

COVER SHEET

A S O 9 6 - 0 0 5 5 5 5

SEC Registration Number

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

(Company's Full Name)

P N B F i n a n c i a l C e n t e r , P r e s i d e n t

D i o s d a d o M a c a p a g a l B o u l e v a r d ,

P a s a y C i t y

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

MS. ALICE Z. CORDERO

(Contact Person)

891-6040 to 70 loc 4051

(Company Telephone Number)

1 2

Month Day
(Fiscal Year)

3 1

(Form Type)
(IHU/GSED-CO-AP)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.



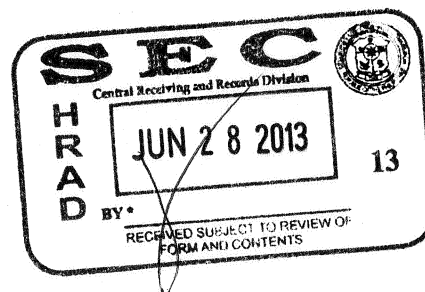
Philippine National Bank
Authorized Depository of the Republic of the Philippines

Direct Lines: 526-3289; Fax: 526-3392
Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4715, 4057, 4695, 4373

GLOBAL COMPLIANCE GROUP

June 28, 2013

MS. TERESITA J. HERBOSA
Chairperson
Corporate Finance Department
Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City



Dear Ms. Herbosa:

In compliance with SEC Memorandum Circular No. 5 dated March 20, 2013 as amended, we are pleased to submit the attached 2012 Annual Corporate Governance Report (ACGR) of the Philippine National Bank in three (3) copies duly signed by Ms. Florencia G. Tarriela, Chairman and Independent Director, Mr. Omar Byron T. Mier, President and CEO, Mr. Felix Enrico R. Alfiler and Mr. Deogracias N. Vistan, both Independent Directors and the undersigned.

Also attached is PNB's 2012 Annual Report.

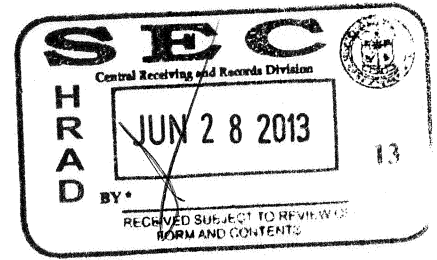
Thank you.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Alice Z. Cordero".

ALICE Z. CORDERO
SVP & Chief Compliance Officer

Att.: a/s



SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year: 2012
2. Exact Name of Registrant as Specified in its Charter: PHILIPPINE NATIONAL BANK
3. PNB Financial Center
President Diosdado Macapagal Blvd. 1300
Pasay City _____ Postal Code
Address of Principal Office 
4. SEC Identification Number: AS096-005555 5. _____ (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: 000-188-209
7. (632) 891-6040
Issuer's Telephone number, including area code
8. Not Applicable
Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS	4
1) BOARD OF DIRECTORS.....	4
(a) Composition of the Board.....	4
(b) Corporate Governance Policy/ies.....	4
(c) Review and Approval of Vision and Mission.....	5
(d) Directorship in Other Companies.....	5
(e) Shareholding in the Company.....	7
2) CHAIRMAN AND CEO.....	8
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS...	9
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	9
5) CHANGES IN THE BOARD OF DIRECTORS.....	14
6) ORIENTATION AND EDUCATION PROGRAM.....	15
B. CODE OF BUSINESS CONDUCT & ETHICS.....	17
1) POLICIES.....	17
2) DISSEMINATION OF CODE.....	17
3) COMPLIANCE WITH CODE.....	17
4) RELATED PARTY TRANSACTIONS.....	17
(a) Policies and Procedures.....	17
(b) Conflict of Interest.....	18
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	19
6) ALTERNATIVE DISPUTE RESOLUTION.....	19
C. BOARD MEETINGS & ATTENDANCE.....	20
1) SCHEDULE OF MEETINGS.....	20
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	20
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	20
4) QUORUM REQUIREMENT	20
5) ACCESS TO INFORMATION.....	20
6) EXTERNAL ADVICE.....	22
7) CHANGES IN EXISTING POLICIES.....	22
D. REMUNERATION MATTERS.....	28
1) REMUNERATION PROCESS.....	28
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	28
3) AGGREGATE REMUNERATION	29
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	30
5) REMUNERATION OF MANAGEMENT.....	30
E. BOARD COMMITTEES.....	31
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	31
2) COMMITTEE MEMBERS.....	39
3) CHANGES IN COMMITTEE MEMBERS.....	39
4) WORK DONE AND ISSUES ADDRESSED.....	40
5) COMMITTEE PROGRAM.....	46
F. RISK MANAGEMENT SYSTEM.....	48
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	48
2) RISK POLICY.....	50
3) CONTROL SYSTEM.....	54

G. INTERNAL AUDIT AND CONTROL.....	59
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	59
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	59
(b) Appointment/Removal of Internal Auditor.....	60
(c) Reporting Relationship with the Audit Committee.....	60
(d) Resignation, Re-assignment and Reasons.....	60
(e) Progress against Plans, Issues, Findings and Examination Trends.....	60
(f) Audit Control Policies and Procedures.....	61
(g) Mechanisms and Safeguards.....	61
H. ROLE OF STAKEHOLDERS.....	62
I. DISCLOSURE AND TRANSPARENCY.....	74
J. RIGHTS OF STOCKHOLDERS.....	78
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	78
2) TREATMENT OF MINORITY STOCKHOLDERS.....	85
K. INVESTORS RELATIONS PROGRAM.....	86
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....	88
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....	88
N. INTERNAL BREACHES AND SANCTIONS.....	88

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
---	----

Actual number of Directors for the year	11
---	----

(a) Composition of the Board

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) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Florencia G. Tarriela	ID	N/A	Dir. Omar Byron T. Mier (None)	May 29, 2001	May 29, 2012 (< one year)	Annual Meeting	< 12 years
Omar Byron T. Mier*	ED	N/A	Dir. Lucio C. Tan	May 24, 2005	May 29, 2012	Annual Meeting	< 8 years
Felix Enrico R. Alfiler	ID	N/A	Dir. Omar Byron T. Mier (None)	Dec. 16, 2011	May 29, 2012 (< one year)	Annual Meeting	<2 years
Florido P. Casuela	NED	N/A	Dir. Lucio C. Tan	May 30, 2006	May 29, 2012	Annual Meeting	< 7 years
Estelito P. Mendoza	NED	N/A	Dir. Lucio C. Tan	Dec. 23, 2008	May 29, 2012	Annual Meeting	<5 years
Carlos A. Pedrosa**	ED	N/A	Dir. Lucio C. Tan	May 31, 2011	May 29, 2012	Annual Meeting	< 2 years
Washington Z. Sycip	NED	N/A	Dir. Lucio C. Tan	Dec. 8, 1999	May 29, 2012	Annual Meeting	<14 years
John G. Tan	NED	N/A	Dir. Lucio C. Tan	Sept. 18, 2009	May 29, 2012	Annual Meeting	<4 years
Lucio C. Tan	NED	N/A	Dir. Lucio C. Tan	Dec. 8, 1999	May 29, 2012	Annual Meeting	<14 years
Lucio K. Tan, Jr.	NED	N/A	Dir. Lucio C. Tan	Sept. 28, 2007	May 29, 2012	Annual Meeting	<6 years
Deogracias N. Vistan	ID	N/A	Dir. Omar Byron T. Mier (None)	July 15, 2011	May 29, 2012 (< one year)	Annual Meeting	<2 years

* Became an ED by virtue of his appointment as Acting President for the duration of the indefinite sick leave of absence of then President and CEO, Mr. Carlos A. Pedrosa.

** On indefinite sick leave of absence since July 17, 2012 (Resigned effective February 9, 2013).

(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.

The Bank's Revised Corporate Governance Manual states that the most cogent proof of good corporate governance is visible to the eyes of its investors. The Board shall be committed to respect the rights of the stockholders, such as:

¹Reckoned from the election immediately following January 2, 2012.

- (1) Right to vote on all matters that requires their consent or approval;
- (2) Right to inspect corporate books and records;
- (3) Right to information;
- (4) Appraisal right;
- (5) Absence of pre-emptive right to stock issuances of the corporation; and
- (6) Right to dividends

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 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 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 corporation, 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.

Title X – Section 81 of the Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (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. (b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right

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

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

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

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group²

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:

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

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 Corp.	ID
	PNB (Europe) Plc	ID
	PNB RCI Holdings Co., Ltd.	ID
	PNB Life Insurance, Inc.	ID
Omar Byron T. Mier	PNB Capital and Investment Corp.	Chairman
	PNB Forex, Inc.	Chairman
	Japan-PNB Leasing and Finance Corporation	Chairman
	JPNB Equipment Rentals Corporation	Chairman
	PNB (Europe) Plc	Chairman
	PNB Italy SpA	Chairman
	Bulawan Mining Corporation	Chairman
	Management Development Corporation	Chairman
	PNB Securities, Inc.	NED
	PNB Holdings Corporation	NED
	PNB General Insurers Co., Inc.	NED
	PNB RCI Holdings Co., Ltd.	Chairman
	PNB Global Remittance and Financial Co., (HK), Ltd.	NED
Felix Enrico R. Alfiler	PNB Global Remittance and Financial Co., (HK), Ltd.	Chairman
	PNB Holdings Corporation	ID
	Japan-PNB Leasing and Finance Corporation	ID
	JPNB Equipment Rentals Corporation	ID
	PNB International Investments Corporation	ID
Florido P. Casuela	PNB Securities, Inc.	ID/Chairman
	PNB Holdings Corporation	NED
	PNB RCI Holdings Co., Ltd.	NED
Estelito P. Mendoza	PNB General Insurers Co., Inc.	NED
Carlos A. Pedrosa	Indefinite sick leave effective July 18, 2012 (Resigned effective February 9, 2013)	
Washington Z. Sycip	None	
John G. Tan	PNB Remittance Company (Canada)	NED
	PNB Global Remittance and Financial Co., (HK), Ltd.	NED
Lucio C. Tan	PNB Life Insurance, Inc.	Chairman
Lucio K. Tan, Jr.	PNB Capital and Investment Corp.	NED
	PNB Forex, Inc.	NED
	Bulawan Mining Corporation	NED
	PNB (Europe) Plc	NED
	PNB Italy SpA	NED
	Management Development Corporation	NED
Deogracias N. Vistan	PNB Capital and Investment Corp.	ID
	PNB Italy SpA	ID

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Florencia G. Tarriela	None	Not Applicable
Omar Byron T. Mier	None	Not Applicable
Felix Enrico R. Alfiler	None	Not Applicable
Florido P. Casuela	None	Not Applicable

Estelito P. Mendoza	San Miguel Corporation Petron Meralco	NED NED NED
Carlos A. Pedrosa	None	Not Applicable
Washington Z. Sycip	Belle Corporation Cityland Development Corporation Century Properties Group, Inc. First Philippine Holdings Corporation Highlands Prime, Inc. Lopez Holdings Corporation MacroAsia Corporation Metro Pacific Investments Corporation	ID Chairman ID ID ID ID Chairman NED
John G. Tan	Filipino Fund, Inc.	ID
Lucio C. Tan	PAL Holdings, Inc. LT Group, Inc. (formerly Tanduay Holdings, Inc.)	Chairman and CEO Chairman and CEO
Lucio K. Tan, Jr.	MacroAsia Corporation LT Group, Inc. (formerly Tanduay Holdings, Inc.)	NED NED
Deogracias N. Vistan	Lorenzo Shipping Corporation	ID

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Lucio C. Tan	Various Companies	Proxy holder

(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:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director/ Chief Executive Officer (CEO)	Sec. X145 of the MORB re: Interlocking Directorships and/or Officerships	Subject 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 bank and a quasi-bank (QB) or non-bank financial institution (NBFi)".
Non-Executive Director	BSP Circular No. 749, Series of 2012 re: Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions; and SEC Memo Circular No. 9, Series of 2011 re: Term Limits for Independent Directors.	An ID can be elected to a maximum of five (5) companies within a single business conglomerate, i.e., parent company, subsidiary or affiliate.

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Florencia G. Tarriela	2 PNB common shares	None	0.000003020
Omar Byron T. Mier	100 PNB common shares	120,100 PNB common shares (under PCD Nominee Corporation – Filipino)	0.0181503573
Felix Enrico R. Alfiler	None	100 PNB common shares (under PCD Nominee Corporation – Filipino)	0.0000151001
Florido P. Casuela	None	100 PNB common shares (under PCD Nominee Corporation – Filipino)	0.0000151001
Estelito P. Mendoza	None	1,000 PNB common shares (under PCD Nominee Corporation – Filipino)	0.0001510013
Carlos A. Pedrosa	None	2 PNB common shares (under PCD Nominee Corporation – Filipino)	0.000003020
Washington Z. Sycip	34,010 PNB common shares	None	0.0051355545
John G. Tan	1,000 PNB common shares	None	0.0001510013
Lucio C. Tan	10 PNB common shares	None	0.0000015100
Lucio K. Tan, Jr.	2,000 PNB common shares	None	0.0003020026
Deogracias N. Vistan	None	100 PNB common shares (under PCD Nominee Corporation – Filipino)	0.0000151001
TOTAL	37,122 PNB common shares	121,402 PNB common shares (under PCD Nominee Corporation – Filipino)	0.0239373315

2) Chairman and CEO

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

Yes No

Identify the Chair and CEO:

Chairman of the Board	Florencia G. Tarriela
CEO/President	Omar Byron T. Mier*

*Mr. Omar Byron T. Mier was appointed as the Acting President of the Bank for the duration of the indefinite sick leave of absence of then President and CEO, Mr. Carlos A. Pedrosa, effective July 17, 2012. He was then appointed as President of the Bank effective February 9, 2013.

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<ol style="list-style-type: none"> 1. To call meetings of stockholders; 2. To convene the Board of Directors whenever he may deem it necessary, either on his own initiative, or upon the request of the President, or two members of the Board; 3. To preside over all the meetings of the stockholders and the Board of Directors; 	<p>The President of the bank shall have, among others, the power and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the bank. He shall have the power and duty as follows:</p> <ol style="list-style-type: none"> 1. To execute all contracts and to enter into all authorized transactions in behalf of the bank; 2. To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board; 3. To recommend to the Board the appointment, promotion or removal of all officers of the bank with the rank of at least Vice President or its equivalent; 4. To appoint, promote or remove employees and officers of the bank except those who are to be appointed or removed by the Board of Directors; 5. To transfer, assign and reassign officers and personnel of the bank in the interest of the service; 6. To report periodically to the Board of Directors on the operation of the bank; 7. To submit annually a report on the result of the operations of the bank to the stockholders of the bank; and 8. To delegate any of his powers, duties and functions to any official of the bank, with the approval of the Board of Directors.
Accountabilities	<ol style="list-style-type: none"> 4. To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with the board members; 5. To ensure that the board takes an informed decision. The chairperson of the board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process; and 	
Deliverables	<ol style="list-style-type: none"> 6. To perform such other functions as are assigned to him by law or by the Board of Directors. 	

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The PNB Board of Directors has approved the adoption/implementation of the succession plan for the Bank, under its Board Resolution No. 03/01-19-2007 dated January 19, 2007. The PNB succession policy ensures that there are ready successors who have been well-trained and suitably prepared to assume sudden and anticipated vacancies. The Group Heads shall prepare and submit a succession matrix providing the names of at least 2 understudies/successors to key management positions.

- 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.

The Bank's Revised Corporate Governance Manual specifies that the members of the Board of Directors shall possess the following qualifications:

- (1) Holder of at least one (1) share of stock of the bank;
- (2) He shall be at least a collage graduate or have at least five (5) years experience in business to substitute for such formal education;
- (3) He shall be at least twenty-five (25) years old at the time of his election or appointment;
- (4) He must have attended a special seminar on corporate governance for Board of Directors conducted or accredited by the BSP and SEC; provided that the incumbent directors must attend the said seminar within a period of six (6) months from date of election;
- (5) He shall have proven to possess integrity and probity, physical/mental fitness, competence, relevant, education/financial literacy/training, diligence and knowledge/experience;

- (6) He shall be assiduous in his work habits;
- (7) Practical understanding of the business of the Bank; and
- (8) Membership in good standing in relevant industry, business or professional organizations.

For Independent Directors, he shall refer to a person who:

- (1) Is not or has not been, an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of election;
- (2) Is not a director or officer of the related companies of the bank's majority stockholder;
- (3) 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;
- (4) Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies;
- (5) Is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders; and
- (6) Is not retained as professional adviser, consultant, agent or counsel of the institution, 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, has not engaged and does not engage in any transaction with the bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

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

The bank's Board of Directors, including its Independent Directors, are highly qualified business professionals, with excellent educational credentials. The Board of Directors collectively hold a broad range of expertise and related banking experiences that provide value to the strengthening and upholding of good corporate governance practices in the Bank. In the Board, two directors were inducted "fellow" and one director certified as an "associate" by the Institute of Corporate Directors, in recognition of their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	1. To execute all contracts and to enter into all authorized transactions in behalf of the bank.	The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance and corporate values. Compliance with the highest standards in corporate governance principally starts with the Board of Directors which has the responsibility to foster the long-term success of the Bank and secure its sustained competitiveness and profitability in accordance with its fiduciary responsibility.	Recognizing the importance of the role of independent directors, the Board has elected the independent directors to act as Chairman of the Board and various board committees.
Accountabilities			
Deliverables	2. To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board. 3. To recommend to the Board the appointment, promotion or removal	Below are the specific roles, accountabilities and deliverables of the Non-Executive Directors: 1. To approve and monitor the	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. The Board and the Committees continue to

	<p>of all officers of the bank with the rank of Vice President or its equivalent.</p> <ol style="list-style-type: none"> 4. To appoint, promote or remove employees and officers of the bank except those who are to appointed or removed by the Board of Directors. 5. To transfer, assign and reassign officers and personnel of the bank in the interest of the service. 6. To report periodically to the Board of Directors on the operation of the bank. 7. To submit annually a report on the result of the operations of the bank to the stockholders of the bank; and 8. To delegate any of his powers, duties and functions to any official of the bank, with the approval of the Board of Directors. 	<p>implementation of strategic objectives.</p> <ol style="list-style-type: none"> 2. To approve and oversee the implementation of policies governing major areas of banking operations. 3. To approve and oversee the implementation of risk management policies. 4. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Bank, including its trust operations to anticipate and prepare for possible threats to its operational and financial viability. 5. Adopt and maintain adequate risk management policy which include (a) a comprehensive risk management approach; (b) a detailed structure of limits, guidelines and other parameters used to govern risk-taking; (c) a clear delineation of lines of responsibilities for managing risks; (d) an adequate system for measuring risk; and (e) the effective internal controls and a comprehensive risk reporting process. 6. To oversee selection and performance of senior management. 7. To define appropriate governance policies and practices for the bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvements. 9. To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. 10. In group structures, the board of directors of the parent bank shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group. Towards this end, the board of directors of the parent bank shall ensure consistent adoption of corporate governance policies and systems across the group 	<p>review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the bank, its subsidiaries, and affiliates.</p>
--	---	---	--

		<p>and shall carry-out the duties and responsibilities.</p> <ol style="list-style-type: none"> 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. 12. Ensure the bank's faithful compliance with all applicable laws, regulations and best business practices. 13. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the bank. 14. Identify the sectors in the community in which the bank operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them. 16. Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system to ensure the integrity of the decision-making and reporting process at all times. A continuing review of the bank's internal control system to maintain its adequacy and effectiveness. 17. Formulate and implement policies and procedures that will ensure the integrity and transparency of related party transactions between and among the corporation 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. 18. Constitute a Board Audit and Compliance Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities. 19. Establish and maintain an alternative dispute resolution system in the bank that can amicably settle conflicts or differences between the bank and its 	
--	--	---	--

		<p>stockholders, and the bank and third parties, including the regulatory authorities.</p> <p>20. Keep the activities and decisions of the Board within its authority under the Amended Articles of Incorporation and Amended By-Laws, and in accordance with existing laws, rules and regulations.</p>	
--	--	---	--

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Bank complies with the definition of "Independent Director" as contained in Section 38 of the Securities Regulation Code (SRC), the General Banking Law of 2000 and the Manual of Regulations for Banks (MORB) of the Bangko Sentral ng Pilipinas (BSP). An Independent Director 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.

As defined under Subsection X141.2 (b) of the MORB in compliance with BSP Circular No. 749, Series of 2012, as amended by Circular Nos. 757 and 793, Series of 2012 and 2013, respectively, an Independent Director shall refer to a person who (1) is not and has not been an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election; (2) is not a director or officer of the related companies of the bank's majority stockholder; (3) 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; (4) 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; (5) is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders; (6) 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, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.

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.

The bank is compliant with the term limit of independent directors imposed by BSP Circular No. 749, Series of 2012 and SEC Memorandum Circular No. 9, Series of 2011.

Section 3.1.3. of the Revised Corporate Governance Manual provides the term limits for Independent Directors as follows:

1. Independent Director (ID) can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates;
2. Independent Director of the Bank may only serve as such for a total of five (5) consecutive years. ID shall be ineligible for reelection unless he has undergone a "cooling off" period of two (2) years;
3. After the two-year cooling off period, an ID can be reelected and served for another five (5) consecutive years and shall be perpetually barred from being elected as such after serving for ten (10) years.

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

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	Not Applicable	Not Applicable	Not Applicable

(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:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		

For the election of Directors, the Bank's Board Corporate Governance Committee (acting as the Bank's Nomination Committee) receives and considers the shortlist of the candidates nominated to sit as members of the Board of Directors according to prescribed qualifications and disqualifications. 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 Amended By-Laws, the Bank's Corporate Governance Committee determines whether the nominees are fit and proper and qualified to be elected to the Board.

The process for disqualification, removal, re-instatement and suspension is based on what is provided by law, i.e., The Corporation Code.

Voting Result of the last Annual General Meeting (May 29, 2012)

Name of Director	Votes Received
Florencia G. Tarriela	Majority
Omar Byron T. Mier	Majority
Felix Enrico R. Alfiler	Majority
Florido P. Casuela	Majority
Estelito P. Mendoza	Majority
Carlos A. Pedrosa	Majority
Washington Z. Sycip	Majority
John G. Tan	Majority
Lucio C. Tan	Majority
Lucio K. Tan, Jr.	Majority
Deogracias N. Vistan	Majority
Anthony Q. Chua*	Majority
Domingo T. Chua*	Majority
Harry C. Tan*	Majority
Michael G. Tan*	Majority

*To assume office upon the effectivity of the merger (February 9, 2013)

6) Orientation and Education Program

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

The Bank furnishes all of their directors with a copy of the specific duties and responsibilities of the board of directors prescribed under Items "b" and "c" of MORB Subsec. X141.3 at the time of election. The directors concerned shall each be required to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same. Copies of the acknowledgment and certification herein required shall be submitted to the BSP annually or as directors are elected, 30th banking day after the date of election.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

PARTICIPANT(S)	TITLE OF SEMINAR, DATE AND VENUE
2012	
Dir. Deogracias N. Vistan and Dir. Felix Enrico R. Alfiler	Corporate Governance Orientation Program (CGOP) March 1 to 2, 2012; Institute of Corporate Directors, Inc.
SVP Emeline Centeno	Stress Testing: Perspectives, Guidance & Application January 20, 2012; AIM, Makati City
SVP Schubert Austero	Learning for the Future - An Open Space Technology Conference

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

	Crown Plaza Manila Galleria
SVP Alice Cordero & FVP Lino Carandang	Seminar on Foreign Account Tax Compliance Act (FATCA), DODD-Frank Act & BASEL III August 31,2012; 21F Brassiere, Security Bank, Ayala Ave., Makati City
FVP Marie Fe Liza Jayme & FVP Daniel Yu	Asia Regional Seminar of International Commercial Cash Operations Seminar (ICCOS ASIA) October 15-17, 2012; Makati Shangri La Plaza
SVP Marlyn Pabrua	BASEL III and Interface with IFRS Training Balmori Room, Manila Peninsula Hotel
Senior Officers	Transformational Leadership
<u>2011</u>	
SVP Marlyn Pabrua	Bankers Institute of the Philippines (26TH National Convention)
SVP Lino Carandang	ABCOMP Workshop January 27-29, 2011
EVP Horacio E. Cebrero III and SVP Marlyn M. Pabrua	IASB Technical Session on Hedge Accounting February 14, 2011
VP Ma. Cecilia D. Regalario and SVP Rolando V. Oscuro	Request for Budget Appropriation for Training November 8-9, 2011
<u>2010</u>	
SVP Ponciano C. Bautista	The PERA law (R.A. No. 9505)
SVP Ester Capule	Overseas Seminar
FVP Lino Carandang	Corporate Governance and Anti-Money Laundering
FSVP Edgardo T. Nallas and SVP Schubert Caesar C. Austero	47th PMAP Annual Conference
VP Esperanza A. Gavieta	The Housing Finance Sec. after Fin. & Natural Calamities
OIC Ricardo C. Ramos	Budget Appropriation-PNB New York Compliance/ Operations Training
FVP Winston L. Peckson	The PERA law (R.A. No. 9505)
SVP Emmanuel German Plan	Home Guaranty Corporation
VP Josephine E. Jolejole	2nd Annual REIT Asia Pacific Philippines Summit 2010

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Florencia G. Tariela	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat - BSP
Omar Byron T. Mier	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat - BSP
Felix Enrico R. Alfiler	March 1-2, 2012	Orientation Course on Corporate Governance	Institute of Corporate Directors
Florido P. Casuela	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat - BSP
Estelito P. Mendoza			
Carlos A. Pedrosa*			
Washington Z. Sycip			
John G. Tan	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat - BSP
Lucio C. Tan			
Lucio K. Tan, Jr.	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat - BSP
Deogracias N. Vistan	March 1-2, 2012 November 23, 2012	Orientation Course on Corporate Governance Updates on New AML-CFT Laws	Institute of Corporate Directors AMLC Secretariat - BSP

* On indefinite sick leave of absence from July 17, 2012

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:

Business Conduct & Ethics	Directors	Senior Management	Employees	Reference/Circular
(a) Conflict of Interest	Covered	Covered	Covered	Personal Investment Policy, Manual of Policies *, Sec. 2211 Employee Handbook
(b) Conduct of Business and Fair Dealings		Covered	Covered	Personal Investment Policy, Manual of Policies *, Sec. 2211
(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*, Code of Conduct Manual Employee Handbook
(e) Respect for Trade Secrets/Use of Non-public Information	Covered	Covered	Covered	Personal Investment Policy, Manual of Policies*, Sec. 2211 Confidentiality of Information (Manual of Policies *, Sec. 2203.13), Employee Handbook
(f) Use of Company Funds, Assets and Information		Covered	Covered	Confidentiality of Information (Manual of Policies *, Sec. 2203.13), Employee Handbook
(g) Employment & Labor Laws & Policies		Covered	Covered	Manual of Policies,* Employee Handbook
(h) Disciplinary action		Covered	Covered	Code of Conduct Manual, Employee Handbook
(i) Whistle Blower	Covered	Covered	Covered	Gen. Cir. 1-868/2013 dated April 12, 2013
(j) Conflict Resolution		Covered	Covered	Code of Conduct Manual

* Manual of Policies on Human Resource Management and Development

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Each employee/senior management/director is furnished with a copy of the Bank’s Code of Conduct Manual. Moreover, an employee can access the Code of Conduct Manual through the Bank’s online intranet (Cybermag).

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Each employee accomplishes an Acknowledgement Receipt certifying therein that he/she has been furnished with a copy of the Code of Conduct Manual; that he/she has fully read and understood the provisions embodied in the Code of Conduct Manual and that he/she promises to abide with the rules/regulations of the Code of Conduct Manual. Any failure to abide with Bank’s Code of Conduct Manual is reported by the Head of Office concerned to Human Resource Group (HRG). HRG subsequently validates/evaluates the report to determine if any sanction or disciplinary action should be taken against the erring employee.

- 4) Related Party Transactions

- (a) Policies and Procedures

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	

Related Party Transactions	Policies and Procedures
(1) Parent Company	
(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	

The Bank policy on Related Party Transactions (RPT) is formulated and articulated in compliance with BSP and SEC requirements. This policy definition for the related party transactions is form part of the Corporate Governance Manual.

The policy on related party transactions has six (6) sections. These are the introduction; definition of terms; board oversight and approval; covered transactions; code of conduct and business ethics; and disclosures and reports.

The policy emphasized dealings of significant inter-company transactions between entities in the group (PNB, Subsidiaries, Affiliates and other entities that are members of the LT Group Conglomerate), on-balance sheet and off-balance sheet such as:

- Credit exposures and claims;
- Investments;
- Dealings such as service contracts, i.e., outsourcing of legal, audit and compliance;
- Assets purchases and sales;
- Construction contracts;
- Joint Venture Projects;
- Lease Agreements, i.e., lease of bank premises;
- Rendering or receiving of services, i.e., use of aircraft and seconded officers;
- Agency Arrangements;
- Derivative Transactions;
- Fund Transfers;
- Due to Banks;
- Borrowings and Payables;
- Transfer of Technology;
- DOSRI;
- Guarantees; and
- Donations to Foundation, i.e., bank donations coursed through Tan Yan Keep Foundation of the LT Group Conglomerate

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and those classified as “directors, officers, stockholders and related interests” (DOSRI). Under the Bank’s policy, these loans and other transactions are made substantially on the same terms as those of other individuals and businesses of comparable risk. Under BSP Circular 423, the amount of direct credit accommodations to each of the Bank’s DOSRI, 70% of which must be secured, should not exceed the amount of their respective deposits and the book value of their respective investments in the Bank. In the aggregate, DOSRI loans generally should not exceed the Bank’s net worth or 15% of the Bank’s total loan portfolio, whichever is lower. As of December 31, 2011 and December 31, 2012, PNB is in compliance with the aforementioned BSP regulations.

(b) Conflict of Interest

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

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

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

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	
Group	

Sec. 3.1.11 of 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.

Any question about a Director's actual or potential conflict of interest with the Bank should be brought promptly to the attention of the Corporate Governance/Nomination Committee, which will review the question and determine an appropriate course of action, including whether consideration or action by the full Board is necessary. Directors involved in any conflict or potential conflict shall disassociate themselves from any decision related thereto.

All Bank employees have a duty to ensure that no Personal Transactions in which they engage 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 bank with respect to that security. 2. that 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. 3. that bank is contemplating a transaction of any kind that would have a material effect on a particular company or security.

5) Family, Commercial and Contractual Relations

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

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

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

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

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	Not Applicable	Not Applicable

6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	
Corporation & Third Parties	
Corporation & Regulatory Authorities	

It shall be the duty of the Directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' rights and the solution of collective action problems through appropriate mechanism. They shall be instrumental in removing excessive cost 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 complaints from stockholders should be satisfactorily handled and processed.

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes. The meetings of the Board of Directors are scheduled at the beginning of the year.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman/Independent Director	Florencia G. Tarriela	May 29, 2012	24	23	95.83%
Vice Chairman	Omar Byron T. Mier	May 29, 2012	24	24	100.00%
Independent Director	Felix Enrico R. Alfiler	May 29, 2012	24	23	95.83%
Member	Florido P. Casuela	May 29, 2012	24	23	95.83%
Member	Estelito P. Mendoza	May 29, 2012	24	17	70.83%
Member	Carlos A. Pedrosa*	May 29, 2012	24	13	54.17%
Member	Washington Z. Sycip	May 29, 2012	24	15	62.50%
Member	John G. Tan	May 29, 2012	24	23	95.83%
Member	Lucio C. Tan	May 29, 2012	24	19	79.17%
Member	Lucio K. Tan, Jr.	May 29, 2012	24	18	75.00%
Independent Director	Deogracias N. Vistan	May 29, 2012	24	23	95.83%

* Mr. Carlos A. Pedrosa was on an indefinite sick leave of absence from July 17, 2012.

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? NO

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

No. Article IV, Section 5.12 of the PNB's Amended By-Laws states that "a majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business and every decision of a majority of the quorum assembled as Board shall be valid as a corporate act unless otherwise provided by law. A minority of the Board present at any regular or special meeting shall, in the absence of a quorum, adjourn to a later date, and shall not transact any business until a quorum has been secured".

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

The Board papers for board of directors meetings are provided to the board 3-4 days in advance except for items taken up/endorsed after the cut-off for the initial delivery which are given the day before the board meeting.

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

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

Duties of the Corporate Secretary as provided by the Bank's Amended By-Laws and the Revised Corporate Governance Manual:

- (1) Notify parties concerned of any Stockholders and Board meetings;
- (2) Inform the members of the Board, in accordance with the Amended By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (3) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- (4) Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- (5) Provide proper assistance to the Members of the Board during all Board and Stockholders' meetings while they are in the performance of their duties and responsibilities under the law and the By-Laws;
- (6) Be responsible for the safekeeping and preservation of the integrity of the Minutes of the meetings, as well as the other official records pertaining to the duties and responsibilities of the Office of the Corporate Secretary;
- (7) Furnish all Directors with a copy of the general responsibilities and specific duties and responsibilities of the Board of Directors prescribed under MORB Subsec. X141.3(b and c), as well as the specific duties and responsibilities of a Director under X141.3(d), within thirty (30) banking days from the time of election. Copies of the acknowledgement and certification by the Directors shall be submitted to the appropriate supervisory and examining department of SES-BSP within fifteen (15) banking days from date hereof;
- (8) To monitor the Directors' compliance with the attendance requirements, shall issue and submit to the SEC, on or before January 30 of the following year, a sworn certification about the Directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing;
- (9) Keep a list of the Bank's stockholders, their proxies and their stockholdings, maintain the stock transfer book/s and keep track of all outstanding certificates in the manner required by law and regulations, and
 - (a) Ascertain the identity and citizenship of the transferee, voting trustee, or proxy of voting shares of stock of the bank, and require them to submit or disclose such documents and information relative to their stockholdings or any voting trust arrangements thereto;
 - (b) Require the transferee, voting trustee, proxy of voting shares of stock to disclose all information with respect to persons related to them within the fourth degree of consanguinity or affinity where they have controlling interest, and the extent thereof;

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

- (c) Require the transferee or recipient of voting shares of stock to execute an affidavit (sample format shown in Appendix 4 of the Bangko Sentral ng Pilipinas MORB) stating, among other things, that the transferee or recipient of voting shares of stock is a bona fide owner of the said shares of stock, and that he/she acknowledges full awareness of (a) the prohibition against ownership of voting shares of stock in excess of the ceilings and/or (b) the requirement for prior Monetary Board approval for transactions resulting to significant ownership of voting shares of stock of a bank by any person, as provided in Subsec. X126.2 of the MORB and such other rules and regulations of the regulatory agencies, as may be amended from time to time;
- (d) Promptly inform stockholders (a) who have reached any of the ceilings prescribed by laws/BSP regulations of their ineligibility to own or control more than applicable ceiling or (b) who would own voting shares of stock requiring prior Monetary Board approval;
- (e) Disclose the ultimate beneficial owners of bank shares held in the name of Philippine Central Depository (PCD) Nominee Corporation in the annual (or quarterly whenever changes occur) report on Consolidated List of Stockholders and their Stockholdings (BSP 7-16-11), which report shall be made under oath by the corporate secretary;
- (f) Submit financial statements, list of certain stockholders together with their stockholdings, as well as such other reports as prescribed/required by the regulatory agencies;
- (g) Disclose any material transactions, events and information as required under the rules and regulations of the regulatory agencies;
- (h) Perform such other duties as are necessary or incidental to his office and those that may from time to time be required by the Board, as well as by the rules and regulations of the regulatory agencies;

(10) Exhibit loyalty to the mission, vision and objectives of the Bank; and

(11) Work fairly and objectively with the Board, Management and stockholders.

The Corporate Secretary prepares the Agenda for the Board and Executive Committee meetings and also assists the directors in attending seminars and trainings.

The Chief Compliance Officer is in charge in monitoring the bank compliance with the provisions and requirements of the Corporate Governance Manual and relevant banking rules and regulations as well as keeping the Directors updated regarding any related statutory and regulatory changes.

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

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

(e) Committee Procedures

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

Yes No

Committee	Details of the procedures
Executive	Materials are provided to the members of the committees two days before the meeting.
Board Audit and Compliance	
Corporate Governance/Nomination/Remuneration	Directors have access to Management should they require additional information.
Risk Oversight	
Trust	
Board ICAAP Steering	
Board Overseas Offices Oversight	

6) External Advice

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

Procedures	Details

There is no formal written procedure or policy. However, directors are given the discretion to request for external advice whenever desired or necessary.

7) Change/s in existing policies

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

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

Existing Policies	Changes	Reason
1. Approving authority on loan limits	Revised the approving authority loan limits for SMCC, EXCOM and BOARD	To facilitate the credit approval process under the Merged Bank
2. Approving Authorities/Limits of Various Credit Committees – Commercial Banking Group	<ul style="list-style-type: none"> • Creation of Institutional Banking Group Credit Committee - I (IBGCC - I) • Amendments to the Approving Authorities/Limits of the Commercial Banking Credit Committee. • Renaming of the existing Delegated Authorities for Metro Manila Accounts and Provincial Accounts to Business Centers Credit Committee 	To align the approving authorities/limits of various credit committees of the Commercial Banking Group under the Merged Bank.
3. Approving Authorities/Policies on Consumer Loans	<ul style="list-style-type: none"> • Amendment to the approving limit of the Consumer Finance Group Credit Committee (CFGCC) except for motor vehicle loans. • Revised composition of the Consumer Finance Group (CFG) • Delegation of credit approval limit to certain officers of CFG. • Revised approving authorities on deviations from the age requirement and acceptability of properties for housing loans • Specific guidelines on accounts with verified adverse findings • Required documentation for consumer loans. 	To facilitate loan approval and simplify the approving process for consumer loan applications while ensuring that adequate controls are in place.

<p>4. Amendments to the Approving Authorities on the following</p> <p>a. Business/Commercial Loans b. Sugar Loans c. Consumer/Multi-Purpose Loans d. Revalidation of Loan Approvals</p>	<p>Amendments to the approving authorities on grant of term loans, renewal of maturing business loans, approval of dacion en pago arrangement, grant of sugar loans, restructuring of multi-purpose loans, approval of consumer loans with existing business loans and revalidation of loan approvals.</p>	<p>To align with the revised approving limits of the SMCC, EXCOM and BOARD dated August 24, 2012 and to simplify the approving process of the Bank.</p>
<p>5. Amendments to the Policy on Country Risk Limit</p>	<p>Revised the provisions on the internal Country Risk Rating Methodology and Country Risk Category</p>	<p>To establish the maximum credit exposure that the Bank will have in a particular country, particularly the high risk countries, according to the type of business transactions</p>
<p>6. Amendments to the Return on Asset Requirement (ROA)</p>	<p>Revised the Bank's hurdle rates relative to the current ROA requirement per risk grade</p>	<p>To update the Bank's hurdle rates per credit risk rating of borrowers.</p>
<p>7. Amendment to the Policy on Management of Large Exposures and Credit Risk Concentrations</p>	<p>Deletion of the Internal Single Borrower's Limit (SBL) for loans to individual borrowers, for the last quarter.</p>	<p>The Bank is already undertaking monitoring and control measures as prescribed by the BSP for large exposures which are already incorporated in the implementing guidelines of said policy.</p>
<p>8. Amendments to the Policy Guidelines on Loans to Local Government Units (LGUs)</p>	<ul style="list-style-type: none"> • Maximum term of the loan was increased from 10 years to 15 years. • Inclusion of the provision requiring all LGU loan borrowers to submit prior Monetary Board opinion on the monetary implication of their borrowings to the Bank pursuant to Section 123 of Republic Act 7653 (The New Central Bank Act) and BSP Circular Letter No. 2008-50 dated August 6, 2008. 	<p>To include BSP-MORB provisions in the LGU policy and be at par with competitor banks</p>
<p>9. Amendments to the Policy on Term Lending</p>	<ul style="list-style-type: none"> • Included a provision on Break Funding Cost . • The annual review of term loans can be dispensed with if the account is on its last year of payment and amortization payments are up to date. • Repayment of the loan was aligned with Section X308 of the BSP-MORB and the reckoning date of the initial principal amortization was further clarified 	<p>To facilitate the loan processing of accounts and align specific provisions of the BSP-MORB in the Policy on Term Lending</p>
<p>10. Guidelines in the Semi-Annual Review of New Business Loan Accounts</p>	<p>Account Officers shall be required to undertake semi-annual review on new business loan accounts which are unsecured and with a credit risk rating below CRR 8 ("Fair").</p>	<p>To comply with EXCOM directive to come up with specific credit evaluation guidelines for new business loan accounts</p>

<p>11. Revised Policy on Acceptable Clients</p>	<ul style="list-style-type: none"> Revised the policy to align with the Bank's existing policies on Small Business Loan and Target Market Selection for Business Loans and updated the acceptance criteria for specific businesses, occupations. Amended the approving authority for the acceptance of "high profile clients" for consumer loans 	<p>To update the acceptance criteria of the Bank's Policy on Acceptable Clients taking into consideration the Expanded Coverage of Politically Exposed Persons (PEPs) issued by PNB Global Compliance Group</p>
<p>12. Revised Policy on External Appraisal</p>	<ul style="list-style-type: none"> Incorporated the BSP regulations covering the transactions requiring the services of external appraisers and frequency of re-appraisal of ROPAs Revised the acceptance criteria for the pre-screening of appraisal companies applying for accreditation Revised composition of the Bank's Accreditation Committee 	<p>To align the Bank's policy with the BSP-MORB regulations and provide the evaluation guidelines for the accreditation of external appraisers</p>
<p>13. Revised Guidelines in the Accreditation of Real Estate Developers and Projects</p>	<ul style="list-style-type: none"> Specific guidelines for the accreditation of real estate developers and projects Amended the basis of setting-up of limit per project/per developer: 	<p>To come up with specific guidelines that will ensure adequate controls in the accreditation of real estate developers and projects</p>
<p>14. Amendments to the following Selected Credit Policy Guidelines:</p> <ol style="list-style-type: none"> Availments In Excess of Approved Credit Facilities Availments to Mature Beyond Line Expiry Date Compromise Settlement Security/Support Documentation Review 	<ul style="list-style-type: none"> Excess availment shall be limited to the borrower's total approved trade credit facilities only subject to compliance of certain requirements. Term of the availment shall be in accordance with the term stipulated in the loan approval. Request for waiver of interest and penalties that will accrue on the account within the 60-day validity of approval. Exemption of large corporations for submitting a business permit, even if they are not publicly listed. 	<p>To facilitate the credit approval process of the Bank while ensuring that adequate controls are in place.</p>
<p>15. Annual Mandatory Leave Policy</p>		
<p>The annual mandatory leave shall be availed by the employee within the calendar year in ten (10) successive working days.</p>	<p>The annual mandatory leave may be availed by the employee, subject to the approval of approving officer/authority, in any of the following manner, within the current calendar year:</p> <ul style="list-style-type: none"> Ten (10) successive working days; or Five (5) successive working days on two (2) separate periods; or Five (5) successive working days, and the other five (5) working days, on staggered basis 	<p>In order to address the difficulties in the implementation of the mandatory leave.</p>

Mandatory leaves for the calendar year which were disallowed by the approving officer/authority may be carried-over or deferred and used on the first quarter of the following year, subject to the approval of the President.	Unavailed or unused mandatory leave for the current calendar year shall in no case be carried-over/deferred and availed/ used by the employee on the following calendar year.	In order to be consistent and aligned with the practice of peer banks.		
Vacation leave of absence during the period December 16 to January 15 shall be limited to what is absolutely necessary.	Vacation leave (including Annual Mandatory Leave) shall be limited only to what is absolutely necessary, particularly during the following periods: <ul style="list-style-type: none"> • Holy Week (Monday to Wednesday); and • December 16 to January 15. 	To ensure business continuity and delivery of satisfactory customer service during said periods.		
	Adoption of the Compulsory/Forced Leave Policy For internal control purposes, Heads of Office are authorized to require an employee concerned to go on compulsory leave of absence for at least five (5) successive working days, which shall be chargeable to the employee's mandatory leave benefit.	In order to strengthen the Bank's initiative to uncover possible irregular processing of transactions, it is prudent and necessary to require the employee/s concerned to go on compulsory leave of absence for a certain period of time.		
16. Sponsorship for Change in Visa Status of Expatriates and Local Job Applicants				
No policy	Adoption of the policy on sponsorship for change in visa status of expatriates and local job applicants in overseas branches and subsidiaries.	To formalize the Bank policy regarding the prohibition on the issuance by PNB overseas branches and subsidiaries of sponsorship for the change in visa status of expatriates.		
17. Amendment in the PNB Car Plan for Officers				
The Bank shall secure a Group Life Insurance for the officer in an amount equivalent to the net book value of the leased vehicle. All expenses thereof shall be for the account of the officer.	The officer may, at his/her option, secure a Mortgage Redemption Insurance (MRI) from PNB Life Insurance Inc. All related expenses of which shall be for the personal account of the officer.	Making the MRI optional instead a mandatory pre-requisite for entitlement to the Car Plan, is beneficial to the officer because the officer will not have to undergo medical examination and the burden of incurring additional expense for the payment of the MRI premiums.		
18. Amendment in the Overtime Policy of the Bank				
The maximum time period that a Bank employee may be allowed to render overtime work with pay shall be two and a half (2 ½) hours on weekdays and eight (8) hours on the designated rest day or holiday and shall:	Supervising Officers may authorize overtime work only on the following conditions/ circumstances: <table border="1" data-bbox="592 1759 1058 1917"> <tr> <td>During regular working days</td> <td> <ul style="list-style-type: none"> • Only after completion of the regular 8-hour work; but shall not exceed four (4) hours </td> </tr> </table>	During regular working days	<ul style="list-style-type: none"> • Only after completion of the regular 8-hour work; but shall not exceed four (4) hours 	In order to – <ul style="list-style-type: none"> • make our policy compliant and consistent with the minimum requirements of the Labor Law;
During regular working days	<ul style="list-style-type: none"> • Only after completion of the regular 8-hour work; but shall not exceed four (4) hours 			

<ul style="list-style-type: none"> Start at 5:30 PM and shall not extend beyond 8:00 PM on weekdays Start 30 minutes after the end of his working hours and shall not extend beyond 2 ½ hours on weekdays Be from 8:00 AM to 5:00 PM on Saturdays; and Not be authorized beyond the allowable maximum time period, as well as on Sundays and holidays. 		<ul style="list-style-type: none"> If the overtime work is not completed within the maximum 4 hours, it may be continued/ rescheduled the following day. 	<ul style="list-style-type: none"> provide guidelines governing overtime work without sacrificing the employee's quality of work; and safeguard the health/well-being and safety of the employees,
	On holidays and rest days (including Saturdays and Sundays)	<ul style="list-style-type: none"> Overtime work shall not exceed eight (8) hours. If the overtime work is not completed within the maximum 8 hours, it may be continued/ rescheduled the following day. 	

19. Hiring Policy and Guidelines – PNB Branches & Subsidiaries/Affiliates in North America Region

	Adoption of the hiring policy for PNB branches in the USA and subsidiaries/affiliates: <ul style="list-style-type: none"> Policy Statement and Objectives Administration and Procedures Employment Forms and Documents 	To adopt a hiring policy that will be consistent to the hiring policy of PNB Manila, and which must not be inconsistent or violative of the practices or regulations of the host country.
--	---	---

**20. 2012-2014 Collective Bargaining Agreement (CBA) Negotiations
Amendments on Bank Policies on Benefits**

Working Hours (None)	Grace period of 5 minutes shall be observed	As negotiated between the Union and Management.
Rice Subsidy for rank & file employees	Increase in the subsidy	
Summer Outing Allowance	Increase in Team Building Allowance	
Christmas Party Allowance	Increase in Allowance	
Group Life and Accident Insurance Coverage - Rank & File	Increase in coverage	
Emergency/Bereavement Leave	Additional 1 day for Bereavement/ Emergency Leave	
Death Assistance - For employees with up to 20 and over 20 years of service	Increase the amount of death assistance	
OT Meal Allowance (None)	Provide OT Meal Allowance on Saturdays, Sundays and holidays	
Loyalty/Service Award 10 years – loyalty ring 15 years – P10,000 20 years – P15,000 25 years – P20,000 & Plaque 30 years – P25,000 35 years – P40,000 & Plaque 40 years – P50,000	10 years – loyalty ring 15 years – P10,000 20 years – P15,000 25 years – P20,000 & Plaque 30 years – P25,000 35 years – P40,000 & Plaque 40 years – P50,000	
Monthly Tellers Incentive Allowance For regularly appointed Bank Tellers	Tellers & Cash Representatives Incentive Allowance Fixed Amount per month	

For regularly appointed Senior Money Counter assigned as Tellers, Bank Tellers assigned at the Trust Banking Group and LISD, and Acting Tellers	Provide increase monthly allowance for Perfect Attendance Provide Shortage Allowance per year	
Health Care Program	Extension of healthcare coverage to employees who avail of normal/regular retirement: Rank & File = for 1 year from date of retirement Officers = for 5 years from date of retirement	
Overtime Pay Rates Regular Days, Saturdays & Rest Days 6:01 AM-6:00 PM 133% 6:01 PM-6:00 AM 150% Sundays 6:01 AM-6:00 PM 150% 6:01 PM-6:00 AM 175% Special Holidays 6:01 AM-6:00 PM 150% 6:01 PM-6:00 AM 195%	Regular Days, Saturdays & Rest Days 1 ST 8 hours 150% In excess of 8 hours 177.32% Sundays/Regular Holidays 1 ST 8 hours 200% In excess of 8 hours 260% Special Holidays 1 ST 8 hours 150% In excess of 8 hours 200%	
Medical/Dental/Optical	Increase in Medical/Dental/Optical Allowance	
Employee Loans Debt Service Ratio For existing employees with current loan accounts whose debt service amount has been fixed at 50% of employee's gross pay as of Dec. 7, 2007, their debt service amount shall be at a fixed amount equivalent to 50% of employee's gross pay as of July 1, 2009 or 35% of their net take home pay whichever is higher.	Debt Service Ratio For existing employees with current loan accounts whose debt service amount has been fixed at 50% of employee's gross pay as of Dec. 7, 2007, their debt service amount shall be at a fixed amount equivalent to 50% of employee's gross pay as of July 1, 2012 or 35% of their net take home pay whichever is higher.	
Housing Loan Loan Amount for Individual Employee and Spouse-Employee; and Interest Rate	Amendment in loan amount and interest rate for individual and spouse employees.	
Motor Vehicle Loan Interest Rate	Reduction in interest rate per annum	
21. Amendments on the Policy on Soliciting and/or Receiving Gifts by Employees		
Gifts of more than P5,000 should be turned-over to the Head of <u>Facilities Administration Group</u> for appropriate action.	Gifts worth more than P5,000 whether in cash or in kind shall be turned-over by the employee to HRG. HRG shall in turn donate the same in the name of the client to any legitimate charitable institution to be chosen by the employee.	Gifts shall be donated to any legitimate charitable institution to be chosen by the employee.

D. REMUNERATION MATTERS

1) Remuneration Process

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

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

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

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

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

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

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

There has been no proposal on remuneration for directors presented to the stockholder for approval in the Annual Stockholders' Meetings held for the years 2009-2012. As of present, the directors do not receive any compensation apart from per diems.

Remuneration Scheme	Date of Stockholders' Approval

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	-	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	-	P2,605,000.00	P1,670,000.00
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
Total		P2,605,000.00	P1,670,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	P820.00	P7,800.00	P2,460.00
(f) Hospitalization Plan	P160,000.00	P1,120,000.00	P480,000.00
(g) Car Plan	-	-	-
(h) Others (Specify)	-	-	-
Total	P160,820.00	P1,127,800.00	P482,460.00

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

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

(b) Amendments of Incentive Programs

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

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

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Horacio E. Cebrero III, Jovencio D. Hernandez, Carmen G. Huang and Ma. Elena B. Piccio	P21,229,359.22

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2*	2	3	Yes	Functions, Key Responsibilities and Power are stated below.		
Board Audit and Compliance Committee	-	2	2	Yes			
Corporate Governance Committee	2*	1	2	Yes			
Risk Oversight Committee	1	1	3	Yes			
Board ICAAP Steering Committee	1	1	3	Yes			
Trust Committee	2*	2	1	Yes			
Board Overseas Offices Oversight Committee	1	1	3	Yes			

* There were two (2) Executive Directors due to the appointment of Mr. Omar Mier as Acting President for the duration of the indefinite sick leave of absence of Mr. Carlos Pedrosa who was also a director.

BOARD COMMITTEES' FUNCTIONS/KEY RESPONSIBILITIES AND POWER/AUTHORITY

EXECUTIVE COMMITTEE

Function: The Executive committee was created to perform the functions and duties as the Board may confer upon it in accordance with law and the By-Laws of the bank.

Key Responsibilities and Power/Authority:

1. To review, evaluate, approve and/or endorse for Board approval credit lines and facilities for "current" clients, per credit policies and procedures, and the approval limits in the Manual of Signing Authority.
2. To approve and/or endorse for approval of the Board the restructuring of facilities for remedial accounts/disposal of Non-Performing Assets (NPAs), and the write-off of unrecoverable accounts.
3. To review, evaluate, approve and/or endorse for Board approval policies and procedures, manuals for bank products, and services to be offered to the bank's domestic and overseas markets.
4. To endorse for Board approval the establishment or closure of local branches, and overseas offices and approve the relocation and renovation thereof as may be proper.
5. To evaluate and endorse for Board approval the bank's strategic plans, thrusts, business models, forecasts and the Annual Budget.
6. In coordination with the other Board Committees, to conduct quarterly/periodic Management Profitability Reviews to determine the bank's/business sectors actual performance against targets/budgets.
7. To provide policy directors for CBA negotiations and the management of Labor and Employee Relations and endorse the negotiated CBA provisions for Board approval.
8. To evaluate, approve and endorse for Board approval such investments in financial assets/and products and the raising of core of Lower Tier 2 Capital, as the case may be, and provide investment and/or risk limits for treasury or investment products.
9. To approve all expenses over P1,000,000.00.
10. To exercise oversight functions over Domestic and Overseas Subsidiaries.
11. To exercise oversight functions over Credit and Market Risks.
12. To set up plans for the implementation of mergers and acquisitions and provide the budget thereof.

BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

Function: The Board Audit and Compliance Committee (BACC) has oversight responsibility relating to the integrity of the Bank's financial statements, internal controls and compliance with legal and regulatory requirements.

Key Responsibilities and Power/Authority:

1. Provide oversight of the Bank's Internal and External Auditors and Compliance Officer.
2. Review and approve the Bank's internal audit plan and compliance plan.
3. Discuss with the External Auditor before the audit commences the nature, scope of the audit.
4. Responsible for the setting-up of an Internal Audit Group, and Global Compliance Group and consider and consider the appointment of the Chief Audit Executive and the Chief Compliance Officer as well as an independent External Auditor.
5. Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system.
6. Receive and review reports of internal and external auditors and regulatory agencies where applicable and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.
7. Review the quarterly, half-year and annual financial statements focusing particularly on: (a) Any change/s in accounting policies and practices; (b) Major judgmental areas; (c) Significant adjustments resulting from the audit; (d) Going concern assumptions; (e) Compliance with accounting standards; and (f) Compliance with tax, legal, regulatory and stock exchange requirements.
8. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations including anti-money laundering. For this purpose, the Chief Compliance Officer shall report directly to the BACC.
9. Evaluate and determine the non-audit work of the External Auditor and review periodically the non-audit fees paid to the External Auditor in relation to their total annual income and to the Bank's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work should be disclosed in the Bank's annual report.

10. Establish and identify the report line of the Chief Audit Executive so that the reporting level allows the internal audit activity to full its duties and responsibilities. The Chief Audit Executive shall report directly to the Board Audit and Compliance Committee functionally. The Committee shall ensure that the internal auditor shall have free and full access to all the Bank's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of the internal auditing examinations, performing work, and communicating results, and shall provide a venue for the BACC to review and approve the annual internal audit plan.
11. Supervise the formulation of the rules and procedures on financial reporting and internal control.
12. Shall explicit authority to investigate any matter within its terms and reference, full access to and cooperation by Management and full discretion to invite any Director or Executive Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
13. Shall have the sole authority to select, evaluate, appoint, and replace the External Auditors subject to stockholder ratification. It shall recommend to the Board of Directors to grant the President the authority to negotiate and finalize the terms and conditions of the audit engagement as well as the audit fees, and sign, execute and deliver the corresponding contract and all non-audit engagement with the External Auditors subject to the confirmation of the BACC members.
14. Shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee. The Bank shall provide funding, as determined by the BACC, for payment of compensation to the External Auditors and to any advisors employed by the Board Audit and Compliance Committee.
15. May form and delegate authority to subcommittees, comprised or one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the BACC.

CORPORATE GOVERNANCE/NOMINATION/REMUNERATION COMMITTEE

Function: The Corporate Governance/Nomination/Remuneration Committee ensures the Board's effectiveness and adherence to corporate governance principles and guidelines and the selection of members of the Board and senior executives of the Bank as well as in the appointment of the members of the respective Board committees.

Key Responsibilities and Power/Authority:

1. To review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.
2. To ensure the Board's effectiveness and due observance of corporate governance principles and guidelines.
3. To receive and evaluate complaints regarding conflict of interest situations.
4. Oversee the periodic performance evaluation of the Board and its committees and executive management.
5. Conduct an annual self-evaluation of the Committee's performance.
6. Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation).
7. Adopt such internal guidelines that will address the competing time commitments that are faced when directors of the Bank serve on multiple boards.
8. Formulate such policies regarding the continuing education of Directors, assignment to Board Committees, succession plan for Board members and senior officers, and their remuneration commensurate with corporate and individual performance.
9. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors, and provide oversight over remuneration of Senior Management and other key personnel ensuring that compensation is consistent with the Bank's culture, financial capacity, business strategy and control environment.
10. Designate the amount of remuneration and fringe benefits, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the Bank successfully.
11. Disallow any director to decide his or her own remuneration.
12. Provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of the aggregate compensation of its executive officers for the previous year and the ensuing year.
13. Review and formulate policies to strengthen provisions on conflict of interest, salaries and benefits, promotion and career development of personnel concerned in line with the existing professional development program and succession plan for Senior Management.

14. Decide the manner by which the Board's performance may be evaluated.
15. Establish strategic objectives and a set of corporate values that are communicated throughout the institution.
16. Set and enforce clear lines of responsibility and accountability throughout the Bank.
17. Ensure that the Board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from Management or outside concerns.
18. Effectively utilize the work conducted by internal and external auditors in recognition of the important control function they provide.
19. Ensure that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment.
20. Conduct corporate governance in a transparent manner.

RISK OVERSIGHT COMMITTEE

Functions: The BSP-mandated functions of the ROC are as follows:

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

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

Operational and Legal Risks

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

Strategic and Financial Risks

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

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

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

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

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

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

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

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

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

TRUST COMMITTEE

Function: Provides direction for the trust business and management of trust assets, fiduciary accounts, investments and trust services.

Key Responsibilities and Power/Authority:

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

- d) Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the trust department to effectively carry out its functions;
- e) Oversee and evaluate performance of the Trust Officer;
- f) Conduct regular meetings at least once every quarter, or more frequently as necessary, depending on the size and complexity of the fiduciary business; and
- g) Report regularly to the Board of Directors on matters arising from fiduciary activities.”

BOARD ICAAP STEERING COMMITTEE

Function: The Board ICAAP Steering Committee was created to perform periodic evaluation and approval of the Bank's capital planning, risk assessment policies and procedures and provide active oversight on the consistent adoption of the Bank's ICAAP Program.

Key Responsibilities and Power/Authority:

1. Establish a well-defined organizational structure for the integrated risk and capital management to ensure enterprise wide execution of the Bank's ICAAP Program;
2. Evaluate and approve the Bank's capital planning and ICAAP risk assessment policies and procedures;
3. Overall assess and provide active oversight on the consistent adoption of the Bank's board-approved ICAAP Program;
4. Set out the Bank's risk appetite;
5. Ensure that the Bank maintains an appropriate level of capital commensurate to the risk covered by the ICAAP;
6. Designate Internal Audit Group, through the Chief Audit Executive to validate the compliance to the ICAAP Policies & Procedures; and
7. Review the ICAAP at least annually, or as often as deemed necessary, to ensure that risks are covered adequately by capital

BOARD OVERSEAS OFFICES OVERSIGHT COMMITTEE

Function: The Board Overseas Offices Oversight Committee was created to provide oversight on the international operations and to preserve the long-term viability consistent with the bank's strategic goals.

Key Responsibilities and Power/Authority:

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

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Florencia G. Tarriela*	May 29, 2001	83	79	95.18%	<12 years
Member (ED)	Omar Byron T. Mier	May 24, 2005	83	76	91.57%	<8 years
Member (ID)	Felix Enrico R. Alfiler	July 17, 2012	34	28	82.35%	>5 mos.
Member (NED)	Florido P. Casuela	May 29, 2008	83	79	95.18%	<5 years
Member (NED)	John G. Tan	May 25, 2010	83	75	90.36%	<3 years
Member (NED)	Lucio K. Tan, Jr.	May 29, 2008	83	47	56.63%	<5 years
Member (ID)	Deogracias N. Vistan	May 29, 2012	83	72	86.74%	<1 year
Member (NED)	Carlos A. Pedrosa**	May 31, 2011	54	45	83.33%	<2years

* Acting Chairman of the Committee from July 17, 2012

** On indefinite sick leave of absence from July 17, 2012

(b) Board Audit and Compliance Committee (BACC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 29, 2012	15	15	100%	<1 year
Member (ID)	Florencia G. Tarriela	May 29, 2001	15	15	100%	<12 years
Member (NED)	Florido P. Casuela	May 25, 2010	15	15	100%	<3years
Member (NED)	Estelito P. Mendoza	May 25, 2010	15	6	40%	<3 years

Disclose the profile or qualifications of the Audit Committee members.

The BACC shall be composed of at least three (3) Board of Directors, two (2) of whom shall be independent directors, including the Chairman, preferably with accounting, auditing or related financial management expertise or experience. The members of the BACC and the Committee Chair shall be appointed by the Board.

Hereunder are the profiles or qualifications of the BACC members.

DEOGRACIAS N. VISTAN, 68, Filipino, was appointed as an Independent Director of the Bank on August 1, 2011. He obtained his AB and BSBA degrees from the De La Salle University and earned his MBA from Wharton Graduate School. Mr. Vistan's extensive banking experience includes being Chair of United Coconut Planters Bank (2003-2004), Vice Chair of Metropolitan Bank and Trust Company (2000-2001), and President of Equitable-PCI Bank (2001-2002), Solidbank Corporation (1992-2000) and Land Bank of the Philippines (1986-1992). He also served as President of FNCB Finance (1979-1980). Mr. Vistan likewise held various management positions in Citibank Manila, Cebu and New York (1968-1986). He is a former Presidential Consultant on Housing (2002-2003) and President of the Bankers Association of the Philippines (1997-1999). He is currently a member of the Board of PNB Capital and Investment Corporation, PNB Italy SpA, PDS Holdings Corporation, Lorenzo Shipping Corporation and U-bix Corporation. He also serves as Board Advisor of PNB Remittance Centers, Inc. and as Chairman of Creamline Dairy Corporation.

FLORENCIA G. TARRIELA, 66, Filipino, first elected as a Director on May 29, 2001, has been serving as Chairman of the Board of the Bank since May 24, 2005, and as an Independent Director since May 30, 2006. She also serves as an Independent Director of PNB Capital and Investment Corporation, Director of PNB Life Insurance, Inc., and LTGroup, Inc. She is a Director of PNB overseas subsidiaries - PNB RCI Holdings Co., Ltd. and PNB (Europe) Plc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters in Economics degree, from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarriela is currently a columnist for "Business Options" of the Manila Bulletin. She is a Life Sustaining Member of the Bankers Institute of the Philippines (BAIPHIL), a Trustee of FINEX Foundation, TSPI Development Corporation, and the

Summer Institute of Linguistics (SIL). She was formerly an Independent Director of the Philippine Depository and Trust Corporation, the Philippine Dealing and Exchange Corporation and the Philippine Dealing System Holding Corporation. Ms. Tarriela was also former Undersecretary of Finance, and an alternate Member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), Land Bank of the Philippines (LBP) and the Philippine Deposit Insurance Corporation (PDIC). She was formerly Deputy Country Head, Managing Partner and the first Filipino lady Vice President of Citibank N. A., Philippine Branch. Ms. Tarriela is a co-author of several inspirational books- "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), and IV ("Against All Odds"), and gardening books- "Oops - Don't Throw Those Weeds Away!" and "The Secret is in the Soil". She is an environmentalist and practices natural ways of gardening.

FLORIDO P. CASUELA, 71, Filipino, has been serving as a Director of the Bank since May 30, 2006. A Certified Public Accountant, he obtained his degree in Bachelor of Science in Business Administration, Major in Accounting, and his Masters in Business Administration from the University of the Philippines. He took the Advanced Management Program for Overseas Bankers conducted by the Philadelphia National Bank in conjunction with the Wharton School of the University of Pennsylvania. Mr. Casuela was one of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration. He is currently a Director of PNB Holdings Corporation, PNB Securities, Inc., PNB Remittance Centers, Inc., and PNB RCI Holdings Co., Inc. He is also a Director of Surigao Micro Credit Corporation and a Senior Adviser of the Rural Bank of Makati, Inc. He is a Director of Sagittarius Mines, Inc. as well as its subsidiaries namely: Tampakan Mineral Resources Corporation, PacificRim Land Realty Corporation and Hillcrest, Inc., where he is also the President. He is a Trustee of the LBP Countryside Development Foundation, Inc. He was formerly the President of Maybank Philippines, Inc. from February 1992 to July 1993, Land Bank of the Philippines from July 1998 to August 2000, and Surigao Micro Credit Corporation from June 2001 to November 2004. He was formerly a BSP Consultant/Senior Adviser for the Philippine National Bank. Mr. Casuela was also formerly the Chairman of the National Livelihood Support Fund, LBP Countryside 15 Development Foundation, Inc., LBP Insurance Brokerage, Inc., LBP Leasing Corporation, LBP Realty Development Corporation, Masaganang Sakahan, Inc., LBP Financial Services SPA, and Republic Planters Bank Venture Capital. He was Vice Chairman of the Land Bank of the Philippines, People's Credit Finance Corporation and Westmont Forex. Mr. Casuela was also a Member of the Board of Directors of the Cotton Development Authority, National Food Authority, Philippine Crop Insurance Corporation, Asean Finance Corporation, Ltd. (Singapore), Manila Electric Company, All Asia Capital and Trust Corporation, Petrochemical Corporation of Asia Pacific, Pacific Cement Corporation, EBECOM Holdings, and Westmont Securities, Inc.

ESTELITO P. MENDOZA, 83, Filipino, was elected as a Director of the Bank effective January 1, 2009. He obtained his Bachelor of Laws degree from the University of the Philippines and Master of Laws degree from the Harvard Law School. A practicing lawyer for more than sixty years, he has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in the following directories/journals: "The Asia Legal 500", "Chambers of Asia" and "Which Lawyer?" yearbooks. He has also been a Professional Lecturer of law at the University of the Philippines, and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was the Chairman of the Sixth (Legal) Committee, 31st 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. He currently serves as a member of the Board of Directors of Philippine Airlines, Inc., San Miguel Corporation, Meralco, and Petron Corporation

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

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

(c) Corporate Governance Committee*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Florencia G. Tarriela	May 2005	18	17	94.44%	>7 years
Member (ED)	Omar Byron T. Mier	April 2005	18	17	94.44%	>7 years
Member (NED)	John G. Tan	June 2010	18	17	94.44%	> 2 years
Member (ID)	Deogracias N. Vistan	August 2011	18	15	83.33%	> 1 year
Member (NED)	Carlos A. Pedrosa	June 2011	18	11	61.11%	> 1 year

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

(d) Risk Oversight Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Florida P. Casuela	May 30, 2006	11	11	100%	<7 years
Member (ED)	Omar Byron T. Mier	May 26, 2009	11	10	90.9%	<4 years
Member (ID)	Felix Enrico R. Alfiler	May 29, 2012	11	11	100%	<1 year
Member (ID)	Florencia G. Tarriela	May 29, 2001	11	11	100%	<12 years
Member (ID)	Deogracias N. Vistan	May 29, 2012	11	11	100%	<1 Year

(e) Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	May 29, 2012	13	11	84.61%	<1 year
Member (ED)	Omar Byron T. Mier	May 24, 2005	13	12	92.30%	<8 years
Member (NED)	John G. Tan	May 25, 2010	13	12	92.30%	<3 years
Member (NED)	Carlos A. Pedrosa	May 29, 2012	13	6	46.15%	<1 year
Member (Ex-officio)	Rafael G. Ayuste, Jr.	May 25, 2010	13	12	92.30%	<3 years

(f) Board ICAAP Steering Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Florencia G. Tarriela	Dec. 10, 2010	3	2	66.67%	2 years
Member (NED)	Florida P. Casuela	Dec. 10, 2010	3	3	100%	2 years
Member (ED)	Omar Byron T. Mier	Dec. 10, 2010	3	3	100%	2 years
Member (ID)	Felix Enrico R. Alfiler	2011	3	3	100%	2 years
Member (ID)	Deogracias N. Vistan	2011	3	1	33.33%	2 years

(g) Board Overseas Offices Oversight Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 29, 2012	7	7	100%	7 mos.
Member (NED)	Florido P. Casuela	May 29, 2012	7	7	100%	7 mos.
Member (ED)	Omar Byron T. Mier	May 29, 2012	7	5	71.43%	7 mos.
Member (ID)	Felix Enrico R. Alfiler	May 29, 2012	7	7	100%	7 mos.
Member (ID)	Florencia G. Tarriela	May 29, 2012	7	7	100%	7 mos.

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive Committee	Carlos A. Pedrosa Florencia G. Tarriela Felix Enrico R. Alfiler	Appointment of Ms. Florencia G. Tarriela from Member to Acting Chairman of the Committee, due to indefinite sick leave of absence of Mr. Carlos A. Pedrosa. Appointment of Mr. Felix Enrico R. Alfiler as new Member of the Committee.
Board Audit and Compliance Committee	None	Not Applicable
Corporate Governance/ Nomination/ Remuneration Committee	None	Not Applicable
Risk Oversight Committee	None	Not Applicable
Trust Committee	None	Not Applicable
Board ICAAP Steering Committee	None	Not Applicable
Board Overseas Offices Oversight Committee	None	Not Applicable

4) Work Done and Issues Addressed

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"> 1. Reviewed, evaluated, approved and/or endorsed for Board approval credit lines and facilities for "current" clients, per credit policies and procedures, and the approval limits in the Manual of Signing Authority (MSA). 2. Approved and/or endorsed for approval of the Board the restructuring of facilities for remedial accounts/disposal of Non-Performing Assets (NPAs) and the write-off of unrecoverable accounts. 3. Reviewed, evaluated, approved and/or endorsed for Board approval policies and procedures, manuals for bank products, and services to be offered to the bank's domestic and overseas markets. 	<p>Addressed concerns about –</p> <ol style="list-style-type: none"> 1. exposures to group/conglomerate accounts 2. long-term exposure of the bank 3. approved accounts which were booked but were not availed and the reasons for non-availment 4. status of the NPLs and the big ticket items in the bank's ROPOA 5. update on Remedial accounts, ROPOA, etc. (except credit lines) which have been approved and which were not implemented 6. policies of bank which may be causing unnecessary delays for the bank to be

	<p>4. Endorsed for Board approval the establishment or closure of local branches, and overseas offices and approved the relocation and renovation thereof as may be proper.</p> <p>5. Evaluated and endorsed for Board approval the bank's strategic plans, thrusts, business models, forecasts and the Annual Budget.</p> <p>6. In coordination with the other Board Committees, conducted quarterly/periodic Management Profitability Reviews to determine the bank's/business sectors actual performance against targets/budgets.</p> <p>7. Evaluated, approved and endorsed for Board approval such investments in financial assets/and products and the raising of core of Lower Tier 2 Capital, and provided investment and/or risk limits for treasury or investment products.</p> <p>8. Approved all expenses over P1,000,000.00.</p> <p>9. Set up plans for the implementation of mergers and acquisitions and provided the budget thereof.</p>	<p>more proactive and able to respond on a timely basis and to get the best practice so the bank can be more competitive</p> <p>7. policy to freeze lines for accounts classified as watchlist</p> <p>8. categorization of the nature of the risks, i.e. PSR/Nostro risks, risks less than one year, and risks longer than one year, to guide the Treasury Group properly.</p> <p>9. policy on the acceptance of collateral which emanated from a Free Patent title</p> <p>10. monitoring of the renovation/relocation of the branches</p> <p>11. formulation of credit rating for water districts considering that the bank has many water district clients</p> <p>12. report on the actual cost of various 3rd party auctioneers to guide the bank whether or not to engage the services of the additional 3rd party auctioneers</p> <p>13. effect of the new ruling on deferred charges on CAR and whether the bank will need to put up additional capital or not</p> <p>14. status report about the regulatory requirements of the foreign subsidiaries in relation to the merger</p> <p>15. bank's leeway in terms of its CAPEX limitation vis-à-vis the regulatory limit</p> <p>16. bank's real estate exposure, its ratio to total loan portfolio and capital</p> <p>17. report on all items, projects, plans, strategies and the like that were presented to and approved by the Excom or the Board but remain unimplemented</p> <p>18. implication of the new tax ruling on the corporate notes and on the portfolio of IBG</p> <p>19. CARP implication for the properties classified as agricultural.</p>
--	--	---

<p>Board Audit and Compliance Committee</p>	<p>On Financial Statements:</p> <ul style="list-style-type: none"> - Reviewed the quarterly, semi-annual, annual and periodic Financial Statements (F/S) prior to submission to the Board of Directors. <p>On External Auditors:</p> <ul style="list-style-type: none"> - Reviewed and approved the audit plan presented by the External Auditor before the Committee's meeting including impact on new standards and regulations - Reviewed engagement letters/ contracts (including fees and scope of work) prior to confirmation/approval of the Board of Directors. <p>On Oversight of the Internal Auditor and Chief Compliance Officer</p> <ul style="list-style-type: none"> - Reviewed/discussed the proposal/ letters/memos covering Internal Audit and Global Compliance Group's (GCG) reports/policies/programs - Regulatory reports and monthly status/ progress reports of compliance (BSP examination reports, FRBNY and other overseas regulatory reports) - Reviewed and approved the Compliance Program and Revised Internal Audit Charter (IAG) - Approved the business plan, accomplishment and merged organizational structure of both IAG and (GCG) <p>On Oversight of the Risk Management and the System of Internal Control</p> <ul style="list-style-type: none"> - Discussed during the monthly meetings the following: <ul style="list-style-type: none"> c. frauds and irregularities and Management action taken to enhance controls d. risk issues/findings/weaknesses in controls/IT system related issues identified during regular audits and fraud examinations, result of validation of audit client's Risk and Control Self Assessment and Management actions to resolve the issues and to prevent recurrence. 	<p>Addressed regulatory concerns/issues/ requirements</p>
---	--	---

	e. Reviewed and approved the independent validation program for the Bank's ICAAP and the annual report of IAG on the internal control environment of the institution.	
Corporate Governance/ Nomination/Remuneration Committee	<ol style="list-style-type: none"> 1) Nomination to the PNB Board 2) Review/amendment/approval of policies of the Bank relating to personnel. 3) Launching of Ideas in Action Program (PNB Employee Suggestion Program) 4) Corporate Social Responsibility Program of the Bank 5) Approval of the proposed Charter of Board Overseas Offices Oversight Committee in 6) Approval of hiring/appointment/extension/ Promotion of personnel 7) Approval of the Amendments on Bank Policies on Benefits of Officers and Staff 	<p>The Committee reviewed and evaluated the qualifications of the nominees to the Board as well as those nominated to positions that need board approvals.</p> <p>The purpose of amending the policies is to harmonize these with the standards applied at Allied Bank and to make the PNB policies consistent and compliant with the labor law.</p> <p>The Committee approved the program which provides employees the chance to show creativity, innovativeness and commitment to the Bank. It encourages everyone to think of new ideas or suggestions, receives and processes these ideas, and awards contributors for their valuable ideas or suggestions.</p> <p>It was suggested that there should be a public dissemination of the CSR projects that the Bank will embark to but not necessarily spending for that purpose. Management was encouraged to find a way for the CSR projects as is the Bank to be publicly known.</p> <p>The mission of the Committee is to provide the required oversight on the overseas offices to ensure their profitable operations and long-term viability consistent with the Bank's strategic goal.</p> <p>With no objections raised, the Committee endorses the hiring/appointment/extension/ Promotion of personnel to the Board for approval.</p> <p>The alignment of PNB's existing benefits (Service Awards, Bereavement Leave, Emergency Leave, Housing Loan, Motor Vehicle Loan, Summer Outing Allowance, Christmas Party allowance, Death Assistance, Group Life and Accident Insurance Coverage and Health Care Program) with Allied Bank's existing policies was amended and extended to both officers and staff. The amendments are in accordance with the CBA and Management and the Union.</p>

<p>Risk Oversight Committee</p>	<p>The rest of the endorsements that the ROC had been able to forward to the Board of Directors are listed below:</p> <ol style="list-style-type: none"> 1. PNB New York Fund Management and Liquidity and Investment Policy Manual 2. PNB IT Governance Committee Charter 3. PNB Los Angeles Branch Disaster Recovery and Business Continuity Plan Manual 4. PNB Singapore and Japan Branch Disaster Recovery and Business Continuity Plan Manuals 5. PNB Revised Business Continuity Plan Manual 6. PNB Organizational and Information Asset Security Policy 7. PNB New York Branch Disaster Recovery and Business Continuity Plan Manual 8. PNB Physical and Operational Security Policy <p>Accomplished processes and policies that the ROC had approved are listed below:</p> <ul style="list-style-type: none"> ▪ Industry Exposure Limits for 2012, wherein the industries Port Operations, Manufacture of Paper, Metal and Glass Packaging, and Tourism have been added as priority industries ▪ Accounts transferred to the Remedial Management portfolio are now being tagged as Loans Especially Mentioned (at least) ▪ Performing Stress Testing of the Portfolio in times of crises such as the onslaught of the Habagat floods, which was examined to minimally affect the Bank's Luzon clients. <p>A number of endorsements that have been forwarded to the Board of Directors for approval are also listed as follows:</p> <ul style="list-style-type: none"> ▪ Regularization of the breach of the EAR Limit from March to May 2012 and the increase in the EAR Limit to P2.5B until July 2013 ▪ Liquidity Risk Management Manual and the Interest Rate Risk in the Banking Books Risk Management Manual ▪ Revised Liquidity Contingency Plan 	<p>The ROC had issued endorsements for Board approval of a number of policies and manuals as response to the BSP observations enumerated below:</p> <ul style="list-style-type: none"> ▪ On the RCSA circulars issued to provide guidance on the preparation of RCSA and the processes of the impact or severity in non-monetary terms in the next updating of the Operations Risk Manual: The ROC had endorsed a revised Operations Risk Manual incorporating the comments in July 2012. ▪ On the Bank's management of handling the access of third-party vendors in projects like operations outsourcing: The ROC had endorsed the PNB Vendor Management Policy in September 2012. ▪ On the development and of a bank-wide information security policy or program: The ROC had endorsed the PNB Enterprise Information Security Policy in July 2012. ▪ On the development of an enterprise project management framework: The ROC had endorsed the PNB Enterprise Project Management Policy and Framework Manual in August 2012. <p>On the increasing number of incidences of ATM skimming happening industry-wide which peaked in June 2012, the ROC had employed the following risk mitigants: (1) ATM screens remind clients to cover their hands while entering their PINs; (2) PIN shields to be installed in all ATMs; and (3) Newly-acquired ATMs are equipped with Fraudulent Device Inhibitors</p> <p>As long-term solutions to the issue, the ROC had issued the implementation of the following measures: (1) Evaluation of the use of SMART Cards; and (2) Program called the ATM Safe Retail subscription for installation on ATMs</p> <p>On the upcoming BSP-proposed guidelines on IT Risk Management, the ROC had resolved on the conduct of an assessment of the level of compliance of the Bank in anticipation of the guidelines' release and on the review of the possible gaps and risk areas, including the assessment of any additional investments that the Bank will have to make.</p>
---------------------------------	--	--

		<p>The ROC had provided resolutions on a number of issues that raise risks on the Bank's credit and market positions that are enumerated below:</p> <ul style="list-style-type: none"> ▪ The Committee was able to unify the definition of High-Cost and Low-Cost deposits with respect to the use of the different business units. This has helped the Bank plan the strategic direction as regards to pricing its deposits either for liquidity calls or for relationship building, especially with large depositors. ▪ On the mandate for the transfer of government deposits to government-owned banks, the ROEC had been vigilant on complying with the mandate while also trying to prove to government-related depositors that the relationship with the Bank (PNB) is still worth keeping. A part of the Bank's program is offering an exceptional cash management service to cash-intensive depositors such as SSS. As a result, the Bank was able to build a very stable relationship with GOCCs, which remained to be a part of the Bank's large depositors. Further, the bank has been keen in providing funding to both LGU's and GOCC's who may have need for these on their specific projects. <p>On the other hand, the Bank was also keen on following the limit on government deposits that it can keep. From a historical 30% to 35% of the deposit level, the percentage of LGU and GOCC deposits has dropped to only 15% of the Bank's total deposit level.</p> <p>On the Trader's Limit Breaches, which was previously based on the rank/position of the trader, the Committee was able to endorse to the Executive Committee that the limits be based instead on the experience of each trader and the nature of the product which a traders deals with.</p>
Trust Committee	<ol style="list-style-type: none"> 1. Acceptance and closing of various trust and other fiduciary accounts; 2. Review and approval of various investment instruments for both directional and discretionary accounts. 3. Approval of the launch of the High Dividend Fund Unit Investment Trust Fund, an equity fund which takes advantage of the capital appreciation and dividend payments of select stocks. The fund generated a volume of P253 Million on its first day of launch in June 15 and ended the year with P600 million. 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 	

	<ol style="list-style-type: none"> 5. Approval on the efficiency initiatives of TBG to include the automated order taking and withdrawals of SDA transactions. 6. Review and approval of relevant policies and procedures in compliance with regulatory observations and ensures that operating standards are in place 7. Review and approval of PNB-ABC integration related issues covering product, systems, forms, communication plan and alignment of trust fees among others. 8. 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 9. Conduct of regular meetings to ensure that trust activities are conducted in accordance with applicable laws, rules and regulations and prudent practices. 	
Board ICAAP Steering Committee	<p>Notation of the following:</p> <ol style="list-style-type: none"> 1. Improvement in the ICAAP methodology with respect to the Risk Control Self Assessment (RCSA) as Work in Progress 2. Results of the 3 Quarterly Review of 2012 Risk Assessment 3. Response to BSP Report on Examination on PNB's ICAAP 4. Impact of the Write-off of the Deferred Charges from SPV Losses on the Merged Bank's Capital Adequacy Ratio (CAR) under the ICAAP. 5. Merged ICAAP Progress Report 	<ol style="list-style-type: none"> 1. Impact of the Write-off of the Deferred Charges from SPV Losses on the Merged Bank's Capital Adequacy Ratio (CAR) under the ICAAP.
Board Overseas Offices Oversight Committee	<ol style="list-style-type: none"> a. Reviewed & monitored the monthly performance of the overseas offices b. Recommended strategies/action plans to improve business operations and reduce the losses of the overseas offices c. Recommended the development and pushed for the implementation of new remittance products & services d. Required overseas offices to reduce operating expenses and instituted cost saving measures e. Recommended new business models for the overseas offices f. Recommended the use of more remittance agents and independent contractors as substitute for closed branches 	To arrest the losses/low profitability of the overseas offices

5) Committee Program

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	1. Monitor if policies and procedures adopted by the bank are efficient and	1. Improve efficiency and turnaround time for credit approvals

	<p>effective</p> <ol style="list-style-type: none"> 2. Monitor if strategies of business and operating units are being undertaken and check performance regularly e.g. Consumer Finance, Retail Banking, Information Technology, etc. 3. Gradual alignment of policies and procedures of ABC and PNB for a unified bank and to eventually have one Excom 4. Regular reports and updates on the business initiatives 	<ol style="list-style-type: none"> 2. Closer monitoring on the implementation of approved plans and initiatives of Management
Board Audit and Compliance Committee (BACC)	Continue the oversight function on internal audit and compliance activities and other responsibilities as contained in the BACC Charter.	<ol style="list-style-type: none"> a. The need to have a centralized control function or beef up the Controllership function for the control of floats, nostro/vostro reconciliation and abnormal balances. b. The need to have follow thru process in place on IT: (i) assessment of risk and control environment is currently limited to the main data center and BRC; and (ii) enterprise IT systems/specifically controls on office automation, desktops and personal gadgets need to be beefed up c. Establish a framework of coordinated action between Legal and Audit groups to facilitate early resolution of court cases filed against fraudsters/perpetrators.
Corporate Governance/ Nomination/Remuneration Committee	<p>Corporate Governance Seminar</p> <p>Institute of Corporate Directors Programs</p>	<p>All board members, especially those who are new and have not yet attended one, are enjoined to attend while board members who have attended a long time ago are encouraged to attend again for new developments/updates.</p> <p>Right now, there are two (2) PNB board members who are ICD Fellows. The other board members are encouraged to attend this ICD Programs.</p>
Risk Oversight Committee	The ROC had issued a resolution for management to undertake review of the Bank's policy on the definition and procedure in handling inactive deposit accounts to mitigate internal fraud incidents. As a response to this, the management had planned to employ the regular creation of the Inactive Accounts Report. Additionally, in coordination with BATD, the Branch Operations Division will evaluate and prepare a Request for Service for a process wherein the system will automatically tag accounts as inactive once six months has passed since its last movement.	

	<p>The impairment of ROPA properties with illegal occupants was also discussed in the sessions. Process of the additional provisioning for the impaired value is on-going, as management is re-calculating the provision based on the perceived difficulty of clearing properties of illegal occupants. As of February 2013, the Chief Finance Officer had been requested by the ROC to submit to the Executive Committee a proposal for an additional provisioning amount for illegally-occupied ROPAs.</p> <p>As a move to equip the Bank with a tool that can forecast and simulate the balance sheet aside from preparing automated reports, the Committee had been diligently calling for updates on the Asset-Liability Management Project of the Bank which will assist the risk oversight functions of the Committee in liquidity gap and interest rate risk management. This will also comply with the BSP finding regarding the automation of the Bank's VAR, EAR and MCO calculations and using hypothetical and actual VAR back-testing approaches. The project is scheduled to proceed up to 2013.</p>	
Trust Committee	<ol style="list-style-type: none"> 1. Strengthen and enhance the Risk Management and Compliance systems by continuous identification of relevant banking laws, rules and regulations applicable to trust banking and monitoring of such through Risk and Control Self-Assessment reviews, and ensuring compliance to BSP Circular 766 on Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business and Investment Management Activities 2. Make Trust Products and services the key offering of the Pinnacle Club (Private Banking) via Advisory, Estate, Retirement and Tax Planning 3. Strengthen Trust Operations based on 5 essential components (capability of Trust Operation Management, Adequacy of operations, controls and audits, quality and level of earnings, compliance, and management of fiduciary assets) being considered by BSP to get an audit rating of 4. 	
Board ICAAP Steering Committee	<ul style="list-style-type: none"> • Continue to provide active oversight to ensure the timely submission of the Merged Bank's ICAAP Document to BSP. • Continue to ensure that the Bank maintains an appropriate level of capital commensurate to the risk covered by the ICAAP • Continue to provide active oversight to ensure Enterprise-wide execution of the Merged Bank ICAAP program. • Evaluate and approve the Bank's capital planning and ICAAP risk assessment policies and procedures; • Review the ICAAP at least annually, or as often as deemed necessary, to ensure that risks are covered adequately by capital. 	<ul style="list-style-type: none"> • Risk of non-compliance with the set time line of BSP • Risk of the Bank not complying with the regulatory capital • Need to implement ICAAP on an Enterprise-wide and going beyond compliance. • Need to have a live ICAAP document which embodies the Bank's strategic and business, capital planning activities.
Board Overseas Offices Oversight Committee	<ol style="list-style-type: none"> a) Continue the review & monitoring of the monthly performance of overseas offices & recommend measures to further improve operations b) Introduce new marketing tools & strategies to sell PNB products & services c) Push for aggressive advertising & marketing scheme to win back lost clients d) Analyze the different modes/ channels of remittances and recommend which mode 	<ol style="list-style-type: none"> a) Reduce the losses of the overseas offices. b) Improve/sustain profitability of the overseas offices that are posting revenues c) Reduce the operating expenses of the overseas offices

	<p>is best to develop in each country that will bring more profits to the overseas offices and convenience to the customers</p> <p>e) Encourage the shifting of modes of remittances to electronic (i.e. phone, web)</p> <p>f) Do expense management</p> <p>g) Recommend for the shifting/ changing of Heads of Office of the overseas offices</p> <p>h) Review pricing of remittances</p>	
--	--	--

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The risk management function is embedded in all levels of the organization. Headed by the Chief Risk Officer (CRO) and reporting to the Risk Management Committee, she is primarily responsible for the risk management functions to ensure that a robust organization is maintained. The group, independent from the business lines is organized in 4 divisions: Credit Risk and BASEL II and ICAAP Implementation Division, Market & ALM Division, Operational & Information Technology Security Risk Management and Business Intelligence Division.

Each division maintains, monitors and enhances as needed, policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary. The policies also provide for audits to measure the effectiveness and suitability of the risk management structure. In line with these basic policies, the group continues to implement the following risk management tools and reporting requirements to strengthen and enhance the sophistication of our risk management system and address the volatile risk environment.

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

EVALUATION (2013):

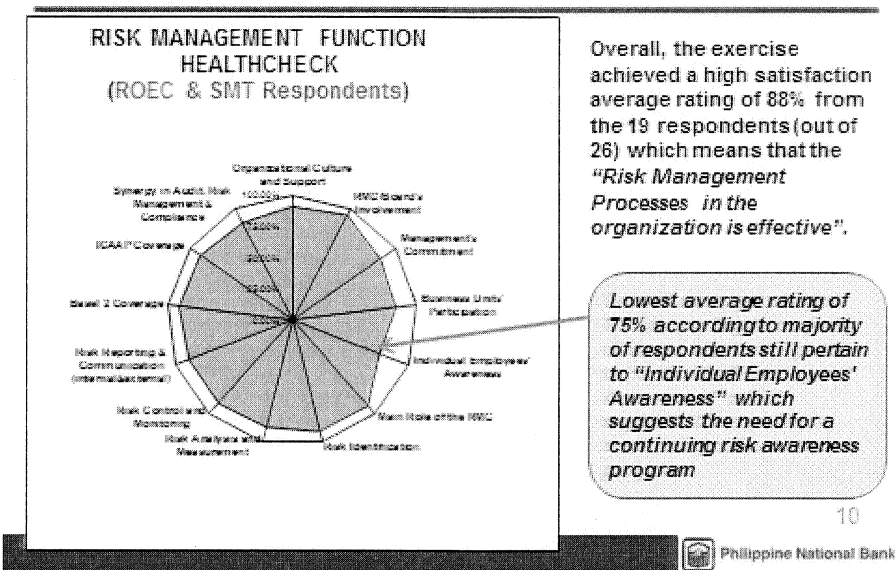


Figure 1: 2013 Overall Assessment of the Risk Management Function

Regular review and assessment of the Enterprise Risk Management Function is completed by both Senior Management Team and the Risk Oversight Committee Members.

(c) Period covered by the review;

Annually

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

Annually

RESULTS: Summary of Ratings (2013)

Areas:	Ave Pts	Weight	Rating
A. Organizational Culture and Support (20 pts)	18	10%	91%
B. Structure & Administ'n of RM Function (80 pts)	51	30%	85%
RMC/Board's Involvement	14		95%
Management's Commitment	13		86%
Business Units' Participation	13		84%
Individual Employees' Awareness	11		75%

8

 Philippine National Bank

RESULTS: Summary of Ratings (2013)

Areas:	Ave Pts	Weight	Rating
C. Roles of Risk Management Group (65 pts)	76	42%	89%
Main Role of the RMG	23		91%
Risk Identification	14		91%
Risk Analysis and Measurement	13		87%
Risk Control and Monitoring	13		89%
Risk Reporting & Communication	13		89%
D. Compliance to Regulatory Reqs'ts (20 pts)	18	10%	91%
Basel 2 Coverage	9		92%
ICAAP Coverage	9		91%
D. Synergy in Audit, Risk Mgt & Compliance (15 pts)	13	8%	87%
Average Rating (out of 200 pts)	176		88%

9

 Philippine National Bank

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

2) Risk Policy

(a) Company

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

The following are the basic principles that the bank must adhere to in conducting its business, with the objective of minimizing risks and optimizing return on capital.

- First, the bank works on the basis that risk taking decisions should always be made by a committee consisting of at least three persons, and not by one person alone, no matter how high he is in the organization.
- Second, the bank has policies and procedures in place to guide line management in actually originating, approving and managing these risks.
- Risk Oversight Committee Charter

Please see discussion of Risks identified and monitored below.

Risk Exposure	Risk Management Policy	Objective

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
Market Risk	Market Risk Management Manual	The Market Risk Manual covers subsidiaries and affiliate with market risk exposure. This include Value At Risk (VaR) Monitoring and setting of VaR Limits
Liquidity Risk	Liquidity Risk Management Manual	The Liquidity Risk Management Manual covers subsidiaries and affiliate with funding liquidity risk exposure. This would include monitoring of liquidity gaps and the setting of cumulative liquidity gap limit up to one – year.
Interest Rate Risk	Interest Rate Risk in the Banking Book	The Interest Rate Risk Management Manual covers subsidiaries and affiliate with exposure in net interest income arising from mismatch of repriceable assets and repriceable liabilities. This would include the monitoring of repricing gap and the setting of the Earnings at Risk Limit for the repricing gap per tenor bucket.
Market Risk Price Risk in the Trading Portfolio	The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position taking activities for the fixed income, foreign exchange and equities markets. The Bank also employs the stop loss monitoring tool to monitor the exposure in the price risks. Stop loss limits are set up to prevent actual losses resulting from mark to market. To complement the VAR measure, the	To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99% confidence level and one holding period (equities and FX VAR) to ten day holding period for fixed income VAR. VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR mode

	Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.	
Structural Market Risk	Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. Limits have been set on the tolerable level of earnings at risk. Compliance to the limit is monitored regularly.	To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.
Liquidity and Funding Risk	The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolio as well as regular testing of availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations.	The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.
Credit Risk	<p>All credit risk policies issued by the regulatory bodies (BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:</p> <ul style="list-style-type: none"> a) the risk tolerance and/or risk appetite; b) the required return on asset that the Bank expects to achieve; c) the adequacy of capital for credit risk. 	<p>The following credit risk management tools are in place:</p> <ul style="list-style-type: none"> a) Credit Limit Structure: The Bank adopts a credit limit structure (regulatory and internal limits) as quantitative measure of the risk tolerance duly approved by the Board. Breaches in limits are monitored via the monthly credit dashboard reported at the Risk Oversight Committee. b) Stringent Credit Evaluation Repayment capacity of prospective borrowers are evaluated using an effective internal risk rating model for corporate and MSME accounts and appropriate credit scoring program for consumers loans. These models are validated to determine its predictive ability. c) Reporting System Effective Management Information System (MIS) are in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.

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

	<p>robberies, terrorist attacks, natural disasters and regulatory required financial report changes, new or otherwise.</p> <p>New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more nimble-footed. The flexibility required to remain in the game leads some banks to take shortcuts that eventually expose them to some new source of operational risk.</p>	<p>Committee composed of senior managers has been convened and meets regularly to ensure that business environment is closely monitored as to competition; delivery channels and over all service levels are kept at acceptable levels.</p>
Information Technology Risk	<p>The growing dependence of financial institutions on IT systems is a key source of operational risk. Data corruption problems, whether accidental or deliberate, have been sources of embarrassing and costly operational mistakes.</p> <p>Losses may also result from a simple change in program, which end up being incorrectly tested prior to cut-over to production</p>	<p>The bank has institutionalize and implemented the IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG DASHBOARD prior to it being presented to the Risk Oversight Committee with following focused topics:</p> <ol style="list-style-type: none"> a) Bank's IT Strategic Plan b) Incident Reporting c) Business Continuity Management d) Major IT Projects e) Enterprise Project Management <p>Further, the bank has formalized the Project Implementation Process for defined systems implementation to include among others the creation of a PROJECT STEERING COMMITTEE to oversee the project's progress and to ensure that the project's objectives are achieved.</p>
Information Security Risk	<p>IS Risk is assessed as the unwanted or unintended negative impact or consequence to the bank as a result of exposure to vulnerability or threat to the bank's information assets.</p>	<p>Adoption of risk mitigation and management tools as follows:</p> <ol style="list-style-type: none"> 1. Regular Vulnerability and Penetration Testing 2. Increased Risk Awareness Campaign 3. Tight Data Protection and Incident Management Reporting & corresponding Resolution Program 4. Consistent Patch Management Program to prevent External and Internal Attacks 5. Regular review of the Business Impact on security threats.

(c) Minority Shareholders

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

Risk to Minority Shareholders

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

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<u>Market Risk</u>		
Price Risk in the Trading Portfolio	<p>The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position taking activities for the fixed income, foreign exchange and equities markets.</p> <p>The Bank also employs the stop loss monitoring tool to monitor the exposure in the price risks. Stop loss limits are set up to prevent actual losses resulting from mark to market. To complement the VAR measure, the Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.</p>	<p>To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99% confidence level and one holding period (equities and FX VAR) to ten day holding period for fixed income VAR.</p> <p>VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR model.</p>
Structural Market Risk	Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. Limits have been set on the tolerable level of earnings at risk. Compliance to the limit is monitored regularly.	To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.
Liquidity and Funding Risk	The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolio as well as regular testing of availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations.	The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.

Credit Risk	<p>All credit risk policies issued by the regulatory bodies (BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:</p> <ul style="list-style-type: none"> a. the risk tolerance and/or risk appetite; b. the required return on asset that the Bank expects to achieve; c. the adequacy of capital for credit risk; 	<p>The following credit risk management tools are in place:</p> <ul style="list-style-type: none"> a. Credit Limit Structure: The Bank adopts a credit limit structure (regulatory and internal limits) as quantitative measure of the risk tolerance duly approved by the Board. Breaches in limits are monitored via the monthly credit dashboard reported at the Risk Oversight Committee. b. Stringent Credit Evaluation Repayment capacity of prospective borrowers are evaluated using an effective internal risk rating model for corporate and MSME accounts and appropriate credit scoring program for consumers loans. These models are validated to determine its predictive ability. c. Reporting System Effective Management Information System (MIS) are in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process. d. Remedial Management System Work-out system for managing problem credits are in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks; and regular review of the sufficiency of valuation reserves. e. Event-Driven Stress Testing Techniques are conducted to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review program is in place to quickly identify possible problem credits on account of evolving events both domestic and global. Results of the stress testing shows minimum impact and have no material effect to Bank's NPL ratio and CAR.
Operational Risk		
People Risk	<ul style="list-style-type: none"> d. In PNB operational losses may be attributed to human error which can be brought about by inadequate training and management. e. Further, there is the risk of "non-fit" personnel being "forced" to occupy 	<ul style="list-style-type: none"> a) This issue is being addressed through formal (continuously conducting trainings) or informal (monthly meetings and discussing issues at hand) means. These trainings also address the issue of relying on key performers

	positions that they are not qualified for.	instead of cross training each team member. b) Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are either re-trained, re-tooled and re-skilled to equip them better.
Process Risk	Most processes are designed with audited fail-safes and checking procedures. Since processes interact with other risky variables - the external environment, business strategy and people – it is difficult to sound the all clear. However, processes can make an institution vulnerable in other ways.	The bank has documented policies and procedures duly approved by the board. The Internal Audit Group as well as the various officers tasked with the review function regularly monitors the implementation of these documented policies and procedures.
Business Strategy Risk	Strategic Risk can arise when the direction/strategy of the bank can lead to non-achievement of business targets. This results in a new focus of a business sector without consolidating this with the bank's overall business plan and strategy.	At PNB, strategic risk is managed through each business sector performing "actuals vs targets" sessions with and report to the Board of Directors through regular Management Profitability Reporting Sessions. In addition, the coordination between business sectors are done through regular meetings by the Senior Management Team to ensure that overall business targets are continually revisited.
Business Environment Risk	Banks tend to have the least control over this source of operational risk yet it still needs to be managed. Business environment risk can arise from unanticipated legislative changes such as consumer affairs, physical threats such as bank robberies, terrorist attacks, natural disasters and regulatory required financial report changes, new or otherwise. New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more nimble-footed. The flexibility required to remain in the game leads some banks to take shortcuts that eventually expose them to some new source of operational risk.	At PNB, we have become fully involved and engaged in the Product Management Business Framework where old and new products alike are monitored by assigned product managers who coordinate with the various business sector heads in achieving the bank's business plan. Further, a Product Committee composed of senior managers has been convened and meets regularly to ensure that business environment is closely monitored as to competition; delivery channels and over all service levels are kept at acceptable levels.
Information Technology Risk	The growing dependence of financial institutions on IT systems is a key source of operational risk. Data corruption problems, whether accidental or deliberate, have been sources of embarrassing and costly operational mistakes. Losses may also result from a simple change in program, which end up being incorrectly tested prior to cut-over to	The bank has institutionalize and implemented the IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG DASHBOARD prior to it being presented to the Risk Oversight Committee with following focused topics: a) Bank's IT Strategic Plan b) Incident Reporting

	production.	<p>c) Business Continuity Management d) Major IT Projects e) Enterprise Project Management</p> <p>Further, the bank has formalized the Project Implementation Process for defined systems implementation to include among others the creation of a PROJECT STEERING COMMITTEE to oversee the project's progress and to ensure that the project's objectives are achieved.</p>
Information Security Risk	IS Risk is assessed as the unwanted or unintended negative impact or consequence to the bank as a result of exposure to vulnerability or threat to the bank's information assets.	<p>Adoption of risk mitigation and management tools as follows:</p> <ol style="list-style-type: none"> 1. Regular Vulnerability and Penetration Testing 2. Increased Risk Awareness Campaign 3. Tight Data Protection and Incident Management Reporting & corresponding Resolution Program 4. Consistent Patch Management Program to prevent External and Internal Attacks 5. Regular review of the Business Impact on security threats

(b) Group

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

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

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

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

The reporting of the above risks are done for both bank proper and bank subsidiaries and affiliates.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Risk Oversight Committee	<ul style="list-style-type: none"> • Approval of risk limits such as Value at Risk Limits, Stop loss Limits, Credit Risk Factors, Liquidity gap limits, Earnings at Risk limit. • Approval of Risk Manuals • Review and Notation of current risk exposures via the risk dashboards. 	<p>Functions: The BSP-mandated functions of the ROC are as follows:</p> <ol style="list-style-type: none"> 1. Identify and evaluate exposures – the ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity). 2. Develop risk management strategies – the ROC shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real. 3. Oversee the implementation of the risk management plan – the ROC shall conduct regular discussions on the Bank’s current risk exposures based on regular management reports and assess how the concerned units or offices reduced these risks. 4. Review and revise the plan as needed – the ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

- (a) Explain how the internal control system is defined for the company;
Internal control system pertains to the robustness of policies, procedures and activities to ensure that various risk exposures of the bank are contained within the risk tolerance established by the Board.

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

The Board thru the Board Audit and Compliance Committee (BACC) notes/reviews the Annual Audit Report of the Chief Audit Executive (CAE) which includes among others, an assessment on the overall control environment of the Bank. The effectiveness and adequacy of internal control systems are being discussed in detail during the monthly BACC meetings.

- (c) Period covered by the review;

One (1) year.

- (d) How often internal controls are reviewed and the directors’ criteria for assessing the effectiveness of the internal control system; and

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

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

Not applicable. Review was conducted in 2012.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Auditing is an independent and objective assurance and consulting activity designed to add value, and improve the operations of the Bank. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.	Examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives	In house	Dioscoro Teodorico L. Lim	Functionally reporting to the Board thru the BACC and administratively to the President.

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

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

The Internal Auditor (Chief Audit Executive) directly/functionally report to the Board thru the BACC. IAG has free and unrestricted access to the BACC and other members of the Board of Directors and has full, free and unrestricted access to any and all of the Bank's, its affiliates' and subsidiaries' records, physical properties, and personnel relevant to any function under review.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
In summary, there were 6 additional auditors (4 newly hired and 2 transferees from other departments) while 11 auditors retired/resigned in 2012.	Turnover of auditors is considered a "normal attrition" scenario in a banking environment

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

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The audit activities/progress were reported to BACC during its monthly meeting. For 2012, audit activities/progress were within the approved audit business plan.
Issues⁶	Issues are covered in the audit reports furnished to Management and discussed during the monthly BACC meetings for appropriate action. Open issues are tracked and reported until their conclusions.
Findings⁷	Findings are covered in the audit reports furnished to Management and discussed during the monthly BACC meetings for appropriate action. Open findings are tracked and reported until their conclusions.
Examination Trends	Highlighted in the 2012 Annual Internal Audit Report prepared by the Chief Audit Executive, approved by the BACC and noted by the Board of Directors.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

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

Policies and Procedures	Implementation
Frequency of audit depends on entity risk level assessment where ; annual audit for High Risk; within 2 years for Moderate Risk and within 3 years for Low Risk.	Implemented
Conduct surprise cash counts/spot audits of branches	Implemented
Confirmation of deposit balances every semester and/or engagement	Implemented
Independent verification of accounts/transactions referred by operating and support units and whistle blowers.	Implemented
Note: Detailed audit control policies and procedures are contained in the IAG Audit Manual. Actual implementations were reported to BACC during its monthly meetings.	

(g) Mechanisms and Safeguards

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

⁶"Issues" are compliance matters that arise from adopting different interpretations.

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal Auditors' performance is governed by the provisions of the International Standards for the Professional Practice of Internal Auditing.	<p>The credit rating agencies, investment banks, institutional and other potential investors request for data and information prior to their scheduled meetings with the Bank's senior officers.</p> <p>Information provided to them is cut-and-dried data that have already been previously disclosed to the Philippine Stock Exchange and to the public.</p> <p>No write-ups, analyses, opinions and judgments are included in the information provided to these agencies.</p>		
Auditors are bound to carry-out their functions in accordance with Employee Discipline Policies and Procedures/Code of Conduct			
Auditors shall not install nor develop policies and procedures, prepare reports, or execute activities that fall within the scope of its review.			

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

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

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

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	The Bank established a Customer Service Policy Guidelines under Circular No. 1-774/2006 which will govern the conduct and manner by which all personnel render customer service to bank clients following the office decorum, standard greetings and spiels, as well as common courtesy.	The Bank continues to update the Customer Service Policy Guidelines issued in 2006. Gen Cir. 2-1653/2008 set the standard for Service Quality. It set forth the guiding principles of customer service, the protocols to be followed and the procedures for handling complaints. Further enhancements to this standard were issued namely, Gen Cir. 2-1740/2009 announcing the Customer Service Hotlines and merging all helpdesks and Gen Cir. 2-1803/2010 which refined the procedures when replying to customer inquiries and/or complaints.

Supplier/contractor selection practice	<p>The bank has an established guideline on the "Accreditation of Suppliers/ Contractors" per Sel. Cir. No. 8-169/2005 dated August 26, 2005 to ensure that the bank, as much as possible/practicable, deals only with the best suppliers/ contractors, pre-screened as to their capacity to deliver the best goods/services to the bank at the lowest possible cost.</p> <p>The bank has an established "Manual of Signing Authority (MSA)" as guide to the proper recommending and approving authority/ies in the procurement processes depending on the degree and amount involved on the items to be procured.</p>	<p>From among the list of accredited suppliers/contractors, Corporate Services Division (CSD) invites bidders to submit bids for a particular item/s to be procured. For purchases amounting to 5k and below, a telephone canvas is used. For over 5k but less than 50K, a formal quotation is used, and for over 50k, a sealed quotation is used. At least 3 bidders are gathered for each item purchased before an evaluation is made based on the terms of pricing and quality of goods/services offered, recommends to proper approving authority/ies (Heads of CSD/Heads of FAG/Bids and Awards Committee [BAC]/Ex-Com) the best complying bid/s and upon approval, award the transaction/s to the winning bidder/s.</p>
Environmentally friendly value-chain	<p>PNB participates in environmental protection projects of both the government and private sectors.</p>	<ul style="list-style-type: none"> • PNB's Branches Grow Greener -- Tree Planting Project • Earth Hour • PNB/PAL Recycables Event • Pasay City Walang Plastikan Project (Anti-Plastic Bags Drive)
Community interaction	<p>PNB gets involved in community/school/health/relief/calamity assistance project</p>	<ul style="list-style-type: none"> • PNB Pagtutulungan ng Bayan outreach projects thru distribution of relief goods • PNB Brigada Eskwela – volunteer work of employees to help prepare for school opening. • PNB Tan Yan Keep Philhealth Card Distribution Project – free health card for indigents
Anti-corruption programmes and procedures?	<p>Under the Bank's Whistleblower Policy (as amended), employees can report or complain about (internally any suspected or actual commission of theft/fraud, corruption, etc). The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.</p>	
Safeguarding creditors' rights	<p>All personnel involved in lending must exercise caution in dealing with customers due to the high level of public contact and opportunity for conflict of interest. All personnel involved in lending (staff and officers) are, therefore, enjoined to conform to this Code of Ethics.</p>	<p>Appreciation dinner is being tendered to bank clients.</p>

I . Customer Satisfaction:

- A. The Account Officer must adhere to the Customer Satisfaction Program (CSP) of the Bank in order to make banking with PNB a delightful experience for our customers. Through the CSP, customers are given back what they rightfully deserve in terms of quality and friendly service in return for their trust and loyalty in banking with PNB.
- B. The Account Officer must know the importance of the basics of salesmanship and service to make every point-of-purchase contact or “moment of truth” a pleasant experience for our customers so they will come back and do more business with us and not shift to the next door competitor.
- C. The Account Officer is expected to maintain a creative and positive attitude in order to develop a harmonious relationship with customers and at the same time promote the Bank’s services. He should give individual attention to each customer’s credit needs.
- B. The Account Officer should be alert in determining whether or not a customer may be able to use additional credit. If a customer is unable to qualify for the credit requested, then the Account Officer should suggest reasonable alternatives or advise the customer of changes necessary to qualify for credit. At all times, the Account Officer must avoid acting as a financial counselor to the customer.

II . CUSTOMER INFORMATION:

Circumstances regarding a customer’s account must be kept in strict confidence and never be discussed outside of PNB.

III . CUSTOMER RELATIONS:

Dealings with PNB customers must remain professional and at “arms length” basis. The following situations must be avoided:

- a. Personal trading or investing in a customer’s business.
- b. Working for a customer on any basis.
- c. Borrowing from a customer.
- d. Accepting gifts or entertainment of other than nominal value or other than strictly an advertising nature, e.g., pencils, pens, calendars with promotional message.
- e. Purchasing merchandise or services from a customer at a discount.

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

Yes, the bank has implemented the following corporate responsibilities in 2012:

- PNB's Branches Grow Greener -- Tree Planting Project
- Earth Hour
- PNB/PAL Recycables Event
- Pasay City Walang Plastikan, Project (Anti-Plastic Bags Drive)
- PNB Pagtutulungan ng Bayan outreach projects thru distribution of relief goods
- PNB Brigada Eskwela – volunteer work of employees to help prepare for school opening.
- PNB Tan Yan Keep Philhealth Card Distribution Project – free health card for indigents

3) Performance-enhancing mechanisms for employee participation.

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

1. Comprehensive Health Care Maintenance Program – (a) Basic Hospitalization Benefits; (b) Optical, Dental and Out-Patient Benefits; (c) Medical and Dental Services; and (d) Maternity and Obstetrical Benefits.
2. Group Term Insurance
3. Cultural, Social, Athletic and Other Development Programs – (a) Library; (b) Publications; (c) Philnabank Club; and (d) Sports and Cultural Activities.

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

- Enrolled 5,350 employees under the PNB Group Life Insurance
- Enrolled 5,350 employees under the PNB Group Accident Insurance
- Processed/paid 114 claims/applications for PNB Maternity Benefit
- Enrolled 5,331 employees and 8,639 subsidized dependents under the HMO (Valucare Health Maintenance, Inc.)
- Released/issued various medicines to 17, 063 employees for the year 2012 at PNB Medical Office
- Processed/paid a total of 182 claims for SSS Sickness and Maternity Benefit
- Adopted various health-care activities in the workplace (discounted vaccinations, lectures on health care or wellness program, etc.)
- Provision of a Medical Office (with doctors and nurses and dentist) at the Head Office

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

Course Title / Duration	Description	Objectives	Target Employees
Personal Effectiveness Program (PEP) 2 Days	This program aims to enlighten participants on the various ways they can be more effective in virtually any aspect of their lives, simply by looking into the qualities that are already within them. Too often the barriers to being effective are put in place by none other than ourselves. The course will show that it is sometimes necessary to change ourselves if we want to make changes in our lives and everything in it.	At the end of the training, participants will be able to: 1. Take better control of their personal and professional lives by possessing helpful effective paradigms and attitudes 2. Apply the Seven Habits of Highly Effective People as espoused by Stephen Covey 3. Make use of several useful tips for professionalism	Rank-and-file employees and junior officers
Coaching Skills Program 2 Days	This program aims to systematic thinking when dealing with problematic situation with their employees, instead of using gut feel and intuition. Important factors highlighted, such as Filipino	At the end of the training, participants will be able to: 1. Use scientific and systematic thinking, as opposed to intuition and	Junior and senior officers, employees who handle

	<p>culture and the communication process, which are critical in conducting any coaching session with an employee.</p> <p>The course addresses the entirety of the Coaching process: from identifying the appropriate problematic situations, to evaluating performance, to coming up with mutually agreeable solutions, and monitoring and setting follow ups on the chosen solutions.</p>	<p>gut feel, in coaching subordinates</p> <ol style="list-style-type: none"> 2. Identify situations wherein Coaching is the appropriate tool to use 3. Understand and apply the key principles and critical steps of Coaching 4. Anchor their coaching efforts towards the enhancement of the performance of the subordinates 	<p>other employees or Bank units</p>
<p>Branch Selling Certification Program (BSCP)</p> <p>2 Days</p>	<p>The Branch Selling and Certification Program (BSCP) is a modular development workshop designed to enhance the selling competencies of all branch personnel. The vision is to nurture a sales culture in the Bank where everyone sells inside or outside the bank looking at every client conversation as an opportunity to cross-sell or up-sell, where selling will be the natural and normal way of doing business.</p>	<p>By the end of this program, participants will be able to:</p> <ol style="list-style-type: none"> 1. Describe the philosophy of "salesperson as partner" and describe the benefits of building and retaining client/customer relationships. 2. Articulate the features and benefits of PNB products & services. 3. Apply "sales needs analysis." 4. Explain the four phases of the sales process. 5. Use the prospecting process to identify qualified leads. 6. Comfortably introduce themselves, others, and the Bank. 7. Describe professional dress, business manners, and networking basics. 8. Demonstrate the salesperson's role in the opening phase of the sales process. 9. Effectively use probing skills to uncover client/customer needs. 10. Manage client/customer objections. 11. Close sales with customers who are ready to partner with the bank. 12. Follow up with clients and customers to enhance relationships 	<p>All branch personnel (RBS)</p>
<p>PNB Care for Internal Customers</p> <p>2 Days</p>	<p>An internal customer or internal service provider can be anyone in the organization. An internal customer can be a co-worker, another department, or a distributor who depends upon us to provide products or services which in turn are utilized to create a deliverable for the external customer.</p> <p>Outstanding internal customer service is simply good business. Internal customer service can flourish only in high communication environment. To create positive internal customer service, all departments work together cooperatively, agree on processes and procedures, and negotiate expectations. Like gears meshing in sync, interdependent business units meet</p>	<p>At conclusion of the course participants will be able to:</p> <ol style="list-style-type: none"> 1. Identify ways to improve internal and external customer service 2. Reduce interdepartmental miscommunication and conflict 3. Support the priorities of internal customers 4. Focus on problems rather than personalities 5. Handle conflict professionally 6. Identify internal problems which cost external customer loyalty 7. Turn complaints into improvements 8. Work together to meet organizational goals 9. Improve workplace productivity and 	<p>Rank-and-file employees and officers (AM1-SM)</p>

	each others' needs, work productively together to meet common goals, and deliver high quality products and service to the external customer.	<p>communication</p> <p>10. Improve service within your organization, increase productivity, and as a result, offer your clients better service.</p> <p>11. Create interdepartmental service strategies that help rather than hinder work flow in your organization.</p> <p>12. Eliminate "turf wars" among departments.</p>	
<p>Negotiation Skills Training</p> <p>2 Days</p>	<p>Your ability to negotiate well has a large impact on both your personal and professional life. The qualities of the results you get are determined in a large part on your negotiating ability. Today's negotiating professionals must possess the most effective and current negotiating tools. This practical two-day workshop will give you those tools that are necessary in your negotiations to help you identify what is really negotiable. Anyone can improve their negotiating ability by instruction, practice, planning, feedback and application. In this highly interactive workshop, you will learn effective negotiating strategies and tactics. In addition, you will learn how to read a situation and apply empathy to help minimize the downside risks and avoid bad results.</p>	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> 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 	<p>Rank-and-file employees (AO's) and officers (AM1-SM)</p>
<p>Presentation Skills Training</p> <p>2 Days</p>	<p>No matter how good or important a message is, if it's not delivered in an interesting and effective way, chances are it won't be heard at all. Strong presentation skills can advance a career. Poor speaking skills can ground a rising star.</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"> 1. Feel confident to stand and deliver before any size group 2. Use eye contact, gestures, and body language for maximum effect 3. Develop and organize a presentation for any audience and any event 4. Design visuals to enhance both the presenter's message & performance 5. Deliver visual information in a way that keeps the audience in sync 6. Handle tough questions 7. Master memorization techniques 8. Use humor effectively 	<p>Rank-and-file employees and officers (AM1-SM)</p>
<p>Supervision Skills Training</p> <p>2 Days</p>	<p>This course helps participants to make the transition from team member to an efficient and respected supervisor. Our supervisory management skill course covers all the important areas a supervisor has to cope with. Through exercises, case studies, practical examples and clear guidelines we will develop the necessary skills and knowledge to achieve results through</p>	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> 1. To provide supervisors with the necessary knowledge, skills and behaviors to increase their effectiveness in their current roles. 2. To equip supervisors with the managerial skills necessary for them to adapt to changing demands in the 	

	<p>the effective supervision of staff. Who will benefit: First line managers, supervisors or team leaders new to the role of supervision, or for anyone who is considering taking on or applying for a new position that requires supervision of others. This course helps participants to make the transition from team member to an efficient and respected supervisor.</p>	<p>future. 3. To improve succession planning by providing a structured development program that will enable supervisors to fulfill their potential within the company.</p>	
<p>Effective Business Writing 2 Days</p>	<p>In today's competitive working environment, it is essential to produce clear, concise and reader-friendly business writing to tight deadlines. Many employees may possess excellent spoken communication skills but often lack confidence when writing business documents. This course will help the participants to understand that writing effectively means delivering their message that is unambiguous, concise and direct to the point.</p>	<p>After the training program, participants should be able to: 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.</p>	<p>Rank-and-file employees and junior officers</p>
<p>Tellering 101 4 Days</p>	<p>The Tellering 101 Seminar is a 4-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.</p>	<p>At the end of the 4-day seminar, the participants are expected to: 1. Know 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 the Flexcube 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</p>	<p>All Bank tellers</p>
<p>New Hire Orientation 1 Day</p>	<p>The New Hires Orientation is a whole-day seminar for newly hired PNB personnel. It is done twice a month. The topics included in the seminar are PNB Profile (History, Mission, Vision, Table of Organization), HR Policies, and AML Compliance Awareness Seminar.</p>	<p>At the end of the orientation, the participants are expected to: 1. Be familiarized with the Company history, mission, vision and table of organization 2. Be informed with the HR Policies 3. Understand AML Compliance topics</p>	<p>All new hire employees (rank-and-file & officers)</p>
<p>Project Management Program 2 Days</p>	<p>Project Managers, Team Leaders, Managers and Supervisors are always faced with the challenge of achieving a desired goal at a certain time, while optimizing resources and gaining support from others. This program enables the participants to acquire the necessary managerial and teambuilding skills, basic tools and techniques in creating and managing a project efficiently and productively. The program presents a disciplined approach</p>	<p>After the two-day program, the participants will be able to: 1. Define Project and Identify its different Phases. 2. Gain an overview of Basic Critical Tools and Concepts. 3. Learn and apply Basic skills needed to organize and control the project.</p>	<p>All Bank Officers (All levels)</p>

	in planning, organizing, monitoring and controlling the activities and resources involved in accomplishing the project deliverables.		
Leadership Training Program 2 Days	Leadership is one of those things that is often awfully hard to define but you know when you see it, and you definitely know when it's missing. You may have some people who now have to 'step up to the plate' and take on far more of a leadership role than previously. You may need them to demonstrate the kind of leadership behaviors that others aspire to. There may be managers who have to take the next step and go beyond being good or even excellent managers, to become inspirational leaders within the business.	At the end of the program, participants are expected to: 1. Understanding good Leadership Behaviors 2. Learning the difference between Leadership and Management 3. Gaining insight into your Patterns, Beliefs and Rules 4. Defining Qualities and Strengths 5. Determining how well you Perceive what's going on around you 6. Polishing Interpersonal Skills and Communication Skills 7. Learning about Commitment and How to Move Things Forward 8. Making Key Decisions 9. Handling Your and Other People's Stress 10. Empowering, Motivating and Inspiring Others 11. Leading by Example	All Bank Officers (All levels)
Problem Solving & Decision Making (PSDM) 2 Days	In today's global arena, the enterprise is constantly faced with complex issues both in the business side, and in the organization side. Hence, it is imperative that managers develop or enhance their problem solving and decision making skills. With effective problem solving and decision-making, the enterprise can have greater competitive advantage over others in the industry. The "Effective Problem Solving and Decision Making Analysis Program" uses both logical and creative approaches, and covers the following skill areas: situation analysis, problem analysis, potential and opportunity problem analysis, decision analysis, and creative techniques. It moves from theory to case analysis to tackling live cases and helping participants gain readiness to apply these skills to true to life situations.	At the end of the two day customized program, participants will be able to: 1. Identify and sort work concerns requiring action through a Situation Analysis Process; 2. Appreciate and successfully use problem analysis, both logical and creative paths, to case and actual work situations; 3. Illustrate potential problem analysis; 4. Experience use of decision analysis process on case and job-related issues and 5. Undertake potential opportunity analysis.	All Bank Officers (All levels)
Training of Trainers 2 Days	<u>Train the Trainers</u> training program is designed to meet the need to train Branch officers to be good trainers so that the Bank can reduce their dependency on external training organizations. PNB needs to conduct training for their employees to bring change in skills. Skill change may be required due to:		Rank-and-file employees and officers (AM1-SM)

	<ul style="list-style-type: none"> ➤ Change in procedures ➤ Change in process ➤ Change in organizational structure ➤ To update or strengthen knowledge ➤ To strengthen decision making ability ➤ To bring change in attitude ➤ Objectives and targets 		
<p>Spreadsheet Training</p> <p>1 Day</p>	<p>The course introduces Microsoft Excel at an elementary level, introducing the first time user to Microsoft Excel.</p> <p>Features covered: using the Microsoft Excel screen; navigation between cells, Microsoft Excel sheets and Microsoft Excel workbooks. Also covers how to enter data into Microsoft Excel; how to do basic Microsoft Excel calculations and formulae; saving of Microsoft Excel Workbooks, finding saved Microsoft Excel documents; editing and printing Microsoft Excel spreadsheet information.</p>	<p>After taking this course, the user should be able to:</p> <ol style="list-style-type: none"> 1. work comfortably in the Excel environment 2. create new workbooks and manipulate data in existing ones 3. format rows, columns, and numbers 4. create and use formulas 	<p>Rank-and-file employees and junior officers</p>
<p>Junior Executive Development Institute - Officer Development Program (JEDI - ODP)</p> <p>5 Months</p>	<p>The Officer Development Program (JEDI-ODP) is an intensive medium-term training program that provides comprehensive training on branch banking operations and specialized topics designed to develop the overall preparedness and technical competencies of the Bank's future officers. It also aims to ensure a reserve corps of high potential who are adequately trained to assume greater responsibilities in the Bank.</p>	<p>General Objectives</p> <ol style="list-style-type: none"> 1. The Program aims to build a critical mass of officers who have acquired comprehensive information on the Bank's organization including its new corporate mission, vision, philosophy and core values. 2. The Program prepares the participant for increased responsibility and new roles for further job advancement. 	<p>Rank & File personnel from the Head Office, Provincial and Metro Manila branches of PNB and Allied Bank</p>
<p>Junior Executive Development Institute-Management Development Program (JEDI)</p> <p>9 Months</p>	<p>The Junior Executive Development Institute-Management Development Program (JEDI) is an intensive 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.</p>	<p>General Objective</p> <ol style="list-style-type: none"> 1. The Program aims to train officers with high potential to move up the corporate ladder and could be farmed out to different groups aimed at the Bank's succession plan. 	<p>PNB Rank & File personnel from the Head Office, Provincial and Metro Manila branches who have a minimum of two years of service with the Bank</p>
<p>Junior Executive Development Institute-Management Development Program for Relationship Officers (JEDI - ROC)</p>	<p>The Relationship Officer Certification Program (ROCP) is a modular management development program. It is designed to reinforce the competencies of Relationship Officers in the different facets of banking, selling and leadership. The program is also intended to fast track the career development of ROs into becoming branch managers.</p>	<p>At the end of the certification program, the participants are expected to:</p> <ol style="list-style-type: none"> 1. Acquire knowledge of the Bank Products and Services and their specific features and peculiarities 2. Be familiarized with different aspects of banking such as: <ol style="list-style-type: none"> a) Risk Management b) Compliance c) Trust Banking 	

14 days (weekends)		<ul style="list-style-type: none"> d) Treasury e) Retail Banking f) Institutional Banking g) Other technical aspects of banking <p>3. Demonstrate the necessary competencies needed by a Branch Manager and Relationship Officer, such as the following:</p> <ul style="list-style-type: none"> a. Supervisory and leadership skills b. interpersonal and Communication skills c. Selling skills d. Negotiation skills 	
<p>AML Compliance Seminar</p> <p>1 Day</p>	<p>Money laundering is gaining both national and international attention. Therefore, the pressure is increasing on institutions to comply with the money laundering regulations and take effective steps to combat money laundering.</p> <p>This course aims to provide basic money laundering training to both public and private sector officials in a better, quicker and more efficient way by making them familiar with many of the laws and regulations now enhanced to deter money laundering. It will give a holistic overview of money laundering standards and issues, including definitions, various processes of money laundering, and impact of money laundering on international development.</p>	<p>In this anti-money laundering course you will:</p> <ol style="list-style-type: none"> 1. Describe money laundering and the challenges and risks involved in combating it 2. Recognize the key stages in money laundering and the principal techniques used by money launderers 3. Gain insight into how to establish and use customer profiles 4. Identify and report on suspicious activities 5. Articulate the objectives and principal elements of a "Know Your Customer" policy 6. Describe the key processes and technologies to fight money laundering 7. Comprehend local AML regulations and key reporting requirements 	All PNB employees
<p>TBG UITF Certification Program</p> <p>1 Day</p>	<p>In compliance with the basic standards in the administration of trust, other fiduciary and investment management accounts issued by the BSP which states that only authorized branch managers/officers as well as UITF marketing personnel who have successfully undergone the required certification/accreditation/licensing process may perform processes for UITF clients.</p> <p>PNB-Trust Banking Group (TBG) is organizing a UITF Certification Program that will accredit all the marketing and operations personnel in the department as well as the PNB Business Managers and Relationship Officers in the domestic branches nationwide.</p>	<p>This Certification Program aims to train the marketing personnel and impart them the proper knowledge they need on how to effectively market the Unit Investment Trust Funds of the PNB-TBG.</p>	All TBG and RBS employees
<p>Credit Training</p> <p>10 Days</p>	<p>This medium-term program covers the basics of the entire credit approval process and its critical elements. This</p>	<ol style="list-style-type: none"> 1. To re-examine the components of basic financial analysis such as financial ratios, pro forma 	Relationship Associates, Account

	<p>includes a review of basic financial analysis, credit process, credit tools, credit products, and credit summary preparation. It also involves important learning tools such as case studies, group discussions, and written exams.</p> <p>The program is also offered to senior officers such as Center Heads and Division Heads.</p> <p>This program is outsourced from an external subject matter expert, Mr. Henry S. Valdez.</p>	<p>statements, and cash budgets</p> <ol style="list-style-type: none"> 2. To enable participants to understand credit/risk management issues 3. To provide participants sufficient credit product knowledge and technical skills to enable them to perform their tasks more effectively 	<p>Officers, Relationship Managers, Center Heads, Credit Managers, Remedial Managers</p>
<p>Effective Time Management</p> <p>2 Days</p>	<p>The program details the important elements for employees to be able to manage their time and produce more value from their tasks. It highlights many principles and concepts that lead to misuse of time, bad time management habits, and inefficiency.</p> <p>The programs also gives considerable focus on planning and prioritizing activities, mainly to avoid stress, burnout, crises, and indecision and delay</p>	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> 1. Improve productivity by concentrating on results, instead of being busy 2. Reduce work stress by being more in control of their time 3. Reduce crisis management by properly prioritizing tasks and activities 4. View time management from the perspective of the whole organization and obtain company-wide benefits by properly practicing it. 	<p>Rank-and-file employees, junior officers</p>
<p>Merger Kapihan Session</p> <p>30 mins. – 1 hour</p>	<p>The Merger Kapihan is the primary tool used for disseminating merger-related information to all employees of the Bank. It aims to address some of the most commonly cited issues, and to provide a clear idea to employees as to what will happen during the entire integration process. All employees of both PNB and ABC were required to attend the Kapihan, and each session was conducted by an assigned facilitator for each office, division, department, or branch.</p> <p>A separate program was conducted for the selected facilitators of the Kapihan. To cover all facilitators nationwide, the Orientation was conducted in Baguio, Cebu, Davao, and at the Head Office twice.</p>	<ol style="list-style-type: none"> 1. To enlighten the employees on the value of the merger by communicating its guiding principles and critical elements 2. To provide an opportunity for employees to ask questions, state concerns, and share insights regarding the various aspects of the merger that are relevant to them 3. To pave the way for a seamless, controlled, and predictable transition for Day One of the merged Bank 4. To enhance employees ability to respond to customer's questions and expectations about the merger 	<p>All PNB and Allied Bank employees</p>
<p>Change Leadership Workshop</p> <p>2 Days</p>	<p>The workshop is an integral component of the change management plan that we hope to develop collaboratively as we transition to the merged Bank. Your inputs as key drivers of the merger and integration will be very valuable. The workshop will also aim to clarify the Change Management Framework that will guide our change efforts.</p>		<p>PNB & ABC Senior Officer – AVP's and up</p>

Interpersonal Effectiveness Program (Team Building) 2 Days	Achieving the organization's goals is the job of all members of a team. By leading, inspiring, persuading and developing a creative work environment, the team can achieve beyond expectations. Team dynamics are also the core elements needed to accomplish the challenges and opportunities presented each day. Developing partnerships and alliances is an essential aspect of effective organizations.	All participants will engage in a meaningful and active exploration of the issues facing the group and how good team and leadership skills will benefit all team members. Particular attention will be paid to objectives set out by the client; some examples are: 1. Giving the team an opportunity to have some fun together. 2. Emphasizing leadership skills as integral to great teamwork 3. Exploring ways the team sees your organization's mission and 4. Values applied in their day-to-day work lives.	All PNB employees
Fundamental Approaches, Skills, and Techniques (FAST) in Selling 2 Days	This basic sales module aims to enhance the sales skills of the participants by identifying the basic principles and concepts behind salesmanship. Participants are pushed to adopt sales not only as a profession, but also as a way of life. It includes various topics such as the new PNB mission and vision, the five-year strategy plan, introduction to selling, the sales cycle, and the structured sales matrix. Learning is enhanced through various exercises and structured learning experiences (SLEs)	At the end of the training, participants will be able to: 1. Utilize a more structured approach to formal selling to clients 2. Identify and increase cross-selling opportunities 3. Apply excellent customer service as a tool to enhance client retention and generate new business through referrals 4. Use advanced knowledge and skills to deepen existing business relationships	Sales and marketing personnel of the Bank, front liners (such as Tellers and NAPs)
Branch Operations Review Officer (BORO) Training 2 Days	This program aims to equip the participants on all relevant areas of their functions, from risk related issues, administrative procedures, audit issues, general ledger management, fraud management and all legal-related activity.	1. To equip participants with necessary skills and knowledge to be effective in the performance of their tasks as BOROs 2. To disseminate the latest updates regarding regulatory and legal concerns that are relevant 3. To instill vigilance and commitment among the participants in the performance of their duties	All Bank BOROs
Internal Control Consciousness (ICC) Seminar 1 Day	Conducted by the BOROs, this program aims to train participants in all areas covers of branch banking operations. In covers all relevant topics such as operations on tellering, cash, deposits, and checks; fund transfers, ATM operations, FX notes, direct deposit and safety deposit accounts, AMLA, FFE, accountable forms, among many others	At the end of the training, participants will be able to: 1. Obtain an overview of the entire branch banking operations 2. Improve consciousness and vigilance in all sensitive issues in branch banking 3. Increase effectiveness and efficiency in the performance of their tasks by utilizing greater awareness of procedures, policies, systems 4. Apply a wider ranger of troubleshooting skills in various problems that might be encountered in daily operations	All RBG personnel
Counterfeit Detection	In the banking industry, expertise in counterfeit detection is very important	At the end of the training, participants will be able to:	All PNB branch

Seminar 1 Day	especially to those personnel whose everyday task includes handling cash. The one-day seminar will be helpful in improving skills of those personnel on detecting genuine and counterfeit Peso, US Dollar, and other bills.	<ol style="list-style-type: none"> 1. Know the features of a genuine bill 2. Know the features of a counterfeit bill 3. Identify whether the bill is genuine or a counterfeit 	personnel
Training on Investment Management 15 Days	Conducted by the Trust Banking Group, this program introduces participants to the basic concepts, techniques, and processes in investment analysis and portfolio management. The course focuses on the evaluation of traditional investments in the Philippine market in particular and the world in general.	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> 1. Identify and differentiate various types of investment instruments 2. Analyze and assess investment options and processes in terms of profitability and risk 3. Apply techniques in diversifying, managing, and consolidating investment portfolios to maximize return and minimize risk 	TBG employees
Stress Management 1 Day	This program helps participants identify the causes of stress and provides many ways and techniques on how to cope with it.	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> 1. Understand the concept of stress, its causes and its impact 2. Cope with the symptoms of stress 3. Have a clearer understanding of the importance of managing stress 4. Use a wide range of physical and mental stress management techniques 	Rank-and-file employees, junior officers
PNB-Allied Bank Credit Department Workshop 2 Days	<p>The program tackles important Credit Management issues relevant to the upcoming merger of the two Banks. Specifically, it is a venue to share best practices to improve delivery of services and uniform application of existing procedures. The covered topics include:</p> <ol style="list-style-type: none"> 1. CIR & IAR handling, TAT, Policies and Practices 2. RMS Orientation, Use/Upload of Forms, Administrative Support and Control 	<ol style="list-style-type: none"> 1. To prepare the Credit Management Departments of both banks for the process and logistical requirements vital for the merger 2. To come up with a uniform set of systems and best practices to improve service delivery 	PNB and Allied Bank Credit Department Heads and staff

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Bank grants Variable Bonus to local hires in PNB Singapore Branch in accordance with the industry practice in the said host country (Singapore).

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

Under the Bank's Whistleblower Policy (as approved under PNB Board Resolution No. 05/03-21-13 of March 21, 2013, as amended), employees can report or complain about (internally any suspected or actual commission of theft/fraud, corruption, etc). The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation (Filipino)	101,253,820	15.2894593313	Various
PCD Nominee Corporation (Non-Filipino)	70,312,124	10.6172227418	Various
Leadway Holdings, Inc.	46,495,880	7.0209387294	Its stockholders

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

2) Does the Annual Report disclose the following:

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

* Incorporated in the Definitive Information Statement distributed to Stockholders in CD form.

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.		
-Regular Audit	P7,500,000.00	
-For the issuance of P3.5 B Subordinated Notes		P995,000.00

4) Medium of Communication

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

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

5) Date of release of audited financial report: APRIL 12, 2013

6) Company Website

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

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

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

7) Disclosure of RPT

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?

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2012 and 2011 and January 1, 2011, the Parent Company was in compliance with such regulations.

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10% of a bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

The Bank complies with the submission of reports on related party transactions to the regulatory agencies disclosing all entities in the group structure through conglomerate map/organizational structure here a bank belongs, as well as significant transactions between entities in the LT Group. These include on-balance sheet and off-balance sheet credit exposures and claims; dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions and borrowings, among others.

The Bank reports discloses transactions with related parties such as credit exposures and claims; investments; dealings such as service contracts; assets purchases and sales; construction contracts; joint venture projects; lease agreements; rendering or receiving of services; agency arrangements; derivative transactions; fund transfers; due to banks; borrowings and payables; transfer of technology; DOSRI; and guarantees, among others in the Bank's Annual Report.

The Bank submit all necessary reports that may be prescribed by the regulatory bodies/agencies in accordance with existing regulations covering related party transactions among entities within the PNB Group and entities belonging to the LT Group.

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

Consolidated	Parent Company					
	December 31, 2012	December 31, 2011	January 1, 2011	December 31, 2012	December 31, 2011	January 1, 2011
Total Outstanding DOSRI Accounts	2,650,526	4,916,441	2,191,313	2,650,526	4,916,441	2,191,313
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	2.03%	4.34%	2.35%	2.04%	4.36%	2.36%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	2.03%	4.34%	2.35%	2.04%	4.36%	2.36%
Percent of DOSRI accounts to total loans	2.03%	4.34%	2.35%	2.04%	4.36%	2.36%
Percent of unsecured DOSRI accounts to total DOSRI accounts	3.29%	14.60%	23.95%	3.29%	14.60%	23.95%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Percent of nonaccruing DOSRI accounts to total DOSRI accounts	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Receivables from customers		564,000	Revolving credit lines with fixed annual interest rate of 4.25% and maturity terms of less than 31 days Unsecured - 564.0 million with no impairment No collateral
Accounts receivable		106,458	Advances to finance deficit in pension liability, remittance cover and additional working capital Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		1,026	Interest on receivables from customers
Deposit liabilities		552,297	With annual rates ranging from 0.1% to 3.0% and maturity terms

			ranging from 30 days to one (1) year
Bills Payable		863,579	Foreign currency-denominated bills payable with fixed annual interest rate of 1.03% and maturity term of 180 days; unsecured No collateral
Accrued interest payable		3,473	Interest on deposit liabilities and bills payable
Due to Banks		205,480	Clearing accounts for funding and settlement of remittances
Interest income	28,271		Interest income on receivable from customers
Interest expense	12,772		Interest expense on deposit liabilities and bills payable
Other income	7,615		Rental income with lease term of three (3) years and annual escalation rate of 10%
Other expense	2,004		Share in utilities expense
Other Related Parties			
Receivable from customers		2,873,011	Loans with interest rates ranging from 0.5% to 16.5% and maturity terms ranging from one (1) month to 25 years. Secured - 2.8 billion and unsecured - 0.07 billion; with no impairment Collateral includes bank deposit hold-out, real estate and chattel mortgages
Sales Contract Receivable		105,750	From sale of Investment Property Title will be transferred upon full payment Non-interest bearing loan payable within one year Secured- 105.8 million, with no impairment Collateral pertains to investment property sold
Accrued interest receivables		1,647	Interest on receivables from customers
Bills payable		554,175	Foreign currency-denominated bills payable with fixed annual interest rate of 1.77% and maturity term of 181 days, no collateral
Deposit liabilities		1,272,976	With annual rates ranging from 0.38% to 1.73% and maturity terms ranging from 30 days to one (1) year
Interest income	154,464		Interest income on receivable from customers
Profit from asset sold	39,095		Gain from sale of investment property
Interest expense	10,626		Interest expense on deposit liabilities
Other income	16,830		Rental income with lease term of 10 years from November 1, 2007 to October 31, 2017 and annual escalation rate of 5% starting sixth year of the lease term
Due from other banks		196,977	Includes savings deposits with interest rate of 0.13%
Investment securities		270,212	52,443,860 shares of stock classified as AFS investments with allowance for impairment loss of 270.0 million.

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	Section 4.6 of PNB Amended By-Laws states that "unless otherwise provided by law, a quorum at any stockholders' meeting shall consist of the stockholders representing a majority of the voting stock of the Bank present either in person or by proxy".
------------------------	--

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

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

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
SECTION 39. Power to Deny Pre-emptive Right. — All stockholders of a stock corporation shall enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto: Provided, That such pre-emptive right shall not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock, in exchange for property needed for corporate purposes or in payment of a previously contracted debt.	Section 7 of PNB Amended By-Laws. x x x The stockholders shall have no pre-emptive right to subscribe to any new or additional issuance of shares by the Corporation, regardless of the class of shares, and whether the same is issued from the Corporation's unissued capital stock or in support of an increase in capital, subject to the Corporation's contractual obligations to PDIC and the Government.

Dividends

Declaration Date	Record Date	Payment Date
Please see note below		

Note:

The Bank has not declared any cash or stock dividends on its common equity for the fiscal year 2012. The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks (MORB).

(d) Stockholders' Participation

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

2. Measures Adopted	3. Communication Procedure
4. Adoption of SRC Rule 20 – Disclosures to Stockholders Prior to Meeting Section 4.4, Article IV of the Bank's Amended By-Laws.	5. Mailing of the Information Statement and Management Report together with the latest Audited Financial Statement to the stockholders at least 15 business days from date of the stockholders' meeting. Publication of Notice of Meeting for one (1) week daily in at least one newspaper of newspaper of general circulation
6. Adoption of the Question and Answer Portion	7. Stockholders are allowed to take the floor and asked questions to the Chairman of the Board, the other directors or the officers of the bank to air their concerns. If the queries cannot be addressed immediately on the floor, the stockholders are encouraged to dialogue with Management after the meeting.

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

The bank complies with the requirements under the Corporation Code in obtaining stockholders' approval for such decisions.

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

- a. Date of sending out notices:

	<u>Date Sent</u>
For the Special Stockholders' Meeting held on March 6, 2012:	February 13 -14, 2012
For the Annual Stockholders' Meeting held on May 29, 2012:	May 7 - 8, 2012

In compliance with SRC Rule 20 (3)(c)(iv), the Information Statement, Management Report and written notice of the meeting was sent to the shareholders of record at least fifteen (15) business days prior to the date of the meeting. In addition, the notice of meeting was likewise published by the Corporate Secretary for one (1) week daily in at least one newspaper of general circulation in the Philippines, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.

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

Date of Special Stockholders' Meeting: March 6, 2012

Date of Annual Stockholders' Meeting: May 29, 2012

Section 4.2, Article IV of PNB Amended By-Laws states that "the annual meeting of the stockholders shall be held at the principal office of the Bank on the last Tuesday of May of each year unless such day is a legal holiday in which case the business day next following shall be the meeting day for the particular year".

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

Questions and Answers during the Special Stockholders' Meeting held on March 6, 2012: None

Questions and Answers during the Annual Stockholders' Meeting held on May 29, 2012:

Q. Mr. Jose Lis Leagogo, a stockholder, took the floor and commended the planned merger of PNB and Allied Bank. He stated that as a result of the merger, the combined resources and capitalization of both banks will solidify its position as a bigger and stronger bank and avoid the incidence of bank failures such as what happened to Export Bank and Banco Filipino. He added that the consolidation of both banks will not only be good for the banking system but for the entire economy as well. The proposed merger was approved in 2008 and the change in the share swap ratio and amendments to the Articles of Incorporation were approved in March 2012. He then asked when the merger will be finalized. He also asked about the issues raised by the Presidential Commission on Good Government (PCGG) regarding the merger.

A. Chairman Tarriela replied that the bank submitted its application of merger to the Philippine Deposit Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP) on March 26, 2012 while it filed its application of merger with the Securities and Exchange Commission (SEC) on April 12, 2012. The bank was just waiting for the approval of the three (3) regulators. About the PCGG issue, Chairman Tarriela stated that the bank's legal counsel had confirmed that there was no legal impediment to the merger of PNB and Allied Bank. Director Estelito Mendoza also gave a lengthy discussion on the matter.

Q. Mr. Isabelo Samonte, a stockholder, also took the floor and congratulated the bank through its Board of Directors for being the recipient of the Silver Award for Good Governance and the P1.2 Billion net profit for the first quarter of 2012. Following the merger of PNB and Allied Bank, he inquired about the bank's new policies or strategy on corporate governance in compliance with regulators. He also inquired about the bank's overseas operations, particularly in handling trade services in the Asean region and the OFW remittances.

A. Chairman Tarriela replied that the bank's Compliance Officer was appointed as Corporate Governance Executive to ensure the proper compliance by all concerned to the corporate governance policies under the Revised Governance Manual. She added that it was the second year for the bank to receive the Silver Award for Good Corporate Governance given by the Institute of Corporate Governance. With respect to the other issues raised by Mr. Samonte, she invited him to discuss them with management after the meeting.

Q. Mr. Jaime Fajardo, another stockholder, took the floor and related his observations during his visit to one of the PNB branches in Region 4. He commented that PNB's location was out of place, the premises are poorly lighted, and there was a lack of enthusiasm on the part of the employees. He suggested that the bank conduct a thorough study on the relocation and upgrading of the branches of PNB and Allied Bank when merged.

A. Chairman Tarriela appreciated the constructive comments and recommendation of Mr. Fajardo which she said she would take up with the Head of the Retail Banking Group.

Q. Mr. Jaime Fajardo objected to the appointment of SGV & Co. as the bank's external auditor. He cited the unfavorable experience of Victorias Milling Corporation (VMC) with SGV.

A. Director Mier acknowledged the issues raised by Mr. Fajardo. He said that the issues in VMC were separate from the bank. Changes have been made since then and he assured Mr. Fajardo that the audit control system of VMC will prevent the occurrence of the same situation. In the case of PNB, the bank is satisfied with the performance of SGV. In fact, SGV was re-elected as external auditor of the bank during his presidency. He assured Mr. Fajardo and the stockholders that the issues in VMC will not happen to PNB since the bank is under the close supervision of the BSP to strictly comply with regulations especially now under Basel II. The directors will ensure that the external auditor performs its functions to the best of its ability. If there is any indication of underperformance, a replacement will be made to protect the bank's financial statements.

Chairman Tarriela assured Mr. Fajardo and the other stockholders that the Board Audit and Compliance Committee (BACC) reviewed and properly discussed the proposed appointment of the bank's external counsel before the same was endorsed to the Board for approval and to the stockholders for ratification. She said that the comments of Mr. Fajardo would be noted and considered for next year.

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

Special Stockholders' Meeting			
12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16. Amendment of the Plan of Merger Between PNB and Allied Banking Corporation	17. Unanimous	18. Not Applicable	19. Not Applicable
20. Not Applicable	21. Not Applicable	22. Not Applicable	23. Not Applicable

Annual Stockholders' Meeting			
Resolution	Approving	Dissenting	Abstaining
Confirmation of the Minutes of the 2011 Annual Stockholders' Meeting and 2012 Special Stockholders' Meeting held on May 31, 2011 and March 6, 2012, respectively	Unanimous	Not Applicable	Not Applicable
Approval of the Bank's 2011 Annual Report	Unanimous	Not Applicable	Not Applicable

Approval of the Amendments to Articles V and VI of the Amended By-Laws of PNB in accordance with the provisions of Section 15 of Republic Act No. 8791, the Manual of Regulations for Banks (MORB) of the Bangko Sentral ng Pilipinas and SEC Memorandum Circular No. 6, Series of 2009 Re: Revised Code of Corporate Governance	Majority	65,740 shares	739,520 shares
Approval of the ratification of all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2011 Annual Stockholders' Meeting	Unanimous	Not Applicable	Not Applicable
Election of Directors - Ms. Florencia G. Tarriela - Mr. Felix Enrico R. Alfiler - Mr. Florido P. Casuela - Mr. Estelito P. Mendoza - Mr. Omar Byron T. Mier - Mr. Carlos A. Pedrosa - Dr. Washington Z. Sycip - Mr. John G. Tan - Mr. Lucio C. Tan - Mr. Lucio K. Tan, Jr. - Mr. Deogracias N. Vistan - Mr. Anthony Q. Chua* - Mr. Domingo T. Chua* - Mr. Harry C. Tan* - Mr. Michael G. Tan* * nominated to assume office once the merger is approved.	Unanimous Unanimous Majority Majority Majority Majority Majority Unanimous Majority Majority Unanimous Majority Majority Majority Majority	732,625 shares 732,625 shares 82,940 shares 82,940 shares 922,845 shares 376,020 shares 1,205,925 shares 376,020 shares	32,460,531 shares 32,460,531 shares 32,460,531 shares 32,460,531 shares
Appointment of External Auditor - SGV & Co. with Ms. Janeth T. Nuñez as the Partner-in-Charge	Unanimous		

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

The results of the Annual Stockholders' Meeting (ASM) were immediately disclosed to the bank's regulators, i.e., the Philippine Stock Exchange (PSE), the Bangko Sentral ng Pilipinas (BSP), and the Securities and Exchange Commission (SEC) right after the ASM on May 29, 2012. A press conference was also held after the ASM.

(e) Modifications

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

Modifications	Reason for Modification
None	Not Applicable

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Special	Dir. Florencia G. Tarriela Dir. Felix Enrico R. Alfiler Dir. Florido P. Casuela	March 6, 2012	In person and by representa	0.0416%	67.444%	67.485%

	Dir. Estelito P. Mendoza Dir. Omar Byron T. Mier Dir. Carlos A. Pedrosa Dir. Washington Z. Sycip Dir. John G. Tan Dir. Lucio C. Tan Dir. Lucio K. Tan, Jr. Dir. Deogracias N. Vistan		tive to act by written proxy			
Annual	Dir. Florencia G. Tarriela Dir. Felix Enrico R. Alfiler Dir. Florido P. Casuela Dir. Estelito P. Mendoza Dir. Omar Byron T. Mier Dir. Carlos A. Pedrosa Dir. John G. Tan Dir. Lucio C. Tan Dir. Lucio K. Tan, Jr. Dir. Deogracias N. Vistan	May 29, 2012	In person and by representa tive to act by written proxy	0.00527%	72.657%	72.662%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? No

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

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

(g) Proxy Voting Policies

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

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

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

Company's Policies	
Execution and acceptance of proxies	Stockholders entitled to vote at a stockholders' meeting may vote either in person or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank.
Notary	Not required.
Submission of Proxy	Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to date of the meeting.

Several Proxies	Joint and alternative proxies are acceptable.
Validity of Proxy	Per SRC Rule 20(5)(F)(ii), no proxy shall confer authority to vote with respect to more than one meeting (and any adjournment thereof) unless a specific statement is made in the information statement and form of proxy that the proxy is valid for more than one meeting. Provided, however, that no proxy shall be valid and effective for a period longer than five (5) years from the date of the proxy; Per Sec. 58 of the Corporation Code, unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.
Proxies executed abroad	Acceptable.
Invalidated Proxy	In accordance with the rules under the Securities Regulation Code and the SEC Memorandum No. 5, Series of 1996.
Validation of Proxy	Done by the Corporate Secretary in coordination with the Stock Transfer Agent, usually the day after the deadline for the submission of proxies.
Violation of Proxy	In accordance with the rules under the Securities Regulation Code and the SEC Memorandum Circular No. 5, Series of 1996.

(h) Sending of Notices

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

Policies	Procedure
In compliance with SRC Rule 20 (3)(c)(iv), the Information Statement, Management Report and written notice of the meeting was sent to all shareholders of record at least fifteen (15) business days prior to the date of the meeting. In addition, the notice of meeting was likewise published by the Corporate Secretary for one (1) week daily in at least one newspaper of general circulation in the Philippines, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.	The Definitive Information Statement containing the notice of the meeting, is mailed to the stockholders in CD format, through the Stock Transfer Agent. This is also disclosed to the Philippine Stock Exchange and uploaded to the Bank's website. The notice is also published alternately in three newspapers for one week.

(i) Definitive Information Statements and Management Report

	Special Stockholders' Meeting (March 6, 2012)	Annual Stockholders' Meeting (May 29, 2012)
Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	31,252	31,104
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	February 13, 2012	May 7, 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	February 13-14, 2012	May 7-8, 2012
State whether CD format or hard copies were distributed	CD format	
If yes, indicate whether requesting stockholders were provided hard	Numerous printed (hard) copies of the content of the CD, i.e. Definitive	Numerous printed (hard) copies of the content of the CD, i.e.

copies	Information Statement and Audited Financial Statement, were made available during the meeting. Moreover, printed copies were also sent to the last known addresses of the stockholders upon receipt of their written request.	Definitive Information Statement and Audited Financial Statement, were made available during the meeting. Moreover, printed copies were given to stockholders upon receipt of their written request.
---------------	---	--

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

	Special Stockholders' Meeting (March 6, 2012)	Annual Stockholders' Meeting (May 29, 2012)
Each resolution to be taken up deals with only one item.	Yes	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Not Applicable	Yes (in the Information Statement)
The auditors to be appointed or re-appointed.	Not Applicable	Yes (in the Information Statement)
An explanation of the dividend policy, if any dividend is to be declared.	Not Applicable	Not Applicable
The amount payable for final dividends.	Not Applicable	Not Applicable
Documents required for proxy vote.	No	No

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

Documents required for proxy vote - Stockholders are informed that they may issue and vote by proxies but proxies are not solicited.

Not applicable items – These items were not part of the Agenda for the meeting.

2) Treatment of Minority Stockholders

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

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

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

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

Yes. Any stockholder may nominate candidates for the Board.

K. INVESTORS RELATIONS PROGRAM

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

External communications in the form of press releases or pronouncements to the market are coursed through the Marketing Group of the Bank. This covers among others write-ups on financials, products, tie-ups, etc. Press releases on financials and any other are approved by the President and CEO as endorsed by the Marketing Head and the sponsor of the information. In this case, the figures have to be signed-off by the Finance Group. All others which are at product level have to be signed-off by the relevant unit/division involved in the particular communication and the Marketing Head.

All other required regulatory external pronouncements are released through the Corporate Secretary's Office and forwarded to the appropriate regulatory bodies or institutions.

Internal communications are handled through the Corporate Communications Unit under the Human Resources Group.

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

FOR STOCKHOLDERS

	Details
(1) Objectives	To be able to give quality service and address all the concerns of the PNB stockholders.
(2) Principles	PNB is a customer-centered organization with a passion for service excellence.
(3) Modes of Communications	Verbal and written communications, including e-mail and fax.
(4) Investors Relations Officer	Ms. Josiemer Q. Lunar Regulatory Reports and Stockholders Relations Head Contact Details: Telephone No. (632) 536-0540 Fax No. (632) 834-0780 Email: lunarjq@pnb.com.ph

FOR OTHER STAKEHOLDERS

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

FOR PUBLIC IN GENERAL

	Details
(1) Objectives	<ul style="list-style-type: none">• To properly communicate corporate news, institutional advocacies and product campaigns to the general public and specific markets through appropriate and effective media channels.• To provide the proper feedback channels to potential and existing clients and reply to queries in a timely manner. (Customer Service)
(2) Principles	<ul style="list-style-type: none">• Timeliness - Timely dissemination of information as required by the public.• Effectivity - To reach the proper audience with the appropriate communication
(3) Modes of Communications	<ul style="list-style-type: none">• Internal and External Email Broadcasts• Print Media• Radio• TV Advertisements (Local, Cable and Overseas)• Press Releases• SMS Alerts• Websites and Social Networks
(4) Investors Relations Officer	SVP Emmanuel A. Tuazon Chief Marketing Officer / Marketing Group Head Contact Details: (632) 526-3131 loc. 4360 Email address: tuazonea@pnb.com.ph

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

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

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

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

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

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

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Tree Planting	Local communities
Pagtutulungan ng Bayan	Victims of calamities
Global Filipino Scholar	Children of OFWs
Bandila Project (proposed)	Flag donation to schools
Project Kultura (proposed)	Minority tribes

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.

	Process	Criteria
Board of Directors		
Board Committees		
Individual Directors		
CEO/President		

The bank's Revised Corporate Governance Manual states that the board shall establish an evaluation system such as the Performance Evaluation Sheet (Annex D) to determine and measure compliance with the revised Manual. Any violation thereof shall subject the responsible director, officer or employee to the penalty provided under Part 10 of the revised Manual. The establishment of such evaluation system including the features thereof shall form part of the revised Manual.

The Performance Evaluation Sheet is divided into three parts, 1) Questions on Director's Individual Qualitative Performance; 2) Questions on the Board; and 3) Questions on the Board Committees. After the Directors' self-evaluation for individual director, Board and Board Committees, the Corporate Governance Committee shall review and evaluate 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

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

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasay City on June _____, 2013.

SIGNATURES



FLORENCIA G. TARRIELA
Chairman of the Board/
Independent Director



OMAR BYRON T. MIER
President & Chief Executive Officer



FELIX ENRICO R. ALFILER
Independent Director



DEOGRACIAS N. VISTAN
Independent Director



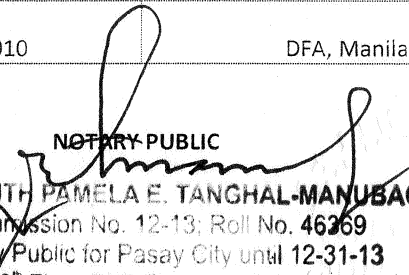
ALICE Z. CORDERO
SVP & Chief Compliance Officer

JUN 28 2013

SUBSCRIBED AND SWORN to before me this _____ day of June 2013, affiant(s) exhibiting to me their Passports, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Florencia G. Tarruela Passport No. EB6620757	October 23, 2012	DFA, Manila
Omar Byron T. Mier Passport No. XX3773388	May 21, 2009	DFA, Manila
Felix Enrico R. Alfiler Passport No. XX5369996	January 27, 2010	Philippine Embassy Washington D.C., U.S.A.
Deogracias N. Vistan Passport No. EB1321633	November 8, 2010	DFA, Manila
Alice Z. Cordero Passport No. XX5553449	February 18, 2010	DFA, Manila

Doc No. 81
Page No. 18
Book No. XIII
Series of 2013

NOTARY PUBLIC

ATTY. RUTH PAMELA E. TANGHAL-MANUBAG
Commission No. 12-13; Roll No. 46369
Notary Public for Pasay City until 12-31-13
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 3150479/01-03-13
IBP No. 882332/01-03-13/PPLM