

## Remarks

CR06909-2016

- Please be advised that the information contained herein was previously posted as an emergency submission in the PSE EDGE Portal on October 17, 2016 at 4:11PM.

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# PNB

## Philippine National Bank

### PNB

**PSE Disclosure Form ACGR-2 - Update on Annual Corporate Governance Report**  
**Reference: Revised Code of Corporate Governance of the**  
**Securities and Exchange Commission and SEC Memorandum Circular**  
**No. 1 and 12 Series of 2014**

#### Description of the Disclosure

In compliance with SEC Memorandum Circular No. 1, Series of 2014, re: Guidelines for Changes and Updates in the Annual Corporate Governance Report (ACGR), we submit herewith the updates in the ACGR of PNB.

We trust you will take note accordingly. Thank you.

#### Filed on behalf by:

**Name**

Maila Katrina Ilarde

**Designation**

Corporate Secretary



**Office of the Corporate Secretary**

Direct Line: 536-0540  
Trunk Lines: 891-6040 to 70  
Local: 4106

October 17, 2016

**MR. JOSE VALERIANO B. ZUÑO III**  
OIC/Head, Disclosure Department  
Philippine Stock Exchange, Inc.  
3/F Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Dear Mr. Zuño:

In compliance with SEC Memorandum Circular No. 1, Series of 2014, re: Guidelines for Changes and Updates in the Annual Corporate Governance Report (ACGR), we submit herewith the updates in the ACGR of PNB.

We trust you will take note accordingly. Thank you.

Very truly yours,



**MAILA KATRINA Y. ILARDE**  
Corporate Secretary

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

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[www.pnb.com.ph](http://www.pnb.com.ph)

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## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Type Stock Corporation

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P H I L I P P I N E N A T I O N A L B A N K

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9 t h F l o o r P N B F i n a n c i a l C e n t e r

M a c a p a g a l B l v d . , P a s a y C i t y

M e t r o M a n i l a

(Business Address No. Street City/Town/ Province)

**MAILA KATRINA Y. ILARDE**  
Corporate Secretary  
Contact Person

**834-0780**  
Company Telephone Number

1 2      3 1  
Month      Day  
Fiscal Year

**Updates in ACGR**

FORM TYPE

May 31

Month      Day  
Annual Meeting

(Empty box for Secondary License Type)

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

(Empty box for Amended Articles Number/Section)

Amended Articles Number/Section

(Empty box for Total No. of Stockholders)

Total No. of Stockholders

(Empty box for Domestic Borrowings)

Domestic

(Empty box for Foreign Borrowings)

Foreign

Total amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

\_\_\_\_\_ LCU

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**Office of the Corporate Secretary**

Direct Line: 536-0540  
Trunk Lines: 891-6040 to 70  
Local: 4106/4782

October 14, 2016

**Ms. Justina F. Callangan**  
Director  
Corporation Finance Department  
Securities and Exchange Commission  
SEC Building, EDSA  
Greenhills, Mandaluyong City

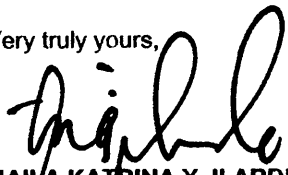
Dear Director Callangan:

In compliance with SEC Memorandum Circular No. 1, Series of 2014, re: Guidelines for Changes and Updates in the Annual Corporate Governance Report (ACGR), we submit herewith the following updates in the ACGR of the Bank:

1. Board Matters
  - a. Board of Directors
    - Composition of the Board
    - Corporate Governance Policy/ies
    - Directorship in Other Companies
  - b. Plan for Succession of CEO/Managing Director/President and Top Key Positions
  - c. Other Executive, Non-Executive and Independent Directors
  - d. Changes in the Board of Directors
  - e. Orientation and Education Program
2. Code of Business Conduct & Ethics
  - a. Policies
  - b. Dissemination of Code
  - c. Related Party Transactions
    - Policies and Procedures
    - Conflict of Interest
3. Board Committees
  - a. Work Done and Issues Addressed
  - b. Committee Program
4. Risk Management System
  - a. Statement on Effectiveness of Risk Management System
5. Role of Stakeholders
6. Disclosure and Transparency
7. Board, Director, Committee and CEO Appraisal
8. Internal Breaches and Sanctions

For your record. Thank you.

Very truly yours,

  
**MAILA KATRINA Y. ILARDE**  
Corporate Secretary

  
**ALICE Z. CORDERO**  
Chief Compliance Officer

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

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www.pnb.com.ph

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## A. BOARD MATTERS

### 1) BOARD OF DIRECTORS

(a) Composition of the Board (updated – October 2016)

Complete the table with information on the Board of Directors:

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

Name	<b>FLORENCIA G. TARRUELA</b>
Age	69
Nationality	Filipino
Education	* Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	Chairman of the Board/Independent Director
Date of First Appointment	* May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	Independent Director of LT Group, Inc.

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

Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, PNB-IBJL Equipment Rentals Corporation and PNB International Investments Corporation</li> <li>* Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World</li> <li>* Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation</li> <li>* Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director</li> <li>* Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc.</li> <li>* Co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), IV ("Against All Odds"), and V ("Beyond All Barriers"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil"</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Environmentalist and practices natural ways of gardening</li> <li>* Independent Director of PNB Life Insurance, Inc.</li> <li>* Undersecretary of Finance</li> <li>* Alternate Monetary Board Member of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation</li> <li>* Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A.</li> <li>* President, Bank Administration Institute of the Philippines</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement</li> </ul>

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

Name	<b>FLORIDO P. CASUELA</b>
Age	75
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines</li> <li>* Masters in Business Administration from the University of the Philippines</li> <li>* Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania</li> </ul>
Government Civil Service Eligibilities	Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	Director
Date of First Appointment	May 30, 2006
Directorship in Other Listed Companies	None
Other Current Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB Securities, Inc.</li> </ul>

Other Previous Positions	<ul style="list-style-type: none"> <li>* Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation</li> <li>* Senior Adviser of the Bank of Makati, Inc.</li> <li>* Director of PNB Life Insurance, Inc.</li> <li>* President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation</li> <li>* Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc.</li> <li>* Director, Meralco</li> <li>* Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc.</li> <li>* Director of Sagittarius Mines, Inc.</li> <li>* Senior Adviser in the Bangko Sentral ng Pilipinas.</li> <li>* Senior Executive Vice President of United Overseas Bank (Westmont Bank)</li> <li>* Executive Vice President of PDCP (Producers Bank)</li> <li>* Senior Vice President of Philippine National Bank</li> <li>* Special Assistant to the Chairman of the National Power Corporation</li> <li>* First Vice President of Bank of Commerce</li> <li>* Vice President of Metropolitan Bank &amp; Trust Co.</li> <li>* Audit Staff of Joaquin Cunanan, CPAs</li> </ul>
Awards/Citations	<ul style="list-style-type: none"> <li>* One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration</li> <li>* Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter</li> </ul>

Name	<b>LEONIL G. CORONEL</b>
Age	70
Nationality	Filipino
Education	<ul style="list-style-type: none"> <li>* Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University</li> <li>* Advance Management Program of the University of Hawaii</li> </ul>
Current Position in the Bank	Director
Date of First Appointment	May 28, 2013
Directorship in Other Listed Companies	Independent Director of Megawide Construction Corporation
Other Current Positions	<ul style="list-style-type: none"> <li>* Independent Director of DBP-Daiwa Capital Markets Phil.</li> <li>* Director of Software Ventures International</li> </ul>
Other Previous Positions	<ul style="list-style-type: none"> <li>* Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation</li> <li>* Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation</li> <li>* Director/Treasurer of Philippine Depository and Trust Corporation</li> <li>* Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council</li> <li>* Managing Director of BAP-Credit Bureau</li> <li>* President of Cebu Bankers Association</li> <li>* Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation</li> <li>* Worked with Citibank, Manila for twenty (20) years, occupying various positions.</li> </ul>
Awards/Citations	Fellow of the Australian Institute of Company Directors in 2002

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



\* Staff Consultant, SGV & Co.

**Name** REYNALDO A. MACLANG  
**Age** 78  
**Nationality** Filipino  
**Education** Bachelor of Laws from the Ateneo de Manila University  
**Current Position in the Bank** President of the Bank

**Date of First Appointment** \* February 9, 2013 (as Director)  
\* May 27, 2014 (as President)

**Directorship in Other Listed Companies** None

**Other Current Positions** \* Chairman of PNB (Europe) Plc.  
\* Director of Allied Leasing & Finance Corporation, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc.  
\* Director of the Bankers Association of the Philippines, Asian Bankers Association, LGU Guarantee Corporation and Bancnet, Inc., where he is also a Treasurer.

**Other Previous Positions** \* Director of PNB Savings Bank  
\* President of Allied Savings Bank from 1986 to 2001  
\* President of Allied Banking Corporation (ABC) from 2001 to 2009  
\* Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.

**Name** ESTELITO P. MENDOZA  
**Age** 86  
**Nationality** Filipino  
**Education** \* Bachelor of Laws (cum laude) from the University of the Philippines  
\* Master of Laws from the Harvard University

**Current Position in the Bank** Director  
**Date of First Appointment** January 1, 2009  
**Directorship in Other Listed Companies** Director of San Miguel Corporation and Petron Corporation

**Other Current Positions** \* Chairman of Prestige Travel, Inc.  
\* Director of Philippine Airlines, Inc.  
\* Practicing lawyer for more than sixty (60) years

**Other Previous Positions** \* Professorial Lecturer of law at the University of the Philippines  
\* Undersecretary of Justice, Solicitor General and Minister of Justice  
\* Member of the Batasang Pambansa and Provincial Governor of Pampanga  
\* Chairman of the Sixth (Legal) Committee, 31<sup>st</sup> Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.

**Awards/Citations** \* Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the East  
\* Doctor of Humane Letters degree by the Misamis University  
\* Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns  
\* University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

**Name** CHRISTOPHER J. NELSON  
**Age** 57  
**Nationality** British  
**Education** \* Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K.  
\* Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.

**Current Position in the Bank** Director  
**Date of First Appointment** March 21, 2013 (Director)  
May 27, 2014 (Board Advisor)  
May 26, 2015 (Director)

**Directorship in Other Listed Companies** None

**Other Current Positions** \* Chairman of Lux Et Sal Corporation  
\* Director of the Philippine Band of Mercy, the Federation of Philippine Industries, Bellagio 3 Condominium Association, Inc., and Greenlands Community  
\* Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., and British Chamber of Commerce of the Philippines, where he is also the

Executive Chairman

Other Previous Positions

- \* Member of the Society of Fellows of the Institute of Corporate Directors
- \* Director of PNB Holdings Corporation
- \* Trustee of Tan Yan Kee Foundation
- \* Director of the American Chamber of Commerce of the Philippines, Inc.
- \* President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years
- \* Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name **FEDERICO C. PASCUAL**

Age 73

Nationality Filipino

Education

- \* Bachelor of Arts, Ateneo de Manila University
- \* Bachelor of Laws (Member, Law Honors Society), University of the Philippines
- \* Masters of Laws, Columbia University

Current Position in the Bank Independent Director

Date of First Appointment May 27, 2014

Directorship in Other Listed Companies None

Other Current Positions

- \* Independent Director of PNB Life Insurance, Inc., PNB-IBJL Leasing and Finance Corporation, PNB International Investments Corporation and PNB Holdings Corporation
- \* President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.
- \* Director of Global Energy Growth System and Apo Reef World Resort
- \* Proprietor of Green Grower Farm
- \* Partner of the University of Nueva Caceres in Bataan

Other Previous Positions

- \* Chairman/Independent Director of PNB General Insurers Co., Inc.
- \* President and General Manager of Government Service Insurance System
- \* President and CEO of Allied Banking Corporation
- \* Various positions with PNB for twenty (20) years in various positions, including Acting President, CEO and Vice Chairman
- \* President and Director of Philippine Chamber of Commerce and Industry
- \* Chairman of National Reinsurance Corporation and PNOC-AFC
- \* Co-Chairman of the Industry Development Council of the Department of Trade and Industry
- \* Treasurer of BAP-Credit Guarantee
- \* Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation and Certified Data Centre Professional

Name **CECILIO K. PEDRO**

Age 62

Nationality Filipino

Education

- \* Bachelor of Science in Business Management from the Ateneo de Manila University
- \* Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines

Current Position in the Bank Independent Director

Date of First Appointment February 28, 2014

Other Current Positions

- \* Independent Director of PNB Savings Bank
- \* Chief Executive Officer (CEO)/President of Lamoayan Corporation
- \* Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc.
- \* Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress
- \* Chairman of the Deaf Evangelistic Alliance Foundation, Inc.
- \* Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.
- \* Chairman of Asian Theological Seminary

Other Previous Positions

- \* CEO/President of Aluminum Container, Inc.
- \* Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.)

Awards/Citations

- \* Recipient of the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award
- \* Recognized by the House of Representatives for his Exemplary Accomplishment in the

Promotion of the Welfare of the Deaf Community on October 16, 2012

**WASHINGTON Z. SYCIP**  
 Name  
 Age 95  
 Nationality Filipino-American  
 Education \* Bachelor of Science in Commerce from the University of Sto. Tomas  
 \* Masters in Commerce from the University of Sto. Tomas and Columbia University  
 Current Position in the Bank Director  
 Date of First Appointment December 8, 1999  
 Directorship in Other Listed Companies \* Chairman of Cityland Development Corporation  
 \* Independent Director of Belle Corporation, First Philippine Holdings Corporation  
 \* Lopez Holdings Corporation, and Metro Pacific Investments Corporation  
 \* Director of LT Group, Inc. and MacroAsia Corporation  
 Other Current Positions \* Founder of SGV Group  
 \* One of the founders and Chairman Emeritus of the Asian Institute of Management  
 \* Member of the Board of Overseers of the Graduate School of Business at Columbia University  
 \* Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France  
 \* Honorary Life Trustee of The Asia Society  
 \* Member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world  
 Other Previous Positions \* President of the International Federation of Accountants  
 \* Member of the International Advisory Board of the Council on Foreign Relations  
 \* Vice Chairman of the Board of Trustees of The Conference Board  
 \* Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange  
 \* Served in the international boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others.  
 \* Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship  
 Awards/Citations \* Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011  
 \* Lifetime Achievement Award given by Columbia Business School and Asia Society  
 \* Ramon Magsaysay Award for International Understanding  
 \* Management Man of the Year given by the Management Association of the Philippines  
 \* Officer's Cross of the Order of Merit given by the Federal Republic of Germany  
 \* Star of the Order of Merit Conferred by the Republic of Australia  
 \* Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden

**CARMEN K. TAN**  
 Name  
 Age 75  
 Nationality Filipino  
 Current Position in the Bank Director  
 Date of First Appointment May 31, 2016  
 Directorship in Other Listed Companies \* Director of MacroAsia Corporation, LT Group, Inc., and PAL Holdings, Inc.  
 Other Current Positions \* Director: Asia Brewery, The Charter House, Inc., Dominion Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Trustmark Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Cosmic Holdings Corp., and Buona Sorte Holdings, Inc.

**LUCIO C. TAN**  
 Name  
 Age 82  
 Nationality Filipino  
 Education Bachelor of Science in Chemical Engineering degree from Far Eastern University and later from the University of Sto. Tomas  
 Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas  
 Current Position in the Bank Director  
 Date of First Appointment December 8, 1999  
 Directorship in Other Listed Companies \* Chairman and CEO: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation  
 Other Current Positions \* Chairman and CEO of Philippine Airlines, Inc. and University of the East  
 \* Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation  
 \* Chairman: Air Philippines Corporation, Eton Properties Philippines, Inc., Eton City, Inc.

Belton Communities, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Asian Alcohol Corporation, Absolut Distillers, Inc., The Charter House, Inc., PMFTC, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, PNB Savings Bank, PNB Life Insurance, Inc., Alliedbankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allied Leasing and Finance Corporation, Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominion Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc.

\* President: Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation

\* Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.

\* Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc.

\* Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President

\* Chairman: Allied Banking Corporation

\* Various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world

**Other Previous Positions**  
**Awards/Citations**

**Name** **LUCIO K. TAN, JR.**  
**Age** 49  
**Nationality** Filipino  
**Education**

- \* Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics), University of California Davis, U.S.A.
- \* Executive Masters in Business Administration, Hong Kong University of Science and Technology (Business School) and J.L. Kellogg School of Management of Northwestern University, Hong Kong
- \* Courses in Basic and Intermediate Japanese Language, Languages International, Makati and Asia Center for Foreign Languages, Ortigas

**Current Position in the Bank** Director  
**Date of First Appointment** September 28, 2007

**Directorship in Other Listed Companies**

- \* Director of MacroAsia Corporation, LT Group, Inc., PAL Holdings, Inc. and Victorias Milling Company

**Other Current Positions**

- \* President/Director of Tanduay Distillers, Inc. and Eton Properties Philippines, Inc.
- \* Director of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, PNB Savings Bank, Allied Commercial Bank, Allied Leasing and Finance Corporation, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited
- \* Director of PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Allied Bankers Insurance Corporation, Foremost Farms, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corporation, Absolut Distillers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated
- \* EVP and Director of Fortune Tobacco Corporation

**Other Previous Positions**

- \* President and Chief Executive Officer of MacroAsia Corporation
- \* Director of Tanduay Distillers, Inc.
- \* Executive Vice President of Fortune Tobacco Corporation

**Name** **MICHAEL G. TAN**  
**Age** 50  
**Nationality** Filipino  
**Education** Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada

**Current Position in the Bank** Director  
**Date of First Appointment** February 9, 2013

**Directorship in Other Listed Companies**

- \* Director and President of LT Group, Inc.
- \* Director of PAL Holdings, Inc. and Victorias Milling Corporation

**Other Current Positions**

- \* Chairman of PNB Management and Development Corporation
- \* Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited
- \* Chief Operating Officer of Asia Brewery, Inc.
- \* Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation

**Other Previous Positions**

- \* Chairman of PNB Holdings Corporation
- \* Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's

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

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

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

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

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

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

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

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

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

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

(d) Directorship in Other Companies

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

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

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

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

	Guidelines	Maximum Number of Directorships in other companies

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

<p>Executive Director (ED)/ Chief Executive Officer (CEO)</p> <p>Non-Executive Director (NED)</p>	<p>Sec. X145 of the Manual of Regulations for Bank (MORB) re: Interlocking Directorships and/or Officerships</p>	<p>In general, the optimum number shall be related to the capacity of a director to perform his duties diligently.</p> <p>Subject further to MORB restrictions, which state that “except as may be authorized by the Monetary Board or as otherwise provided in the MORB, there shall be no concurrent directorship or interlocking directorship and officership between banks or between a bank and a quasi-bank (QB) or a non-bank financial institution (NBFI)”.</p>
<b>Guidelines</b>		<b>Maximum Number of Directorships in other companies</b>
<p>Independent Director</p>	<p>PNB Revised Corporate Governance Manual</p>	<p>The Bank is compliant with BSP Circular No. 749, Series of 2012 and SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated March 31, 2016 and BSP CL-2016-073 dated August 24, 2016.</p> <p>IDs elected in 2012 may be re-elected in 2017 until 2021 (4 consecutive years), without the two (2)-year cooling-off period, if there are no suitable replacements, subject to prior written notice and justification to the SEC.</p> <p>Under normal circumstances, the Independent Director (ID) can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates;</p> <p>Independent Director of a bank may serve as such for a total of five consecutive years, opt to undergo a “cooling off” period of two (2) years and after which, an ID can be re-elected and serve for another five (5) consecutive years.</p> <p>IDs shall be perpetually barred from being elected as such after serving for ten (10) years and the two year cooling off period or after serving nine consecutive years.</p>

- 3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions? (updated – October 2016)

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

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

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

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

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

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

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

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

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

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	The President of the Bank shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Bank.	The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the Bank, its subsidiaries and affiliates.	Recognizing the importance of the role of independent directors (ID), the Board has elected the independent directors to act as Chairman of the Board and various board committees.
<b>Accountabilities</b>	Particularly, he shall have the power and duty:	The Board shall formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance of PNB Group.	In the various board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.
<b>Deliverables</b>	<ol style="list-style-type: none"> <li>To execute all contracts and to enter into all authorized transactions in behalf of the Bank.</li> <li>To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board.</li> <li>To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of Vice President or its equivalent.</li> <li>To appoint, promote or remove employees and officers of the Bank, except those who are to be appointed or removed by the Board of Directors.</li> <li>To transfer, assign and reassign officers and personnel of the Bank in the interest of the service.</li> <li>To report periodically to the Board of Directors on the operations of the Bank.</li> <li>To submit annually a report on the result of the operations of the Bank to the stockholders of the Bank; and</li> <li>To delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.</li> </ol>	<p>It shall be the Board's responsibility to foster the long-term success of the Bank, its subsidiaries and affiliates and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of PNB Group, its stockholders and other stakeholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large.</p> <p>Below are the specific roles, accountabilities and deliverables of the Non-Executive Directors:</p> <ol style="list-style-type: none"> <li>To approve and monitor the implementation of strategic objectives.</li> <li>To approve and oversee the implementation of policies governing major areas of operations enterprise wide, as well as risk management policies.</li> <li>Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Bank, including its trust operations and international operations, as well as subsidiaries and affiliates to anticipate and prepare for possible threats to its operational and financial viability.</li> <li>Adopt and maintain adequate risk management policy.</li> <li>To oversee selection and performance of senior management.</li> <li>To consistently conduct the affairs of the Bank, its subsidiaries and affiliates with a high degree of integrity.</li> </ol>	<p>The Board and the Committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries, and affiliates.</p> <p>In the various board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.</p>



		<ol style="list-style-type: none"> <li>7. To define appropriate governance policies and practices for the PNB Group and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.</li> <li>8. To constitute committees to increase efficiency and allow deeper focus in specific areas.</li> <li>9. To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.</li> <li>10. In PNB Group structures, the Board of Directors of the Bank shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the PNB Group. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</li> <li>11. Implement a process for the selection of Directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</li> <li>12. Ensure the PNB Group faithful compliance with all applicable laws, regulations and best business practices.</li> <li>13. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the PNB Group.</li> <li>14. Identify the stakeholders in the community in which the PNB Group operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</li> <li>15. Adopt a system of check and balance within the Board.</li> <li>16. Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the Bank and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board.</li> <li>17. Establish and maintain an alternative dispute resolution system in the PNB Group that can amicably settle conflicts or differences between the Bank, its subsidiaries and affiliates and its stockholders; and third parties, including the regulatory authorities.</li> <li>18. Meet at such times or frequency as may be needed.</li> <li>19. Keep the activities and decisions of the Board within its authority under the Amended Articles of Incorporation and Amended By-Laws, and in accordance with existing laws, rules and regulations.</li> <li>20. Appoint a Compliance Officer who shall have the rank of at least a Vice President.</li> <li>21. Adequate governance structures and control processes related to the different activities of the bank, ie., systems to</li> </ol>	
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		<p>identify and monitor material risks; organizational structures and accounting procedures; evaluation of quality assets; and disclosure of material information including related party transactions.</p> <p>22. Adequate governance structures and control processes for areas of exposures that may pose significant risk to bank.</p> <p>23. Establish appropriate management information systems.</p> <p>24. Protect the interests of stakeholders adequately.</p>	
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Provide the company's definition of "independence" and describe the company's compliance to the definition. (updated – October 2016)

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

The Bank fully complies with the definition of independence by having Independent Directors (IDs) in its Board. As defined in Section 38 of the Securities Regulation Code (SRC), an ID means a person who, apart from his fees and shareholdings, is independent of management, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Bank.

An Independent Director shall refer to a person who (a) is not and has not been an officer or employee of the bank, its subsidiaries or affiliates or related companies during the past three (3) years counted from the date of his election; (b) is not a director or officer of the related companies of the Bank's majority stockholder; (c) is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the Bank, or in any of its related companies or of its majority corporate shareholders; (d) is not a relative, legitimate or common-law of any director, officer or majority shareholder of the Bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law; (e) is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies; (f) is not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship; (g) does not engage and has not engaged, whether by himself or with other person or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the bank or any of its related companies or substantial shareholders, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment; and (h) a regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a 2-year "cooling-off period."

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain. (updated – October 2016)

The Bank is compliant with BSP Circular No. 749, Series of 2012 and SEC Memorandum Circular No. 9, Series of 2011, SEC Advisory dated March 31, 2016 and BSP CL-2016-073 dated August 24, 2016.

IDs elected in 2012 may be re-elected in 2017 until 2021 (4 consecutive years), without the two (2)-year cooling-off period, if there are no suitable replacements, subject to prior written notice and justification to the SEC.

Independent Director of a bank may serve as such for a total of five consecutive years, opt to undergo a "cooling off" period of two (2) years and after which, an ID can be re-elected and serve for another five (5) consecutive years.

IDs shall be perpetually barred from being elected as such after serving for ten (10) years and the two year cooling off period or after serving nine consecutive years.

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

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure: (updated – October 2016)

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	The Corporate Governance Committee (acting as the Bank's Nomination	In compliance with MORB Subsection X141.2 of the BSP, a director of the Bank shall have
(ii) Non-Executive Directors		

(iii) Independent Directors	<p>Committee) shall promulgate the guidelines or criteria to govern the conduct of the nomination; and also perform other duties as provided under the BSP rules and regulations. Nomination of the directors shall be conducted by the same Committee prior to a Stockholders' meeting. All recommendations shall be signed by the nominating stockholder/s together with the acceptance and conformity by the would-be nominees. The Committee shall pre-screen the qualifications and prepare the final list of all candidates which shall contain all the information about the nominees. The Committee determines whether the nominees are fit and proper and qualified to be elected as member of the Board. Only nominees whose names appear on the final list of candidates shall be eligible for election. No other nominations shall be entertained after the final list of candidates shall have been prepared; and no further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting, The directors shall be elected by the stockholders entitled to vote during the annual meeting of stockholders and shall hold for one (1) year and until their successors are elected and qualified.</p> <p>This above process is in compliance with Subsection X141.2 of the MORB of the BSP re: Qualifications of a Director and in accordance with the procedures for the nomination and election of independent directors set forth in Rule 38 of the Securities Regulation Code which was incorporated in the PNB By-Laws.</p>	<p>the following qualifications:</p> <ol style="list-style-type: none"> <li>1. He must be a holder of at least one (1) share of stock of the Bank;</li> <li>2. He shall be at least a college graduate or have at least five (5) year-experience in business to substitute for such formal education;</li> <li>3. He shall be at least twenty-five (25) years old at the time of his election or appointment;</li> <li>4. He must have attended a special seminar on corporate governance for board of Directors conducted or accredited by BSP or SEC: Provided, That incumbent Directors must attend said seminar within a period of six (6) months from date of election;</li> <li>5. He must be fit and proper for the position of a director of the bank, proven to possess integrity/probity, physical / mental fitness, relevant education/ financial literacy/ training; knowledge and experience, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities;</li> <li>6. He shall be assiduous in his work habits;</li> <li>7. Practical understanding of the business of the Bank; and</li> <li>8. Membership in good standing in relevant industry, business or professional organizations.</li> </ol> <p>An elected director has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements per regulatory guidelines.</p> <p>The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	- Same as above. -	- Same as above. -
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	The Bank adopts the criteria enumerated under Subsection X143.1 of the MORB of the BSP; and the Revised Corporate Governance Manual of the Bank on the permanent disqualification of a director.	As enumerated under Subsection X143.1 of the MORB of the BSP, the Revised Manual of Corporate Governance of the Bank and Section 27 of the Corporation Code of the Philippines on the permanent disqualification of a director.
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	The Bank adopts the criteria enumerated under Subsection X143.1 of the MORB of the BSP; and the Revised Corporate Governance Manual of the Bank on the temporary disqualification of a director.	The Bank adopts the criteria enumerated under Subsection X143.1 of the MORB of the BSP and the Revised Manual of Corporate Governance of the Bank on the temporary disqualification of a director.
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>e. Removal</b>		
(i) Executive Directors	In case of violation of any of the provisions of the Corporation Code of the Philippines and Revised Corporate	As provided under Section 28 of the Corporation Code of the Philippines, and in case of violation of any of the provisions of
(ii) Non-Executive Directors		

(iii) Independent Directors	Governance Manual of the Bank, the maximum penalty of removal from office shall be imposed to the directors.	the Revised Manual of Corporate Governance of the Bank, the maximum penalty of removal from office shall be imposed to the directors.
<b>f. Re-instatement</b>		
(i) Executive Directors	Re-instatement of a director to the position shall be upon the remediation and/or correction of his temporary disqualification.	As enumerated in the Revised Corporate Governance Manual of the Bank, a temporary disqualified director shall, within sixty (60) business days from such disqualification, may take the appropriate action to remedy or correct his disqualification and to be re-instated to his position.
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	Suspension of a director from office shall be imposed on the second violation of any provisions of the revised Corporate Governance Manual of the Bank.	In case of violation of any of the provisions of the Revised Manual of Corporate Governance of the Bank, the suspension of the directors from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
(ii) Non-Executive Directors		
(iii) Independent Directors		

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any. (updated – October 2016)

The Bank furnishes all of its directors with a copy of the general and specific duties and responsibilities of the Board of Directors as prescribed under Items "b" and "c" of Subsection X141.3 of the Manual of Regulations for Banks (MORB) at the time of their election. The directors concerned are each required to acknowledge receipt of the copies of such specific duties and responsibilities and certify that they fully understand the same. Copies of the acknowledgment and certification are then submitted to the BSP within 10 business days after the date of election. A director shall, before his assumption of office or within a period of six (6) months from date of election, is required to attend a seminar on corporate governance which shall be conducted by a private or government dully accredited by the BSP or SEC.

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

Participant(s)	Title of Seminar/ Date
<b>2016</b>	
Federico C. Pascual, Independent Director	Distinguished Corporate Governance Speaker Series Seminar by the Institute of Corporate Directors on October 7, 2016 at the Makati Diamond Hotel
Edgar A. Cua, Independent Director	Corporate Governance Orientation Program by the Institute of Corporate Directors on August 25, 2016 at the Makati Shangri-la Hotel
Estelito P. Mendoza, Director	Seminar on Corporate Governance by SGV & Co. on August 9, 2016 at the SMC Head Office Complex, Mandaluyong City
Florencia G. Tarruela, Chairman/Independent Director Felix Enrico R. Alfiler, Vice Chairman/Independent Director Florido P. Casuela, Director Leonilo G. Coronel, Director Edgar A. Cua, Independent Director Reynaldo A. Maclang, President/Director Cecilio K. Pedro, Independent Director Carmen K. Tan, Director Lucio C. Tan, Director Michael G. Tan, Director Manuel T. Gonzales, Board Advisor William T. Lim, Board Advisor Harry C. Tan, Board Advisor Maila Katrina Y. Ilarde, Corporate Secretary Ruth Pamela E. Tanghal, Assistant Corporate Secretary Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Doblés, EVP	Corporate Governance Forum by the Securities and Exchange Commission on August 3, 2016 at the Philippine International Convention Center (PICC), PICC Complex, Roxas Boulevard, Manila

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

<p>Bernardo H. Tocmo, EVP  Nelson C. Reyes, EVP  Alice Z. Cordero, FSVP  Socorro D. Corpus, FSVP  Zacarias E. Gallardo, Jr., FSVP  Miguel Angel G. Gonzalez, FSVP  John Howard D. Medina, FSVP  Benjamin S. Oliva, FSVP  Aida M. Padilla, FSVP  Carmela Leticia A. Pama, FSVP  Allan L. Ang, SVP  Schubert Caesar C. Austero, SVP  Manuel C. Bahena, Jr., SVP  Ponciano C. Bautista, Jr., SVP  Cesar P. Buhay, SVP  Esther F. Capule, SVP  Emeline C. Centeno, SVP  Elisa M. Cua, SVP  Christian Jerome O. Dobles, SVP  Erwin C. Go, SVP  Marie Fe Liza S. Jayme, SVP  Ma. Adelia A. Joson, SVP  Ana Rose T. Kwan, SVP  Cynthia B. Lanot, SVP  Florencio C. Lat, SVP  Maria Paz D. Lim, SVP  Dioscoro Teodorico L. Lim, SVP  Ma. Lourdes S. Liwag, SVP  Maria Victoria P. Manimbo, SVP  Roland V. Oscuro, SVP  Maria Rita S. Pueyo, SVP  Humildad M. Santelices, SVP  Teresita U. Sebastian, SVP  Lee Eng Y. So, SVP  Juanita Margarita O. Umali, SVP  Nanette O. Vergara, SVP  Roberto S. Vergara, FVP  Czarina G. Barbero, VP  Constantino T. Yap, VP</p> <p>Per SEC letter dated Feb. 24, 2016, Director Sycip was granted a permanent exemption from attending the corporate governance trainings/seminars requirement pursuant to SEC Memo Circular No. 20, Series of 2013, for his known probity and of a well-recognized stature, influence and reputation in the business community.</p>	
<p>Yolanda M. Albano, FSVP  Alice Z. Cordero, FSVP  Manuel C. Bahena, Jr., SVP  Emeline C. Centeno, SVP</p>	<p>Consulting Skills Program by Ancilla Consultancy on May 10-11, 2016</p>
<p>Florido P. Casuela, Director  Leonilo G. Coronel, Director  Federico C. Pascual, Independent Director  Cecilio K. Pedro, Independent Director  Cenon C. Audencial, Jr., EVP  Christopher C. Dobles, EVP  Yolanda M. Albano, FSVP  Socorro D. Corpus, FSVP  Alice Z. Cordeor, FSVP  John Howard D. Medina, FSVP  Benjamin S. Oliva, FSVP  Aida M. Padilla, FSVP  Carmela Leticia A. Pama, FSVP  Emmanuel German V. Plan II, FSVP  Allan L. Ang, SVP  Emeline C. Centeno, SVP  Ma. Adelia A. Joson, SVP  Maria Paz D. Lim, SVP  Czarina G. Barbero, VP</p>	<p>Learning Session with Gallups Senior Practice Expert by Gallup on April 6, 2016</p>
<p>Maila Katrina Y. Ilarde, Corporate Secretary</p>	<p>Mandatory Continuing Legal Education Lecture Series, March 4, 5, and 11, 2016 and April 2 and 9, 2016, Philippine Law School, Integrated Bar of the Philippines and Venue Open</p>

Manuel C. Bahena, Jr., SVP Emeline C. Centeno, SVP	Coaching and Mentoring Skills Program by Ancilla Consultancy on February 22-23, 2016
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- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (updated – October 2016)

Name of Directors	Date of Training	Program	Name of Training Institution
<b>2016</b>			
Federico C. Pascual	October 7, 2016	Distinguished Corporate Governance Speaker Series Seminar	Institute of Corporate Directors
Edgar A. Cua	August 25, 2016	Corporate Governance Orientation Program	Institute of Corporate Directors
Estelito P. Mendoza	August 9, 2016	Seminar on Corporate Governance	SGV & Co.
Florencia G. Tarriela Felix Enrico R. Alfiler Florido P. Casuela Leonilo G. Coronel Edgar A. Cua Reynaldo A. Maclang Cecilio K. Pedro Carmen K. Tan Lucio C. Tan Michael G. Tan	August 3, 2016	Corporate Governance Forum	Securities & Exchange Commission (SEC)
Florido P. Casuela Leonilo G. Coronel Federico C. Pascual Cecilio K. Pedro	April 6, 2016	Learning Session with Gallups Senior Practice Expert	Gallup
Washington Z. Sycip	Per SEC letter dated Feb. 24, 2016, Director Sycip has granted a permanent exemption from attending the corporate governance trainings/seminars requirement pursuant to SEC Memo Circular No. 20, Series of 2013, for his known probity and of a well-recognized stature, influence and reputation in the business community.		

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees	Reference/Circular
(a) Conflict of Interest	Covered	Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013); Employee Handbook
(b) Conduct of Business and Fair Dealings		Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013)
(c) Receipt of gifts from third parties		Covered	Covered	Policy on Soliciting and/or Receiving Gifts (Gen. Cir. 1-866/2013 dated April 10, 2013)
(d) Compliance with Laws & Regulations		Covered	Covered	Manual of Policies on Human Resource Management and Development; Code of Conduct (OPP 0318/16 dated May 2, 2016); Employee Handbook
(e) Respect for Trade Secrets/Use of Non-public Information	Covered	Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013); Confidentiality of Information (Gen. Cir. 1-878/2013 dated June 4, 2013), Employee Handbook
(f) Use of Company Funds, Assets and Information		Covered	Covered	Confidentiality of Information (Gen. Cir. 1-878/2013 dated June 4, 2013); Employee Handbook
(g) Employment & Labor Laws & Policies		Covered	Covered	Manual of Policies on Human Resource Management and Development; Employee Handbook
(h) Disciplinary action		Covered	Covered	Code of Conduct (OPP 0318/16 dated May 2, 2016); Employee Handbook
(i) Whistle Blower	Covered	Covered	Covered	Whistleblower Policy (OPP 0320/16 dated May 2, 2016)
(j) Conflict Resolution		Covered	Covered	Code of Conduct (OPP 0318/16 dated May 2, 2016)

- Personal Investment Policy – The purpose of PNB's Personal Investment Policy is to set forth prudent standards of behavior for all employees when conducting their personal investment transactions. Accordingly, the policy provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. PNB employees (officers and staff) may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the Personal Investment Policy of the Bank. The investments should not involve or appear to involve a conflict of interest with the activities of PNB or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long term investment rather than short term speculation.

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

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

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

4) Related Party Transactions

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

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>The Board of Directors, Management and Staff of the Philippine National Bank, including trust department and its subsidiaries and affiliates commit themselves to adopt and adhere with the Policy Guidelines on Related Party Transactions (RPTs). These guidelines were formulated in accordance with the requirements of the SEC Revised Code of Corporate Governance; Securities Regulations Code; BSP Guidelines in Strengthening Corporate Governance on Related Party Transactions (RPTs) of Banks; the BSP Guidelines on Related Party Transactions, Prudential Policy on Loans to DOSRI/Subsidiaries/Affiliates, Basel Core Principles (BCP) for Effective Banking Supervision No. 20 and other related laws and regulations.</p> <p>The Bank recognizes that engaging in RPTs have economic benefits to individual entities and to the entire PNB Group. Related Party Transactions (RPTs) are generally allowed provided that these are done on an arm’s length basis; monitors these transactions; take appropriate steps to control or mitigate the risks; and write off of exposures to related parties in accordance with standard policies and processes; and in accordance with the board approved RPT policy guidelines. As such, RPTs shall be conducted in the regular course of business (fair process) and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances (fair terms). Cover related parties are DOSRI, Subsidiaries/Affiliates and Beyond (DOS’ relatives up to 2<sup>nd</sup> degree level).</p> <p>The Board Oversight RPT Committee (BORC), governed by a Charter, assists the Board in performing its oversight functions for avoiding potential conflicts of interest of shareholders, board members, management, and other stakeholders of PNB Group. The Committee is composed of at least three (3) members of the board of directors, two (2) of whom are independent directors, including the chairperson. The Chief Compliance Officer or Chief Audit Executive may sit as resource persons in the Committee.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

	<p>The Board through the BORC oversees the evaluation of RPT that present the risk of potential abuse; exercises appropriate oversight in the implementation of the control systems for managing RPT exposures; processes and approvals are conducted at arm's length basis; ensures that RPTs handled in sound and prudent manner, with integrity, and in compliance with the board approved RPT Policy Guidelines/Manual; sets an example in complying with supervisory expectations, and practicing good governance for the best interest of the bank and its depositors, creditors, fiduciary clients, and other stakeholders.</p> <p>The RPT accounts are discussed, evaluated and endorsed by the BORC for approval of the Board.</p> <p>RPT dealings are disclosed in the Annual Report prepared by SGV and based on the Board approved PNB RPT Policy. Periodic reports of RPTs are likewise submitted to the BSP in compliance with its regulatory requirement.</p>
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(b) Conflict of Interest

(ii) Mechanism

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

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

**E. BOARD COMMITTEES**

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

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

Name of Committee	Work Done	Issues Addressed
Executive Committee	<ol style="list-style-type: none"> <li>Endorsed and/or approved loan recommendations of not more than ₱1.0 Billion from Corporate Banking Group, Commercial Banking Group, Retail Banking Group and Consumer Banking Group.</li> </ol>	<ol style="list-style-type: none"> <li>Credit worthiness of the borrower</li> <li>Growth of portfolio</li> <li>Monitoring of the consumer banking portfolio and account officer/ relationship manager workload</li> </ol>



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

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

	<p>criteria.</p> <ol style="list-style-type: none"> <li>2. Conducted Stress Testing on Large Individual, Conglomerate and Industry Exposures.</li> <li>3. Conducted Rapid Loan Portfolio Review on the Effect of the Yuan Devaluation and Typhoon Lando, Effect of Decreasing Oil Price to PAL and Petron</li> <li>4. Reviewed the Property Valuation and Appraisal Report Enhancement.</li> <li>5. Monitored Intra-group accounts, connected counterparties and economic interdependent accounts</li> <li>6. Model Validation of the Internal Credit Risk Rating</li> <li>7. Gap Analysis on the BSP Circular 855 requirements – Guidelines on the Sound Credit Risk Management</li> </ol> <p>Notation of minutes of the meeting and highlights of operations of the Bank's subsidiaries. Resource speakers from them were also invited to discuss important issues.</p>	
Trust Committee	<ol style="list-style-type: none"> <li>1. Review and approval of various investments for both directional and discretionary accounts.</li> <li>2. Acceptance and closing of various trust and other fiduciary accounts.</li> <li>3. Approval of the rationalized UITF product plate; termination of PNB Plus and AUP Dollar Fund.</li> <li>4. Approval on the amendments to the Declaration of Trust of various UITF to make the features of the products competitive and superior against its competitors.</li> <li>5. Approval on the acquisition on new Trust System to replace existing system for operational efficiency and competitive advantage.</li> <li>6. Approval on counterparty limits and equity accreditations.</li> <li>7. Review and approval of transactions by and between trust accounts to fund the withdrawal of clients and realign the portfolio in accordance with the funds' strategy/guidelines.</li> </ol>	
Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	<p>As an oversight committee, monitor the performance of domestic subsidiaries on a regular basis more particularly on the following:</p> <ol style="list-style-type: none"> <li>1. Financial performance for the month vs. budget</li> <li>2. Status on attainment of strategic objectives</li> <li>3. Major issues on compliance, audit and risk management.</li> </ol>	
Board Oversight RPT Committee (BORC)	<ol style="list-style-type: none"> <li>1. RPT Policy Manual aligned with BSP Circular No. 895 and 914 was reviewed/approved and endorsed by BORC to the Board for final approval.</li> <li>2. Related Party Transactions were reviewed, deliberated, approved/ noted by BORC; endorsed to the Board for final approval; and documented in the Minutes per Board approved RPT policy guidelines Manual.</li> </ol>	Complied with the SEC and BSP rules and regulations on Related Party Transaction (RPT).
Board IT Governance Committee	<ol style="list-style-type: none"> <li>1. Review and endorsed for Board approval IT policy guidelines and implementing procedures relative to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices.</li> <li>2. Reviewed and informed the Board in a timely manner critical IT Projects and endorsed approval of necessary IT budgets to support business plans and priorities;</li> <li>3. Monitored the IT Group performance, IT projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities;</li> </ol>	

	4. Reviewed and monitored significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews.
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5) Committee Program (updated – October 2016)

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

Name of Committee	Planned Programs	Issues Addressed
Executive Committee	Semi-annual review of portfolio	Monitoring of the consumer banking portfolio and identification of strengths, weaknesses, threats and opportunities
Board Audit and Compliance Committee (BACC)	The BACC holds regular monthly meetings to review and approve Internal Audit and Compliance reports. Special meetings are held to discuss quarterly financial statements submitted to regulators.	Significant issues the BACC is confronted with.
Corporate Governance/ Nomination/Remuneration Committee	Corporate Governance Seminar  Institute of Corporate Directors (ICD) Programs	All board members and key senior officers , especially those who are new and have not yet attended the Corporate Governance Seminar, are enjoined to attend the seminars/ trainings at least once a year, in compliance with BSP requirement and SEC Memorandum Circular No. 20, Series of 2013.  There are three (3) PNB board members and one (1) board advisor who are ICD Fellows. The other board members are encouraged to attend the ICD Programs and other corporate governance trainings and programs to strengthen the Bank's corporate governance.
Risk Oversight Committee	Coordinates preparation of the annual ICAAP program submitted to Bangko Sentral ng Pilipinas. Completion of Enterprise Information Security Policy. Endorses annual renewal of Risk Management Manuals, Policies on Procedures to further strengthen risk management practices of the Bank enterprise wide. Harmonized risk management policy guidelines for critical risk management reports under the Merged Bank.	
Trust Committee	Push of the Wealth Management Program of Trust Banking Group through Estate Planning targeting the retirees of the LT Group of Companies	
Board Oversight Committee – Domestic & Foreign Subsidiaries and Affiliates	Expanded review & monitoring of monthly performance of oversea and domestic offices. Approved new strategic programs to further strengthen its operations to achieve long-term profitable operations via:  - New marketing programs, tools & strategies to sell PNB products & services supported by aggressive advertising.  - Retention programs were approved to win back lost clients and deepen relationship with existing valued customers.  - New distribution channels for remittances through new technology i.e. web-based.	Rolled-out revenue generating programs and effectively reduced overhead expenses to achieve desired rate of return.
Board Oversight RPT Committee	1. Enhance existing RPT policy manual to align with the new regulatory issuances.  2. Ensures proper monitoring of RPTs and such RPT dealings are approved by the Board through BORC per Board approved policy guidelines.  3. Conduct training and increase	Bank has fully adhered with the SEC/BSP/PSE regulations and enhanced practices to align with global best practices.  Established a robust RPT framework and modified/codified existing policies to provide clearer RPT policy guidelines based on regulatory requirements.  Officers attended trainings on RPT Policy Guidelines

	awareness of RPT policies and procedures of bank employees.	conducted by BSP thru Baiphil to increase awareness on RPT policy guidelines.
	4. Conduct regular monthly meetings or as necessary to review, approve and endorse RPT proposals to the Board for final approval.	Bank's RPT dealings are reviewed/approved/noted by BORC and endorsed to Board for final approval per existing RPT policy guidelines.

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

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

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

Strong independent oversight has been established at all levels within the group. The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business, dealing fairly with its clients, investors, stockholders, the communities affected by its activities and various public; professionalism among its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for the laws and regulations of the countries affecting its businesses.

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



Figure 1: Board & Management Committees

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

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

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

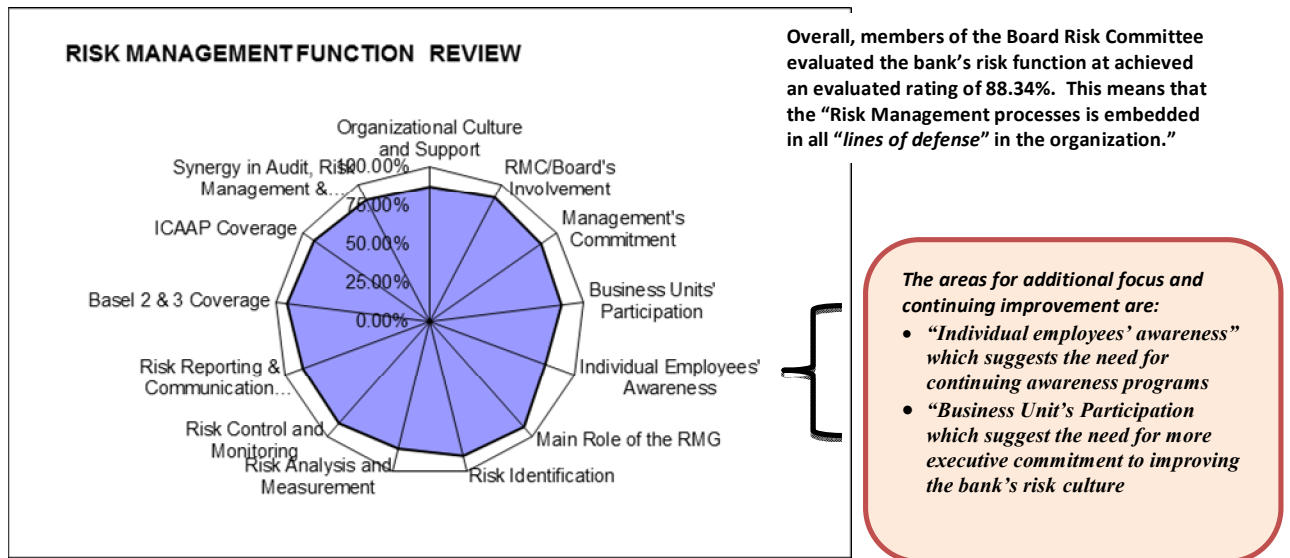


Figure 1: 2016 Overall Assessment of the Risk Management Function

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

(c) Period covered by the review;

One year.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness?

Annually.

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

Figure 2: Summary of RM Function Evaluation

## H. ROLE OF STAKEHOLDERS

### 3) Performance-enhancing mechanisms for employee participation.

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

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

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

Course Title / Duration	Description	Objectives	Target Employees	No. of Runs	No. of Participants
Orientation Program for New Hires  (5 days)	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.	At the end of this program, the participants will: 1. Be familiar with the bank's goals, history, organizational set-up, functions/ services of the divisions/ departments. 2. Be able to understand the Bank's personnel policies and procedures, employee benefits and other employment-related matters. 3. Be able to know what the Bank expects of you in terms of job performance and conduct. 4. Be able to demonstrate a positive work attitude through a deeper appreciation of the value of your work. 5. Be able to learn and practice the skills on quality customer service with the aim of: a. sustaining the Bank's competitiveness in the industry; and b. further strengthening the Bank's corporate image.	Newly Hired Employees	2	6
Self-Transformation and Rediscovery (STAR) Workshop  (2 days)	This two -day program was designed to provide the participants with the necessary tools to enhance their personal and corporate effectiveness through self-mastery, values clarification and the projection of a professional image. <i>Program Outline:</i> É Self-Mastery (Self-Knowledge)	At the end of the training, participants will be able to: 1. Provide the participants with the necessary tools to enhance their personal and corporate effectiveness 2. Apply skills on how to achieve self-mastery 3. Rediscover personal and corporate values and integrate them with their actions 4. Set personal goals	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	83

	<ul style="list-style-type: none"> <li>É Personal Values</li> <li>É Self-Motivation</li> <li>É Habit</li> <li>É Effectiveness</li> <li>É Good grooming and proper hygiene</li> <li>É Corporate wardrobe and visual poise</li> <li>É Workplace etiquette and social graces</li> <li>É Professional image</li> </ul>	5. Demonstrate ways on how to motivate oneself			
Leadership & Visioning Workshop  (2 days)	This workshop aims to provide participants with an introduction to the basic concepts and principles of effective leadership and visioning	At the end of the workshop, the participants would be able to: <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>	Officership Program Participants (Part of FTTP, MTP and JEDI)	3	119
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.	At the end of the program, participants would be able to: <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>	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93
Performance Management  (2 days)	This course aims to provide the participants with the different management techniques necessary to achieve superior performance	At the end of the workshop, the participants would be able to: <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>	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93



Managing Effective Teams (MET) (2 days)	This module provides participants with the necessary competencies for the day-to-day supervision through the application of the management function and also gives emphasis on the conceptual framework in building the work team.	At the end of the program, the participants will be able to: 1. Recognize the importance of building a team to accomplish goals. 2. Identify the different stages of team development. 3. Identify and practice the necessary skills in managing effective teams.	Officership Program Participants (Part of FTTP, MTP and JEDI)	3	119
PNB CARES (1 day)	This workshop aims to provide participants with the requisite knowledge and skills to effectively deliver quality customer service for both external and internal customers.	At conclusion of the course participants will be able to: 1. Review the concepts and principles of quality customer service. 2. Describe the framework for delivering quality customer service 3. Demonstrate the steps in handling customer complaints	New Employees (Part of Orientation Program), Officership Program Participants (Part of FTTP, MTP and JEDI)	5	262
Negotiation Skills Training (2 days)	This practical two-day workshop will give participants the tools that are necessary in negotiations to help them identify what is really negotiable. In this highly interactive program, they will learn effective negotiating strategies and tactics. In addition, participants will learn how to read a situation and apply empathy to help minimize the downside risks and avoid bad results.	After the training program, participants should be able to: 1. Identify the two main types of negotiations. 2. Describe types of power available to negotiators. 3. Explain guidelines to making concessions more effectively. 4. Demonstrate various response techniques to use during negotiations	Employees with Sales Functions (i.e. AO, RO, BM, etc.)	1	26
Effective Business Writing (2 days)	In today's competitive working environment, it is essential to produce clear, concise and reader-friendly business writing to tight deadlines. Many employees may possess excellent spoken communication skills but often lack confidence when writing business documents. This course will help the participants to understand that writing effectively means delivering their message that is unambiguous, concise and direct to the point.	After the training program, participants should be able to: 1. Develop a professional, reader-friendly written style when writing. 2. Organize ideas coherently when writing. 3. Improve written work as a result of practical writing exercises.	Officership Program Participants (Part of FTTP, MTP and JEDI)	2	93
Living Your Values Everyday (LiVE) (1 day)	A one-day program which aims to effect clarification and alignment in the value systems of the individual employee with the core values of the Bank.	At the end of the program, you will be able to: 1. Clarify your personal values 2. Appreciate the importance of values in life and work 3. Identify PNB's corporate values 4. Align your personal values with PNB's corporate values	New Employees (Part of Orientation Program), Officership Program Participants (Part of FTTP, MTP and JEDI)	28	1,029

<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>Officership Program Participants (Part of FTTP, MTP and JEDI)</p>	<p>3</p>	<p>134</p>
<p>Developing People (2 days)</p>	<p>This program aims to introduce participants to the different concepts of learning and people development.</p>	<p>At the end of the workshop, the participants would be able to:</p> <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>	<p>Officership Program Participants (Part of FTTP, MTP and JEDI)</p>	<p>2</p>	<p>93</p>
<p>Management Training Program (MTP) (87 days)</p>	<p>The Management Training Program (MTP) is a medium-term intensive leadership and management that aims to develop qualified rank-and-file employees to be highly competent officers of the Bank</p>	<p>General Objectives:</p> <ol style="list-style-type: none"> <li>1. Develop/enhance management capabilities of employees to render them more responsive to the demands of their job.</li> <li>2. Develop employees for eventual advancement and/or increased responsibility.</li> <li>3. Enhance the employees' capability to implement the organization's strategic plans.</li> <li>4. Help the employee realize his career plans within the organization.</li> <li>5. Increase the pool of promotable employees by developing sufficient resources at different levels of the Bank to meet management requirements at higher levels this ensuring orderly replacement of management talents.</li> </ol>	<p>Rank-and-File personnel from Head Office and other special units of the Bank</p>	<p>1</p>	<p>43</p>
<p>Fast-Track Training Program (FTTP) (65 days)</p>	<p>The Fast-Track Training Program (FTTP) is a management development program for Branch Officers. It is designed to reinforce the competencies and expertise of high-potential rank-and-file employees in managing and servicing the Bank's business.</p>	<p>At the end of the program, the participants are expected to:</p> <ol style="list-style-type: none"> <li>1. Acquire knowledge of the Bank Products and Services and their specific features and peculiarities</li> <li>2. Be familiarized with different aspects of banking such as: Branch Operations, Risk Management, Compliance and other technical aspects of banking.</li> <li>3. Demonstrate the necessary competencies needed by a</li> </ol>	<p>Officer Candidates (Branches)</p>	<p>1</p>	<p>50</p>

		Branch Officer, such as Interpersonal and Communication skills, Selling skills, Product knowledge			
Teller Training Program (13 Days)	The Teller Training Program is a 13-day seminar for PNB Branch Tellers. The seminar includes topics on technical branch operation areas and customer service, emphasizing on tellering duties. Re-orientation of Bank Tellers on Company profile and HR related policies are also included in the seminar.	At the end of the program, the participants are expected to: 1. Understand their duties and responsibilities as Bank Tellers 2. Identify the different Retail Cash Products and other Bank products 3. Be familiarized with the Clearing Operations and Teller System 4. Improve skills in tellering operations, such as in handling cash, verifying signatures, and detecting counterfeit money, KYC, and providing customer service. 5. Be re-oriented with the Company profile and HR policies	SSA-Tellers	2	123
New Accounts Seminar (7 days)	This course aims to provide participants with the knowledge and skills to efficiently handle the opening and servicing of accounts.	At the end of the course the participants should be able to : 1. Comply with Bank's guidelines, procedures and KYC Policy in opening and servicing of accounts. 2. Identify and discuss the Bank's products and services.	SSA-New Accounts Service Reps	1	45
Branch Banking System (3 days)	This two-day program aims to provide employees the use of the Core Banking System.	To know how to use and operate the new Core Banking System and its online components to effectively process the financial and non-financial transactions of the Bank.	Branch Employees	4	1,162
Fundamentals of Supervision (2 days)	This two-day course aims to help participants make the transition from team members to responsive and effective supervisors. The discussion and activities will focus on the roles, responsibilities and basic competencies of a supervisor.	At the end of the training, participants will be able to: 1. Define supervision and explain its transformational processes. 2. Appreciate the roles and responsibilities of a manager. 3. Practice the necessary competencies for day-to-day supervision through the use of structured learning exercises and case studies. 4. Prepare and present a program plan of action.	Supervisors	2	64
Officership Certification Program (16 days)	This 16-day course is designed to upgrade the knowledge and competence of the Bank's officers in various areas of branch operations.	1. Provide a review of branch operational policies and procedures relative to the Sales and Service functions. 2. Enable the participants to assess their customer service and develop a supportive team climate for the delivery of excellent customer service.	Officership Program Participants (Branch Officers)	1	31
Junior Executive Development	The Junior Executive Development Institute –	The program aims to train officers with high potential to	PNB Rank-and-File personnel	1	26

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

		effectiveness			
Coaching and Mentoring Skills Workshop (2 days)	This program aims to provide PNB Mentors the advanced tools in mentoring and coaching, and impart to the participants the use of systematic thinking, as opposed to intuition and gut feel, in coaching subordinates. The program will also equip them with fundamental principles, technique and approaches, establishing authentic and meaningful working relationship and to move them towards greater effectiveness in their interface with their mentees.	At the end of 1-day mentoring and coaching skills program for JEDI Mentors, participants will be able to: <ul style="list-style-type: none"> <li>• Appreciate the link between mentoring/ coaching and leadership</li> <li>• Practice the coaching and mentoring process</li> <li>• Recognize the foundation of emotional quotient and self-mastery</li> <li>• Learn how to create a coaching and mentoring culture</li> <li>• Practice the core competencies</li> <li>• Appreciate the concept and importance of Emotional Intelligence (EQ)</li> <li>• Master the REGROW process and coaching for superior commitment models</li> </ul>	JEDI Mentors	3	55

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

Under the Bank's Whistleblower Policy (as approved under PNB Board Resolution No. 04/03-18-16 of March 18, 2016, as amended), employees can report or complain about internally any suspected or actual commission of theft/fraud, corruption, etc. The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.

## I. DISCLOSURE AND TRANSPARENCY

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

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

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

- Not applicable.

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

RPT	Relationship	Nature	Value

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

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

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

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

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

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

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

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

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

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

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

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

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

### 2. Management Component Rating Form II

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

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

## N. INTERNAL BREACHES AND SANCTIONS

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

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

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

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