alternate to regular member of the BCC on May 27, 2014
	Florido P. Casuela	Appointed as alternate member for the duration of the medical leave of absence of Dir. Felix Enrico R. Alfiler on May 27, 2014
2. Board Credit Committee	Leonilo G. Coronel	Appointed from alternate member from January 1, 2014 to May 21, 2014 and appointed as regular member effective May 27, 2014.
	Joseph T. Chua	Appointed as members effective May 27, 2014
	Federico C. Pascual	
	Omar Byron T. Mier	Retired effective May 27, 2014.
3. Board Audit and Compliance Committee	Felix Enrico R. Alfiler	Appointed members effective May 27, 2014.
	Federico C. Pascual	
	Harry C. Tan	
	Florencia G. Tarriela	Appointed member of TrustCom effective May 27, 2014
	Leonilo G. Coronel	Appointed as Chairman of TrustCom vice Dir. Alfiler eff. May 27, 2014
	Reynaldo A. Maclang	Appointed member of TrustCom as President of the bank. effective May 27, 2014
	Estelito P. Mendoza	Appointed as member of the Corporate Governance/Nomination/Remuneration Committee effective May 27, 2014 until October 26, 2014.
	Christopher J. Nelson	Appointed as Board Advisor eff. May 27, 2014
4. Corporate Governance/ Nomination/Remuneration Committee	Federico C. Pascual	Appointed as member effective Oct. 16, 2014 upon receipt of BSP MB confirmation as ID.
5. Risk Oversight Committee	Joseph T. Chua	Appointed as members effective May 27, 2014.
	Harry C. Tan	

6. Trust Committee	Leonilo G. Coronel	Appointed as Chairman vice Dir. Alfiler eff. May 27, 2014
	Cecilio K. Pedro	Appointed as member vice Dir. M. Tan eff. May 27, 2014
	Florencia G. Tarriela	Appointed as member vice Dir. H. Tan eff. May 27, 2014
	Reynaldo A. Maclang	Appointed as member vice Dir. Mier eff. May 27, 2014
7. Board ICAAP Steering Committee	Michael G. Tan	Appointed as Chairman vice Dir. Tarriela eff. May 27, 2014
8. Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	Joseph T. Chua	Appointed as member effective May 27, 2014.
	Federico C. Pascual	
9. Board Oversight RPT Committee	Federico C. Pascual	Appointed as member effective May 27, 2014 and assumed as Chairman effective October 24,
	Florencia G. Tarriela	Appointed as alternate member effective May 27, 2014 for duration of medical leave of Director Alfiler.
	Deogracias N. Vistan	Appointed as member effective October 24, 2014.
10. Board IT Governance Committee	Florencia G. Tarriela	Appointed as members effective May 27, 2014.
	Cecilio K. Pedro	
	Joseph T. Chua	

#### 4. Work Done and Issues Addressed

Name of Committee	Work Done	Issues Addressed
Board Audit and Compliance Committee	All audit and compliance reports were discussed during the regular and special meetings. All open issues were tracked and documented in the minutes of meeting of the BACC until closure.	
Risk Oversight Committee	<p>Accomplished processes and policies Board approved are as follows:</p> <ul style="list-style-type: none"> <li>▪ Conducted Rapid Loan Portfolio on El Niño Phenomenon, Global Ebola Scare and carry out stress testing on Real Estate and Decreasing Trend in Oil Price.</li> </ul> <p>Highlights of endorsements forwarded for Board approval are as follows:</p> <ul style="list-style-type: none"> <li>▪ Use of the Merged Deposits Assumptions for % Core and Volatile Deposits using enhanced statistical model in the Maximum Cumulative Outflow (MCO) report/Liquidity Gap Report</li> <li>▪ 2014 Treasury Value-at-Risk and Stop Loss Limits</li> <li>▪ Earnings-at-Risk (EaR) Limit for the Bank Proper                             <ul style="list-style-type: none"> <li>- Increase the EaR limit to Php4.0B from the current Php3.83B (merged Bank 1+1);</li> <li>- Reckon the EaR limit against a 350 bps potential change in yields across one-year benchmark interest rates per tenor bucket which is the observed average Month on Month change in</li> </ul> </li> </ul>	<p>The ROC had provided directives and resolutions on a number of issues that raise risks on the Bank's credit and market positions and overall operations as enumerated below:</p> <ul style="list-style-type: none"> <li>▪ The Committee was able to formalize the lending direction of the Bank in tapping the Real Estate sector. A) Residential Real Estate Loans – granted to individual households for the acquisition, construction and/ or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower. B) Developer Financing – Loans or investment granted to Real Estate developers for project finance, general working capital and other purposes as may be required.</li> <li>▪ Increased risk oversight of the Committee to the Bank's domestic and overseas subsidiaries. The Committee has instructed all ROCs, or its equivalent, of all subsidiaries to inform the ROC-Parent about the highlights of their risk indicator and monitoring reports on Credit, Market and Operational Risk.</li> <li>▪ Directed the management to</li> </ul>



	<p>yields;</p> <ul style="list-style-type: none"> <li>- Change in the treatment of Regular Savings Account (Volatile portion) to interest-sensitive account (from non-interest rate sensitive account);</li> <li>- Adopt a merged Bank methodology of determining the Bank's EaR Limit</li> </ul> <ul style="list-style-type: none"> <li>▪ Long Term Repurchase Transaction <ul style="list-style-type: none"> <li>- Approval to source longer term dollar funds via Long-Term-Repurchase (LT Repo) facilities being offered by counterparties;</li> <li>- Set-up of Long-Term Credit Facility for prospective LT Repo counterparties to be carved out from existing Money Market lines in coordination with Financial Institutions Division (FID);</li> <li>- Set-up of overall Repurchase Facility limit of US\$ 300M with sublimit for LT Repo of US\$ 100M in coordination with Risk Management Group;</li> </ul> </li> <li>▪ Additional Authorized signatory/ies for the Uniform Stress Testing submitted to BSP</li> <li>▪ Tier 3 Sub Policies as part of the Enterprise Information Security Policies. This will help in achieving the core objective of information security which is protecting the Confidentiality, Integrity and Availability of the Bank's information assets. These high level security policies are based on ISO 27000 series of internationally-accepted information security and risk management standards, related laws and regulations.</li> </ul>	<p>immediately address the issue of Bank's use of excessive Lotus Notes licenses. The Zimbra project was fully implemented to PNB Makati by first week of 2015. The Bank is expected to be fully complied on its email license issues by end of January 2015.</p> <ul style="list-style-type: none"> <li>▪ The Committee noted the Bank's high credit card stand-in (STIP) figures for several periods and directed the Credit Card Division and relevant units to do the necessary actions to keep the statistics within the acceptable level. The recent Bank's STIP numbers showed that they have been well within the set limit.</li> <li>▪ Directed PNB Gen to conduct a review on everything that was done by its previous management to uncover other issues or deviations that may result to material losses. The subsidiary President has pledged that they have been strengthening their risk management process and teamed up with the Bank's Internal Audit Group to also fortify their audit activities.</li> </ul>
Trust Committee	<ol style="list-style-type: none"> <li>1) Acceptance and closing of various trust and other fiduciary accounts.</li> <li>2) Review and approval of various investment instruments for both directional and discretionary accounts.</li> <li>3) Approval of the launch of the PNB Institutional Fund UITF launched in February 2014. AUM as of October 2014 is at Php5.09Billion.</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 of various product manuals in compliance with the requirements of the bank and regulations (Pre-need, Auto Invest Plan, PNB Institutional Fund, Pinnacle Club Service and UITF ONLINE Manual, TBG Risk Manual).</li> <li>6) Review and approval of relevant policies and procedures in compliance with regulatory observations and ensures that operating standards are in place (e.g. 2014 Compliance Plan and Training Program, 2014 TBG Money Laundering &amp; Terrorist Financing Prevention, User Access Matrix and revision of the Manual of</li> </ol>	

	<p>Signing Authority for UITF allowing branch heads to sign in the Participating Agreement).</p> <p>7) Review and approval of transactions by and between trust accounts to fund withdrawal of clients and realign the portfolio in accordance with the funds' strategy/guidelines.</p> <p>8) Approval of various marketing initiatives and promotions to push Trust Products and services both to clients and branches (i.e. cash incentive and referral program and UITF Online Raffle Promo).</p> <p>9) Conduct of regular meetings to ensure that trust activities are conducted in accordance with applicable laws, rules and regulations and prudent practices.</p>	
Board ICAAP Steering Committee	<ol style="list-style-type: none"> <li>1. Oversight on the review and approval of the Bank's capital planning and risk assessment policies</li> <li>2. Overall assessment and active oversight on the implementation of the Bank's Board-approved ICAAP</li> </ol>	Provides suggestions and resolutions relative to the BSP Observations and Recommendations on the ICAAP Document
Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	<ol style="list-style-type: none"> <li>1. Reviewed &amp; monitored the monthly performance of the overseas offices</li> <li>2. Recommended strategies/action plans to improve business operations and reduce the losses of the overseas offices</li> <li>3. Recommended the development and pushed for the implementation of new remittance products &amp; services and remittance channels</li> <li>4. Required overseas offices to reduce operating expenses and instituted cost saving measures</li> <li>5. Recommended new business models/ marketing programs and other business building initiatives for the overseas offices</li> <li>6. Oversee that all overseas offices are compliant to all regulatory requirements</li> </ol>	To address the performance/ profitability of the overseas offices
Board Oversight RPT Committee (BORC)	Related party transactions were deliberated, approved/noted by BORC; endorsed to the board; and documented in the minutes per Board approved policies and procedures.	Complied with the SEC and BSP rules and regulations on RPT.

5. Committee Program

Name of Committee	Planned Programs	Issues Addressed
Board Audit and Compliance Committee	<p>The Committee holds regular monthly meetings to review and approve Compliance and Internal Audit Reports. Special meetings are held to discuss quarterly financial statements submitted to regulators.</p> <p>The Committee invites business resource persons or subject matter experts to participate in the meetings, as necessary, primarily to provide comprehensive reports and guidance to significant issues the Committee is confronted with.</p>	
Risk Oversight Committee	<p>Coordinates preparation of the annual ICAAP program submitted to BSP. 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</p>	

	policy guidelines for critical risk management reports under the merged Bank.	
Trust Committee	<p>Strengthened and enhanced the Risk Management and Compliance Systems. The bank has considered relevant banking laws, rules and regulations applicable to trust banking which are monitored through the RCSA Program including compliance with BSP Circular 766 on Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business and Investment Management Activities.</p> <p>Strengthened Trust Operations based on 5 essential components (capability of Trust Operation Management, Adequacy of operations, controls and audits, quality and level of earnings, compliance and management of fiduciary assets) being considered by BSP to get an audit rating of 4 through the acquisition of a new Trust System."</p>	
Board ICAAP Steering Committee	<p>Ensured that the PNB Group ICAAP Program involved active oversight on domestic and foreign subsidiaries.</p> <p>Focused on the seamless implementation of the Capital Contingency Plan to address new BSP regulations and align with recent Basel III developments.</p>	<p>Implemented a well-defined Capital allocation for the subsidiaries aligned with Board approved Business Plans.</p>
Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	<p>Expanded review &amp; monitoring of monthly performance of oversea and domestic offices. Approved new strategic programs to further strengthen 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 thru new technology i.e web-based.</li> </ul>	<p>Rolled-out revenue generating programs and effectively reduced overhead expenses to achieve desired rate of return.</p>
Board Oversight RPT Committee	<p>Established a robust RPT framework to ensure proper monitoring of RPT dealings are approved per Board approved policy guidelines. Increased awareness of RPT policies and procedures and modified practices to align with new regulations.</p>	<p>Bank has fully adhered with the SEC/BSP regulation and enhanced practices to align with global best practices. Existing policies were modified to provide clearer guidelines and thresholds through issuance of RPT compliance bulletins.</p>

#### E. RISK MANAGEMENT SYSTEM

Overall risk management philosophy of the bank:

At PNB, we place a high priority on risk management and have taken concrete steps to refine our framework for risk management, including the identification and control of the risks associated with our operational activities.

Sound, robust and effective enterprise risk management system, coupled with global best practices were recognized as a necessity and are the prime responsibility of the Board and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the

enterprise risk management of PNB, while positioning PNB Group to manage the changing regulatory environment in an effective and efficient manner.

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.

The bank's Board of Directors has delegated specific responsibilities to various Board committees which are integral to the PNB's risk governance framework and allow executive management through management committees to evaluate the risks inherent in the business and to manage them effectively. There are 8 Board Committees as presented previously.

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, independent from the business lines is organized into four divisions: Credit Risk and BASEL II and ICAAP Implementation Division, Market & ALM Division, Operational & Information Technology Security Risk Management and Business Intelligence Division.

The risk management system and the directors' criteria for assessing its effectiveness are reviewed/revised annually.

## F. INTERNAL AUDIT AND CONTROL

1. Statement of Effectiveness and Internal Control System	
<p>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 thru 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 vs. changes in the economic and regulatory environment..</p> <p>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 internal control environment has been effective and dynamic to ensure the attainment of its business objectives.</p>	
2. Internal Audit	
a. Role, Scope and Internal Audit Function	<p>The Internal Audit Group is headed by the Chief Audit Executive (CAE) reporting directly to the Board Audit and Compliance Committee. 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 the Internal Audit Group performs are:</p>

	<ol style="list-style-type: none"> <li>1. Develop an audit charter, approved by both senior management and the audit committee, 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 audit committee to establish a reporting relationship that will ensure that audit recommendations receive appropriate attention.</li> <li>6. Establish a quality assurance and improvement program for the internal auditing activity that provides assurance that the internal auditing activity: 1) performs in accordance with its charter, 2) adheres to the Standards and the Code of Ethics, 3) operates in an effective and efficient manner, and 4) 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>
<p>b. Appointment/ Removal of Internal Auditor</p>	<p>There is a provision in the BACC Charter that state the following:</p> <p>As part of it's oversight function of the Bank's Internal Auditor, the BACC is:</p> <p>“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. “</p>
<p>c. Reporting Relationship with the Audit Committee</p>	<p>There is a provision in the IAG Charter that state the following:</p> <p>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.</p>
<p>d. Resignation, re- assignment and Reasons</p>	<p>There is a provision in the BACC Charter that state the following:</p> <p>As part of it's oversight function of the Bank's Internal Auditor, the BACC is:</p> <p>“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. “</p>
<p>e. Progress against plans, Issues, findings and Examination</p>	<p>The following provisions were included in the IAG Charter:</p> <p>The CAE and staff of the Internal Audit Group have the responsibility to:</p> <ul style="list-style-type: none"> <li>• Develop a flexible annual audit plan using an appropriate risk-based audit</li> </ul>

<p>Trends</p>	<p>methodology, including any risks or control concerns identified by the BACC/Senior Management (SM) and submit that plan to the BACC for review and approval as well as periodic updates.</p> <ul style="list-style-type: none"> <li>• Implement the annual audit plan, as approved by the BACC, taking into consideration any special tasks or projects that may be requested by SM.</li> <li>• Issue periodic reports to the BACC and SM summarizing results of audit and investigation activities.</li> <li>• Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.</li> <li>• Maintain a professional internal audit staff with sufficient knowledge, skills, experience, and preferably with professional certifications to meet the requirements of this Charter.</li> <li>• Keep the BACC informed of emerging trends and successful practices in internal auditing and governance.</li> <li>• Periodically provide information on the status and results of the annual audit plan and the sufficiency of activity resources.</li> <li>• Coordinate with and provide oversight of other control and monitoring functions (i.e., finance, risk management, compliance, security, legal, ethics, environmental, external audit).</li> </ul> <p>There is also a provision in the IAG Charter that state the following regarding monitoring of audit findings:</p> <p>The CAE or designate may include in the audit report the auditee’s response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management’s response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed. In cases where a response is not included within the audit report, management of the audited area should respond, in writing, within 30 days from the date of issuance of the report.</p>
<p>f. Audit Control Policies and Procedures</p>	<p>This INTERNAL AUDIT MANUAL (IAM) was developed using as guide the Professional Practice Framework issued by the Institute of Internal Auditors (IIA). This IAM defines the policies, procedures and standards to be used by the Internal Audit Group as guidelines in all the audit engagements to be performed. This would provide the audit team with a tool to consistently provide quality audit services to its customers. The customer base for internal auditing is typically comprised of two groups, the board, senior management, and external third parties on one hand and operating and line management on the other.</p> <p>In certain instances, it may be required to deviate from the standards set in this manual. In such instances, the judgment of the Chief Audit Executive has to be used with the end in mind of providing better set of procedures in performing the audit service. As a matter of policy, audit procedures and scope must be carried out fully as planned. On exceptional cases, deviations from audit procedures and scope may be allowed as follows:</p> <ul style="list-style-type: none"> <li>➤ During the audit process, a new key risk area is identified or fraud/irregularities are uncovered which need the shift in focus of examination from low risk areas.</li> <li>➤ Drastic change in peace and order situation in the area where auditee unit is located, hence deviations from planned audit procedures and scope may be allowed on low risk areas and reduction of scope of line auditing may be allowed.</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Health and safety concerns of auditors are in danger, hence deviations from audit procedures may be allowed on low risk areas and reduction of scope of line auditing may be allowed.</li> <li>➤ Auditable units with low risk ratings proximate in location to those with high risk ratings may be audited to optimize cost efficient productivity, but the audit frequency may not be similar to those with high risk ratings.</li> </ul> <p>The Team Leader must assess the needed changes/deviations from audit scope and procedures and prepare justification and the alternative audit procedures to be done. All proposed changes/deviations must be reviewed by the Department Head/ Deputy Chief Audit Executive and approved by the Chief Audit Executive.</p>
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## G. ROLE OF STAKEHOLDERS

1. Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' Welfare		
Supplier/contractor selection practice	<p>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.</p> <p>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.</p>	<p>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 5k and below, a telephone canvas is used. For over 5k but less than 50K, a formal quotation is used, and for over 50k, 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.</p>
Anti-corruption programmes and procedures	<p>1) 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</p>	<p>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</p>

	<p>from the Bank service.</p> <p>2) 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>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 P2K and above; and more than P5K 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 P2K.</p>
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2. Performance-enhancing mechanisms for employee participation

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 thru the following:

➤ Wellness/Insurance

- Coverage under a health care maintenance program (including employees' qualified dependents)
- Coverage under a group term life and accident insurance
- 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
- 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

- Annual Team Building activity for each Group/Unit/Branch and socialization events that promote camaraderie among employees such as Bank Anniversary and Christmas party
- 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
- Chapel for spiritual meditation, worship and Eucharistic celebration (daily masses)
- Financial assistance and special moratorium on payment of employee fringe benefit loans for employees affected by calamity/natural disaster
- Scholarship for employees' qualified children
- Free shuttle bus service for Head Office employees (Macapagal Boulevard – Buendia LRT and EDSA-Taft MRT stations routes and back)
- Canteen with subsidized food rates and coffee shop at the Head Office



- Free parking space at the Head Office
  - 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)
  - Special interest and foreign exchange rates and waiver of annual fee of the Bank's credit card for employees
  - Office uniforms
- Safety/Security
- Regular fire and earthquake drill exercises
  - 24/7 or round-the-clock security
  - Top-of-the-line centralized alarm system and CCTV coverage
  - 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:

- Learning within the Bank (In-House)
- Learning outside the Bank
- Learning program abroad
- Orientation and Job Induction of new hires
- Student Trainee Program
- Junior Executive Development Institute
- Management Training Program/Fast tract Training Program
- Branch Operations Development Program
- Leadership Courses
- Human Resources Talent Management Program

3. State the company's training and development programmes for its employees. Show the data.

Course Title/ Duration	Description	Objectives	Target Employees
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<p>Orientation Program for New Hires  (5 days)</p>	<p>An induction program 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.</p>	<p>At the end of this program, the participants will</p> <ol style="list-style-type: none"> <li>1. Be familiar with the bank's goals, history, organizational set-up, functions/services of the divisions/departments.</li> <li>2. Be able to understand the Bank's personnel policies and procedures, employee benefits and other employment-related matters.</li> <li>3. Be able to know what the Bank expects of you in terms of job performance and conduct.</li> <li>4. Be able to demonstrate a positive work attitude through a deeper appreciation of the value of your work.</li> <li>5. Be able to learn and practice the skills on quality customer service with the aim of :             <ol style="list-style-type: none"> <li>a. sustaining the Bank's competitiveness in the industry; and</li> <li>b. further strengthening the Bank's corporate image.</li> </ol> </li> </ol>	<p>Newly Hired Employees</p>
<p>Selling 101  (1 day)</p>	<p>This one-day workshop is designed to enhance the selling skills competencies of the New Accounts Service Representatives for them to be able to develop a sales mindset.</p>	<ol style="list-style-type: none"> <li>1. Review and connect the duties and responsibilities of NAC to Selling</li> <li>2. Develop appreciation for professional selling as a form of service</li> <li>3. Demonstrate essential skills in selling</li> </ol>	<p>New Accounts Service Representatives</p>
<p>Self-Transformation and Re-discovery (STAR) Workshop  (2 days)</p>	<p>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. Program Outline: Self-Mastery (Self-Knowledge); Personal Values; Self-Motivation; Habit; Effectiveness; Good grooming and proper hygiene; Corporate wardrobe and visual poise; Workplace etiquette and social graces; Professional image</p>	<ol style="list-style-type: none"> <li>1. Provide the participants with the necessary tools to enhance their personal and corporate effectiveness</li> <li>2. Apply skills on how to achieve self mastery</li> <li>3. Rediscover personal and corporate values and integrate them with their actions</li> <li>4. Set personal goals</li> <li>5. Demonstrate ways on how to motivate oneself</li> </ol>	<p>Rank and File Employees</p>
<p>In-Branch Selling Workshop  (2 days)</p>	<p>This two-day program aims to provide branch operations employees with the knowledge and skills to transform their branch into an aggressive sales-oriented distribution point. Program Outline:</p> <ul style="list-style-type: none"> <li>• Sales - Mindset</li> <li>• Attitude</li> <li>• Relationship-building</li> <li>• Technical know-how</li> </ul>	<p>At the end of this program, the participants will be able to:</p> <ol style="list-style-type: none"> <li>1. Develop a sales-oriented mindset;</li> <li>2. Identify the do's and don'ts to having a positive attitude</li> <li>3. Enumerate and practice the steps in building relationships</li> <li>4. Apply the steps to the selling cycle</li> </ol>	<p>Staff/ Officers</p>

Leadership Enhancement & Awareness Program (2 days)	This workshop aims to provide participants with an introduction to the basic concepts and principles of effective leadership	<ol style="list-style-type: none"> <li>1. Differentiate leadership and management</li> <li>2. Describe the five sources of power and how each causes different follower behavior</li> <li>3. Identify qualities associated with effective leaders</li> <li>4. Enumerate and describe the different leadership styles and their application</li> <li>5. Develop an appreciation for having leadership vision</li> <li>6. Prepare action plans to achieve goals and objectives</li> </ol>	Officer Candidates
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>1. Explain the systems approach to management;</li> <li>2. Explain the different transformational processes in management to include the basic competencies for each process; and</li> <li>3. Apply the learnings in planning, organizing, and controlling through structured learning exercises and case studies.</li> </ol>	Officer Candidates
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>1. To explain the importance of performance management.</li> <li>2. To identify the roles of the officer in performance management</li> <li>3. To simulate a formal performance review.</li> </ol>	Officer Candidates
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>1. Recognize the importance of building a team to accomplish goals.</li> <li>2. Identify the different stages of team development.</li> <li>3. Identify and practice the necessary skills in managing effective teams.</li> </ol>	Officer Candidates
Managing People for Peak Performance (MP3) (3 days)	A 3-day comprehensive people-handling course designed to provide officers with the requisite knowledge and skills to effectively manage the performance of their direct reports. This workshop focuses on the principles of performance management, with emphasis on coaching and counseling.	<p>At the end of this program, participants will be able to:</p> <ol style="list-style-type: none"> <li>1. appreciate the importance of managing employee performance,</li> <li>2. enumerate and define the different performance management interventions,</li> <li>3. distinguish work situations that will require coaching and/or counseling</li> <li>4. identify and practice skills vital to successful coaching and counseling</li> </ol>	Officers (AM1 – AVP)
S.M.A.R.T. Leadership (2 days)	This workshop will introduce participants to what is now being considered as a key to leadership effectiveness and success, Emotional Intelligence or "EQ". It will enable the participants to understand and manage themselves and their interpersonal relationships skillfully.	<p>At the end of this workshop, participants will be able to:</p> <ol style="list-style-type: none"> <li>1. Appreciate the effective leadership principles</li> <li>2. Develop a personal mission and vision and clarify personal values</li> <li>3. Understand the importance of EQ to personal and professional growth</li> <li>4. Practice effective team leadership skills</li> </ol>	Officers (AM1 – AVP)
Personal Effectiveness Program (PEP) (2 days)	This program aims to enlighten participants on the various ways they can be more effective in virtually any aspect of their lives, simply by looking into the qualities that are already within them.	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> <li>1. Take better control of their personal and professional lives by possessing helpful effective paradigms and attitudes</li> <li>2. Apply the Seven Habits of Highly Effective People as espoused by Stephen Covey</li> </ol>	Rank-and-file employees and junior officers

	<p>Too often the barriers to being effective are put in place by none other than ourselves. The course will show that it is sometimes necessary to change ourselves if we want to make changes in our lives and everything in it.</p>	<p>3. Make use of several useful tips for professionalism</p>	
<p>PNB CARES for Internal Customers  (2 days)</p>	<p>An internal customer or internal service provider can be anyone in the organization. An internal customer can be a co-worker, another department, or a distributor who depends upon us to provide products or services which in turn are utilized to create a deliverable for the external customer. Outstanding internal customer service is simply good business. Internal customer service can flourish only in high communication environment. To create positive internal customer service, all departments work together cooperatively, agree on processes and procedures, and negotiate expectations. Like gears meshing in sync, interdependent business units meet each others' needs, work productively together to meet common goals, and deliver high quality products and service to the external customer.</p>	<p>At conclusion of the course participants will be able to:</p> <ol style="list-style-type: none"> <li>1. Identify ways to improve internal and external customer service</li> <li>2. Reduce interdepartmental miscommunication and conflict</li> <li>3. Support the priorities of internal customers</li> <li>4. Focus on problems rather than personalities</li> <li>5. Handle conflict professionally</li> <li>6. Identify internal problems which cost external customer loyalty</li> <li>7. Turn complaints into improvements</li> <li>8. Work together to meet organizational goals</li> <li>9. Improve workplace productivity and communication</li> <li>10. Improve service within your organization, increase productivity, and as a result, offer your clients better service.</li> <li>11. Create interdepartmental service strategies that help rather than hinder work flow in your organization.</li> <li>12. Eliminate "turf wars" among departments.</li> </ol>	<p>Rank-and-file employees and officers (AM1-SM)</p>
<p>Negotiation Skills Training (2 days)</p>	<p>Your ability to negotiate well has a large impact on both your personal and professional life. The qualities of the results you get are determined in a large part on your negotiating ability. Today's negotiating professionals must possess the most effective and current negotiating tools. This practical two-day workshop will give you those tools that are necessary in your negotiations to help you identify what is really negotiable. Anyone can improve their negotiating ability by instruction, practice, planning, feedback and application. In this highly interactive workshop, you will learn effective negotiating strategies and tactics. In addition, you will learn how to read a situation and apply empathy to help minimize the downside risks and avoid bad results.</p>	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> <li>1. Identify the two main types of negotiations.</li> <li>2. Describe types of power available to negotiators.</li> <li>3. Explain guidelines to making concessions more effectively.</li> <li>4. Demonstrate various response techniques to use during negotiations</li> </ol>	<p>Rank-and-file employees (AO's) and officers (AM1-SM)</p>

<p>Effective Business Writing (2 days)</p>	<p>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>	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> <li>1. Develop a professional, reader-friendly written style when writing.</li> <li>2. Organize ideas coherently when writing.</li> <li>3. Improve written work as a result of practical writing exercises.</li> </ol>	<p>Rank-and-file employees and junior officers</p>
<p>Leadership Training Program (2 days)</p>	<p>Leadership is one of those things that is often awfully hard to define but you know when you see it, and you definitely know when it's missing. You may have some people who now have to 'step up to the plate' and take on far more of a leadership role than previously. You may need them to demonstrate the kind of leadership behaviors that others aspire to. There may be managers who have to take the next step and go beyond being good or even excellent managers, to become inspirational leaders within the business.</p>	<p>At the end of the program, participants are expected to:</p> <ol style="list-style-type: none"> <li>1. Understanding good Leadership Behaviors</li> <li>2. Learning the difference between Leadership and Management</li> <li>3. Gaining insight into your Patterns, Beliefs and Rules</li> <li>4. Defining Qualities and Strengths</li> <li>5. Determining how well you Perceive what's going on around you</li> <li>6. Polishing Interpersonal Skills and Communication Skills</li> <li>7. Learning about Commitment and How to Move Things Forward</li> <li>8. Making Key Decisions</li> <li>9. Handling Your and Other People's Stress</li> <li>10. Empowering, Motivating and Inspiring Others</li> <li>11. Leading by Example</li> </ol>	<p>All Bank Officers (All levels)</p>
<p>Living Your Values Everyday (LiVE) (1 day)</p>	<p>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>	<p>At the end of the program, you will be able to:</p> <ol style="list-style-type: none"> <li>1. Clarify your personal values</li> <li>2. Appreciate the importance of values in life and work</li> <li>3. Identify PNB's corporate values</li> <li>4. Align your personal values with PNB's corporate values</li> </ol>	<p>Newly Hired Employees/ Officer Candidates</p>
<p>Presentation Skills Training (2 days)</p>	<p>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>	<p>Upon completing this course participants will know how to:</p> <ol style="list-style-type: none"> <li>1. Develop and organize a presentation for any audience and any event</li> <li>2. Design visuals to enhance both the presenter's message &amp; performance</li> <li>3. Deliver visual information in a way that keeps the audience in sync</li> <li>4. Handle tough questions</li> <li>5. Master memorization techniques</li> <li>6. Use humor effectively</li> </ol>	<p>Rank-and-file employees and officers (AM1-SM)</p>
<p>Stress Management Workshop (2 days)</p>	<p>At the end of the workshop, participants will be able to manage stress positively.</p>	<ol style="list-style-type: none"> <li>1. Define stress, its symptoms, types and effects</li> <li>2. Determine personal stress responses</li> <li>3. Enumerate factors that influence stress tolerance level</li> <li>4. Identify stressors and its types</li> <li>5. Demonstrate different stress management techniques</li> </ol>	<p>Officer Candidates</p>

Fundamentals of Management (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.	<ol style="list-style-type: none"> <li>1. Define management 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 for a JEDI activity</li> </ol>	Rank and File Employees
Coaching Workshop (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.	<ol style="list-style-type: none"> <li>1. Define management 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 for a JEDI activity</li> </ol>	Rank and File Employees
Developing People (2 days)	This program aims to introduce participants to the different concepts of learning and people development.	<ol style="list-style-type: none"> <li>1. Define training and appreciate its benefits</li> <li>2. Explain the steps involved in the Training Cycle</li> <li>3. Enumerate and describe the adult learning principles</li> <li>4. Enumerate and apply the steps to On-The-Job-Coaching</li> </ol>	Officer Candidates
Developing Roadmaps to Effectively Achieve Mastery (2 days)	To identify specific areas to self regulate and provide participants with the necessary foundational skills to achieve self mastery	<p>At the end of the workshop, participants are expected to:</p> <ol style="list-style-type: none"> <li>1. Identify and cherish persona dreams</li> <li>2. Build on areas of strength and identify areas for improvement</li> <li>3. Create your own goals/plans for professional and personal development</li> <li>4. Identify roadblocks that impede performance and success and be empowered to make changes</li> </ol>	Officer Candidates
Communication in Action (2 days)	Identify communication concepts critical to building positive relationships with others internal and external to the organization	<ol style="list-style-type: none"> <li>1. Identify the essential factors relevant to interpersonal communications</li> <li>2. Practice some skills relevant to interpersonal communications</li> <li>3. Clarify the purpose and functions of communications in an organization</li> <li>4. Practice skills in the giving of instructions</li> <li>5. Identify the roles of the junior officer in organizational communications</li> <li>6. Properly decide when and when not to hold meetings</li> <li>7. Identify responsibilities in attending meetings</li> </ol>	Officer Candidates

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.

Under the Bank's Whistleblower Policy (as approved under PNB Board Resolution No. 05/03-21-13 of March 21, 2013, 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.

## H. DISCLOSURE AND TRANSPARENCY

1. Ownership Structure
  - (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent
PCD Nominee Corporation (Filipino)	111,384,105	8.9168655004
PCD Nominee Corporation (Non-Filipino)	105,653,011	8.4580622056
Key Landmark Investments, Ltd.	109,115,864	8.7352812437
Solar Holdings Corporation	67,148,224	5.3755576884
Caravan Holdings Corporation	67,148,224	5.3755576884
True Success Profits Ltd.	67,148,224	5.3755576884

2. Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy*	None
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*	None
Training and/or continuing education programme attended by each director/commissioner	None
Number of board directors/commissioners meetings held during the year	None
Attendance details of each director/commissioner in respect of meeting held	None
Details of remuneration of the CEO and each member of the board of directors/commissioners*	None

\* incorporated in the Definitive Information Statement distributed to Stockholders in CD Form

3. External auditor's fee

Name of Auditor	Audit fee	Non-audit Fee
SGV & Co.		
- Regular Audit	P5,992,000.00	
- For the issuance of P5.0 B LTNCD in July 2013 and P5.0 B LTNCD in October 2013		P13,305,000.00
- For the 2012 Purchase Price Allocation		6,160,000.00
- For the issuance of Stock Rights Offering		10,500,000.00
- For the review of Financial Statements of the Trust Banking Group		1,232,000.00

4. Date of Release of Audited Financial Report: February 28, 2014

5. Disclosure of RPT

The information relating to the DOSRI loans of the Group:

	Consolidated			
	September 30, 2014	December 31,		
		2013	2012	2011

Re: PNB Consolidated Changes in the ACGR for 2014

Total Outstanding DOSRI Accounts *	12,688,324	3,577,857	2,650,526	4,916,441
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	4.35%	1.40%	2.03%	4.34%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	4.35%	1.40%	2.03%	4.34%
Percent of DOSRI accounts to total loans	4.35%	1.40%	2.03%	4.34%
Percent of unsecured DOSRI accounts to total DOSRI accounts	1.02%	1.52%	3.29%	14.60%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%	0.00%	0.00%
Percent of non-acruing DOSRI accounts to total DOSRI accts.	0.00%	0.00%	0.00%	0.00%

\* Includes outstanding unused credit accommodations of P37.2 million as of September 30, 2014 and P178.6 million as of December 31, 2013.

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
<b>Subsidiaries</b>			
Receivables from Customers		7,232,568	Revolving credit lines with fixed annual interest rate of 4.25% and maturity terms of less than 90 days; unsecured, with no impairment
Accounts receivable		57,220	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		3,459	Interest in receivables from customers
Deposit liabilities		2,025,578	With annual rates ranging from 0.1% to 3.0% and maturity terms ranging from 30 days to one (1) year
Bills Payable		1,599,046	Foreign currency-denominated bills payable with fixed annual interest rate of 1.03% and maturity term of 180 days; unsecured
Accrued interest payable		17,335	Interest on deposit liabilities and bills payable
Due to other banks		12,245	Clearing accounts for funding and settlement of remittances
Due from Other banks		429,110	With annual fixed rates ranging from 0.01% to 4.5% including time with maturities of up to 90 days
Other Liabilities		3,625,000	Deposit for stock subscription
Interest Expense	19,160		Interest expense on deposit liabilities and bills payable
Interest income	66,841		Interest income on receivable from customers
Rental Income	19,114		Rental income with lease term of ranging from 2 to 5 years and annual escalation rates ranging from 5% to 10%
Other expenses	1,739		Share in utilities expense
<b>Securities Transactions:</b>			
Purchases	1,608,525		Outright purchase of securities
Sales	752,197		Outright sales of securities
Trading gains	1,316		Gain on sale of investment securities
Loan releases	8,192,356		Loan drawdowns
Loan collections	1,343,815		Settlement of loans and interest
Net withdrawals	2,650,415		Net withdrawals for the period
<b>Affiliates</b>			
Receivables from Customers		12,513,169	USD Term Loan with re-pricing interest rates ranging from 3.75% to 4.79% and maturity terms from three (3) to seven (7) years;
Sales contract receivable		105,750	Arising from sale of investment property; title will be transferred upon full payment; non-interest bearing loan payable within one year; with no impairment
Accrued interest receivables		56,074	Accrued interest of receivables from customers



Bills Payable		40,000	Bills payable, 90 days, unsecured
Deposit Liabilities		9,564,878	With annual fixed interest rates ranging from 0.01 % to 4.50 % including time with maturities of up to 90 days
Due from other banks		3,340,271	With annual fixed interest rates ranging from 0.01 % to 4.50 % including time with maturities of up to 90 days
Other Liabilities		39,212	Payable in 5 years 13%-16% fully, secured chattel mortgage-4/20/15
Interest Income	118,594		Interest income on receivables from customers and due from other banks
Interest Expense	87,635		Interest expense on deposit liabilities and bills payable
Rental Income	24,639		Monthly rent income from related parties
Rental Expense	23,846		Monthly rent payments to related parties with term ranging from 24 to 240 months
Other income	50,319		Profit from sale of investment property
Loan releases	13,394,547		Loan drawdowns
Loan collections	5,911,451		Settlement of loans and interest
Net deposits	4,638,456		Net deposits for the period
<b>Key Management Personnel</b>			
Loan to Officers		17,656	Interest bearing and no allowance for impairment
Loan releases	2,390		Loan drawdowns
Loan collections	3,286		Settlement of loans and interest
Interest income	9,462		Interest income on loans and receivables
Interest expense	0.6		Interest expense on deposit liabilities

#### I. RIGHTS OF STOCKHOLDERS

- 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? YES

(a) Date of sending out notices:

For the Annual Stockholders' Meeting held on May 27, 2014      April 29 – May 6, 2014

(b) Date of the Annual/Special Stockholders' Meeting:

For the Annual Stockholders' Meeting      May 27, 2014

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 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".

- State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions and Answers during the Annual Stockholders' Meeting held on May 27, 2014:

Q. Mr. Alejandro V. Villapando, a stockholder, took the floor and asked if in view of the impressive figures presented by the report of the President, the stockholders will finally receive their much awaited dividends.

A. President Omar Byron T. Mier replied that everyone who invests in the shares of a company has two sources of income, one is the price of the stock and the other is dividends. The price of PNB stocks has gone up to about ₱92.00 per share, so stockholders who acquired their shares at lower price can sell at a profit. To be able to declare dividends, PNB will have to comply with certain regulatory

conditions and have a certain amount of unrestrained retained earnings. Based on the plan and strategies that have been presented, the bank hopes to be able to declare dividends in a few years.

Q. Ms. Eugenia Socorro Gomez, a stockholder and former employee, took and asked if there was truth to the rumored BPI-PNB merger.

A. Mr. Mier replied that the rumor came about two or three weeks ago when a couple of investors accompanied by investment bankers came to PNB. They were impressed with the bank's three-year plan and said that PNB's stock price was undervalued. When these investors started to buy, the price of PNB shares shot up to as high as ₱94.50. A lot of reporters were speculating why the price was going up. He said that there was no truth to the rumors of a BPI-PNB merger. That was a story of the past. He assured Ms. Gomez that the plan is to grow PNB as stronger and more profitable, independent bank.

### 3. Result of Annual/Special Stockholders' Meeting's Resolutions

<b>Annual Stockholders' Meeting</b>			
<b>Resolution</b>	<b>Approving</b>	<b>Dissenting</b>	<b>Abstaining</b>
Confirmation of the Minutes of the 2013 Annual Stockholders' Meeting held on May 28, 2013	Majority	Not Applicable	12,651,340
Notation of President's Report	Majority	Not Applicable	12,861,790
Approval of the Bank's 2013 Annual Report	Majority	Not Applicable	12,861,790
Approval of the Amendment of Article II of the Articles of Incorporation, in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank	Majority	Not Applicable	12,651,340
Approval of the Amendment of the By-Laws, as follows: a. Section 1.1, Article I, in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank; and b. Section 4.2, Article IV, to clarify that the annual meeting of the stockholders shall be held at the principal office of the Bank, if practicable, or anywhere in Metro Manila on the last Tuesday of May of each year	Majority	Not Applicable	12,651,340
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	Majority	Not Applicable	12,861,790
Approval of the Election of the following Directors:			
a) Florencia G. Tariela	Majority	6,663,422	12,651,340
b) Felix Enrico R. Alfiler	Majority	836,741	12,651,340
c) Florido P. Casuela	Majority	12,906,335	12,651,340
d) Joseph T. Chua	Majority	6,959,051	12,651,340
e) Leonilo G. Coronel	Majority	12,906,335	12,651,340
f) Reynaldo A. Maclang	Majority	12,906,335	12,651,340
g) Estelito P. Mendoza	Majority	12,906,335	12,651,340
h) Federico C. Pasual	Majority	836,741	12,651,340
i) Cecilio K. Pedro	Majority	836,741	12,651,340
j) Washington Z. Sycip	Majority	7,374,113	12,651,340
k) Harry C. Tan	Majority	7,494,716	12,651,340
l) Dr. Lucio C. Tan	Majority	6,959,051	12,651,340
m) Lucio K. Tan, Jr.	Majority	7,909,778	12,651,340
n) Michael G. Tan	Majority	7,626,094	12,651,340
o) Deogracias N. Vistan	Majority	6,247,832	12,651,340
Appointment of External Auditor	Majority	11,561,805	12,651,340

4. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the Annual Stockholders' Meeting (ASM) were immediately disclosed to the bank's regulators, i.e., the Philippine Stock Exchange (PSE), the Bangko Sentral ng Pilipinas (BSP), and the Securities and Exchange Commission (SEC) after the ASM on May 27, 2014. A press conference was also held after the ASM.

5. Stockholders' Attendance

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	Dir. Florencia G. Tarriela Dir. Florido P. Casuela Dir. Leonilo G. Coronel Dir. Reynaldo A. Maclang Dir. Estelito P. Mendoza Dir. Omar Byron T. Mier Dir. Christopher J. Nelson Dir. Cecilio K. Pedro Dir. Washington Z. Sycip Dir. Michael G. Tan Dir. Lucio C. Tan Dir. Deogracias N. Vistan EVP Cenon C. Audencial, Jr. EVP Horacio E. Cebrero III EVP Jovencio B. Hernandez FSVP Alice Z. Cordero FSVP Socorro D. Corpus FSVP Zacarias E. Gallardo, Jr. FSVP Miguel Angel G. Gonzalez FSVP Ramon L. Lim FSVP John Howard D. Medina FSVP Edgardo T. Nallas FSVP Benjamin S. Oliva FSVP Aida M. Padilla FSVP Carmela A. Pama FSVP Emmanuel German V. Plan II FSVP Elfren Antonio S. Sarte SVP Allan L. Ang SVP Emeline C. Centeno SVP Elisa M. Cua SVP Erwin C. Go SVP Dioscoro Teodorico L. Lim SVP Emmanuel A. Tuazon FVP Manuel C. Bahena, Jr. FVP Lino S. Carandang FVP Josephine E. Jolejole FVP Arsenia L. Matriano FVP Sarah Jessica M. Navarro FVP Udel C. Salvo VP Janette Y. Abad Santos	May 27, 2014	In person and by representative to act by written proxy	0.005%	77.411%	77.416%

6. Definitive Information Statements and Management Report

	Annual Stockholders' Meeting (May 27, 2014)
Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	30,373
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 5 - 6, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 5 - 6, 2014
State whether CD format or hard copies were distributed	Distributed in CD format
If yes, indicate whether requesting stockholders were provided hard copies	Numerous printed (hard) copies of the contents of the CD, i.e., Definitive Information Statement and Audited Financial Statement, were made available during the meeting. Printed copies are also sent to the stockholders upon receipt of their written request.

7. Does the Notice of Annual/Special Stockholders' Meeting include the following:

	Special Stockholders' Meeting	Annual Stockholders' Meeting (May 27, 2014)
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
The auditors to be appointed or re-appointed.	Not Applicable	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Not Applicable	Not Applicable
The amount payable for final dividends.	Not Applicable	Not Applicable
Documents required for proxy vote.	Not Applicable	Proxies are not solicited.

J. INVESTORS RELATIONS PROGRAM

1. Describe the company's investor relations program (stockholders, other stakeholders and the public in general)

<u>FOR OTHER STAKEHOLDERS</u>	<b>Details</b>
(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</li> </ul>

	good image, operations and viability.
(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	<ul style="list-style-type: none"> <li>➤ Meetings with the President and other Senior Officers (as requested by investors)</li> <li>➤ Teleconferences / phone calls</li> <li>➤ Emails</li> </ul>
(4) Investors Relations Officer	<p>SVP Emeline 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>

**K. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

Initiative	Beneficiary
PNB Greener Path Project at NLEX	Local Communities
Dr. Lucio Tan Legacy Forest Project	
Greener Project in Negros Oriental	
UPLB Coco-peration	
Tacloban Mangrove Project	
Assistance to Tacloban Elementary School	Students of Tacloban Elementary School
BOOKS ACROSS THE SEAS Project	Various Schools
Assistance to Sister of Mary Girlstown Students	Students of Mary Girlstown Students
PNB Gives Relief Goods to Caloocan Fire Victims	Victims of Calamities
PNB-PMAP Med Mission (Pagtutulungan ng Bayan)	Various Communities
Typhoon Glenda/Mario (Pagtutulungan ng Bayan)	Victims of calamities
Little Angels Home (Pagtutulungan ng Bayan)	Orphanage