



Office of the Corporate Secretary

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

April 14, 2015

PHILIPPINE DEALING & EXCHANGE CORPORATION

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

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

Dear Ms. Salonga:

We are pleased to furnish the Philippine Dealing & Exchange Corporation (PDEX) a copy of our disclosure to the Philippine Stock Exchange regarding the updated Consolidated Changes in the Annual Corporate Governance Report (ACGR) for the Year 2014 of the Philippine National Bank to include the other sections of the ACGR without change/update.

We trust you will take note of the above.

Very truly yours,


DORIS S. TE
Corporate Secretary

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

T. (632) 526-3131 to 70/891-6040 to 70
P.O. Box 1884 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

Authorized Depository of the Republic of the Philippines
Member: PDIC

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM ACGR**

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year
Apr 14, 2015
2. Exact Name of Registrant as Specified in its Charter
Philippine National Bank
3. Address of principal office
PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro
Manila, Philippines
Postal Code
1300
4. SEC Identification Number
ASO96-005555
5. Industry Classification Code(SEC Use Only)
6. BIR Tax Identification No.
000-188-209-000
7. Issuer's telephone number, including area code
(632) 8916040 to 70/(632) 5263131 to 70
8. Former name or former address, if changed from the last report
Not Applicable

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



**Philippine National Bank
PNB**

**PSE Disclosure Form ACGR-1 - Annual Corporate Governance Report
Reference: Revised Code of Corporate Governance of the
Securities and Exchange Commission**

Description of the Disclosure

In compliance with SEC Memorandum Circular Nos. 1 and 12, Series of 2014, we are pleased to submit

herewith the updated Consolidated Changes in the Annual Corporate Governance Report (ACGR) for 2014 of the Philippine National Bank to include the other sections of the ACGR without change/update.

We trust you will take note of the above. Thank you.

Filed on behalf by:

Name	Doris Te
Designation	Corporate Secretary

COVER SHEET

AS096-005555

S.E.C. Registration Number

PHILIPPINE NATIONAL BANK

Company's Full Name)

9th Floor PNB Financial Center

Macapagal Blvd., Pasay City

Metro Manila

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

DORIS S. TE
Corporate Secretary
Contact Person

834-0780
Company Telephone Number

12 31
Month Day
Fiscal Year

Updated Consolidated Changes in the
Annual Corporate Governance Report
FORM TYPE

Last Tuesday of
May of each year
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

FILE

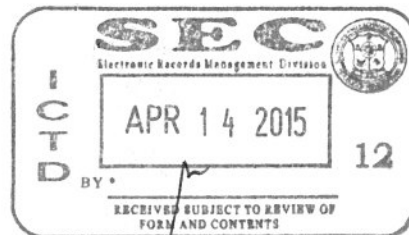


Office of the Corporate Secretary

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Local: 4782

April 13, 2015

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



Dear Director Callangan:

In compliance with SEC Memorandum Circular Nos. 1 and 12, Series of 2014, we are pleased to submit herewith the updated Consolidated Changes in the Annual Corporate Governance (ACGR) for 2014 of the Philippine National Bank to include the other sections of the ACGR without change/update.

We trust you will take note of the above. Thank you.

Very truly yours,

Doris S. Te
DORIS S. TE
Corporate Secretary
W *J*

Att: a/s

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

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Authorized Depository of the Republic of the Philippines
Member: PDIC



SECRETARY'S CERTIFICATE

I, **DORIS S. TE**, Corporate Secretary of the Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, do hereby certify that during the Executive Session of the PNB Board of Directors held on December 19, 2014, at which a majority of the members was present, the Board approved under Resolution No. 09, the submission of the consolidated changes in the Annual Corporate Governance Report (ACGR) for 2014, in compliance with SEC Memo Circular No. 12 dated May 26, 2014 issued by the SEC Chairperson Teresita J. Herbosa.

IN WITNESS WHEREOF, I have hereunto affixed my signature this January 6, 2015 in Pasay City, Metro Manila.

Doris S. Te
DORIS S. TE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 06 2015 in Pasay City, Metro Manila, affiant exhibiting to me her T.I.N. 245-547-624.

Doc.No. 345
Page No. 70
Book No. XIV
Series of 2015.

[Signature]
ATY. RUTH PAMELA E. TANGHAL-MANUSAG
Commission No. 14-11/01-09-14; Roll No. 46369
Notary Public for Pasay City until 12/31/15
8th Floor PNB Financial Center
Pres. D.R. Macapagal Blvd., Pasay City
PTR No. 420375/01-05-15
IBP No. 977992/01-05-15/PPLM

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year: **2014**
2. Exact Name of Registrant as Specified in its Charter: **PHILIPPINE NATIONAL BANK**
3. **PNB Financial Center** **1300**
Postal Code
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila
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 to 70/ (632) 526-3131 to 70**
Issuer's Telephone number, including area code
8. **Not Applicable**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	15
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Actual number of Directors for the year 2014	15
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(a) Composition of the Board (updated - 2014)

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
1. Florencia G. Tarriela	ID	N/A	Lucio C. Tan, None	May 29, 2001	May 27, 2014 (2 years)	Annual Meeting	13.6 years
2. Felix Enrico R. Alfiler	ID	N/A	Lucio C. Tan, None	Dec. 16, 2011	May 27, 2014 (2 years)	Annual Meeting	3 years
3. Florido P. Casuela	NED	N/A	Lucio C. Tan	May 30, 2006	May 27, 2014	Annual Meeting	8.6 years
4. Joseph T. Chua	NED	N/A	Lucio C. Tan	May 27, 2014	May 27, 2014	Annual Meeting	0.6 year
5. Leonilo G. Coronel	NED	N/A	Lucio C. Tan	May 28, 2013	May 27, 2014	Annual Meeting	1.6 years
6. Reynaldo A. Maclang	ED	N/A	Lucio C. Tan	February 9, 2013	May 27, 2014	Annual Meeting	1.8 years
7. Estelito P. Mendoza	NED	N/A	Lucio C. Tan	Dec. 23, 2008	May 27, 2014	Annual Meeting	6 years
8. Federico C. Pascual	ID	N/A	Lucio C. Tan, None	May 27, 2014	May 27, 2014 (0)	Annual Meeting	0.6 year
9. Cecilio K. Pedro	ID	N/A	Lucio C. Tan, None	February 28, 2014	May 27, 2014 (0)	Annual Meeting	0.8 year
10. Washington Z. Sycip	NED	N/A	Lucio C. Tan	Dec. 8, 1999	May 27, 2014	Annual Meeting	15 years
11. Harry C. Tan	NED	N/A	Lucio C. Tan	February 9, 2013	May 27, 2014	Annual Meeting	1.8 years
12. Lucio C. Tan	NED	N/A	Lucio C. Tan	Dec. 8, 1999	May 27, 2014	Annual Meeting	15 years
13. Lucio K. Tan, Jr.	NED	N/A	Lucio C. Tan	Sept. 28, 2007	May 27, 2014	Annual Meeting	7.3 years
14. Michael G. Tan	NED	N/A	Lucio C. Tan	February 9, 2013	May 27, 2014	Annual Meeting	1.8 years
15. Deogracias N. Vistan	ID	N/A	Lucio C. Tan, None	July 15, 2011	May 27, 2014 (2 years)	Annual Meeting	3.4 years

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

- (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:

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

All material information about the Bank which could adversely affect its viability or the interest of its 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. 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 (updated – 2014)

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

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

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

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

(ii) Directorship in Other Listed Companies (updated – 2014)

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Florencia G. Tarriela	LT Group, Inc.	ID
Joseph T. Chua	MacroAsia Corporation	ED
Leonilo G. Coronel	Megawide Construction Corporation	ID
Estelito P. Mendoza	San Miguel Corporation Petron	NED NED
Washington Z. Sycip	Belle Corporation Cityland Development Corporation Century Properties Group, Inc. First Philippine Holdings Corporation Lopez Holdings Corporation LT Group, Inc. MacroAsia Corporation Metro Pacific Investments Corporation	ID Chairman ID ID ID Director Chairman ID
Harry C. Tan	LT Group, Inc. PAL Holdings, Inc.	Vice Chairman NED
Lucio C. Tan	PAL Holdings, Inc. LT Group, Inc.	Chairman and CEO Chairman and CEO

Lucio K. Tan, Jr.	MacroAsia Corporation LT Group, Inc. PAL Holdings, Inc. Victorias Milling Corporation	NED NED NED NED
Michael G. Tan	LT Group, Inc. PAL Holdings, Inc. Victorias Milling Company	ED NED NED
Deogracias N. Vistan	Lorenzo Shipping Corporation	ID

(iii) Relationship within the Company and its Group (new update)

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
Harry C. Tan	LT Group, Inc. (LTG) (indirect – beneficial owner)	Mr. Tan is the Vice Chairman of LTG.
Lucio C. Tan		Mr. Tan is the Chairman and CEO of LTG.
Lucio K. Tan, Jr.		Mr. Tan is a director of LTG.
Michael G. Tan		Mr. Tan is the President and COO of LTG.
Florencia G. Tarriela		Ms. Tarriela is an independent director of LTG.

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

	Guidelines	Maximum Number of Directorships in other companies
Executive Director/ Chief Executive Officer (CEO) Non-Executive Director	Sec. X145 of the Manual of Regulations for Bank (MORB) re: Interlocking Directorships and/or Officerships 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.	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 (NBF1)”. 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 (updated – 2014)

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	None	0.0000001601
Felix Enrico R. Alfiler	None	115 (PCD Nominee Corporation – Filipino)	0.0000092063
Florido P. Casuela	None	133 (PCD Nominee Corporation – Filipino)	0.0000106473
Joseph T. Chua	None	11,315 (PCD Nominee Corporation – Filipino)	0.0009058234
Leonilo G. Coronel	None	1 (PCD Nominee Corporation – Filipino)	0.0000000801
Reynaldo A. Maclang	155	None	0.0000124085
Estelito P. Mendoza	None	1,150 (PCD Nominee Corporation – Filipino)	0.0000920634
Federico C. Pascual	38	1 (PCD Nominee Corporation – Filipino)	0.0000031222
Cecilio K. Pedro	5,000	None	0.0004002755
Washington Z. Sycip	39,111	None	0.0031310350
Harry C. Tan	230	None	0.0000184127
Dr. Lucio C. Tan	14,843,119	None	1.1882673540
Lucio K. Tan, Jr.	2,300	None	0.0001841267
Michael G. Tan	250	None	0.0000200138
Deogracias N. Vistan	None	100 (PCD Nominee Corporation – Filipino)	0.0000080055
TOTAL	14,890,205	12,815 (PCD Nominee Corporation – Filipino)	1.1930627345

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: (updated – 2014)

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

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

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role Accountabilities Deliverables	<ol style="list-style-type: none"> 1. To call meeting 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; 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 6. To perform such other functions as are assigned to him by law or by 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; 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.

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions? (updated – 2014)

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

Yes. 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 of 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; 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.

Yes. 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, three (3) directors and one (1) board advisor were inducted “fellow” 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.

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

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

	Executive	Non-Executive	Independent Director
Role	<ol style="list-style-type: none"> To execute all contracts and to enter into all authorized transactions in behalf of the Bank. 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. To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of Vice President or its equivalent. To appoint, promote or remove employees and officers of the bank except those who are to appointed or removed by the Board of Directors. To transfer, assign and reassign officers and personnel of the bank in the interest of the service. To report periodically to the Board of Directors on the operations of the bank. To submit annually a report on the result of 	<p>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.</p> <p>Below are the specific roles, accountabilities and deliverables of the Non-Executive Directors:</p> <ol style="list-style-type: none"> To approve and monitor the implementation of strategic objectives. To approve and oversee the implementation of policies governing major areas of banking operations. To approve and oversee the implementation of risk management policies. 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 	<p>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.</p> <p>In the various board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.</p> <p>The Board and the Committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries, and affiliates.</p>
Accountabilities			
Deliverables			

	<p>the operations of the bank to the stockholders of the bank; and</p> <p>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>	<p>operational and financial viability.</p> <p>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.</p> <p>6. To oversee selection and performance of senior management.</p> <p>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.</p> <p>9. To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.</p> <p>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 and shall carry-out the duties and responsibilities.</p> <p>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</p>	
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		<p>policies.</p> <p>12. Ensure the bank's faithful compliance with all applicable laws, regulations and best business practices.</p> <p>13. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the bank.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>19. Establish and maintain an alternative dispute resolution system in the bank that can amicably settle conflicts or differences between the bank and its stockholders, and the bank and third parties,</p>	
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		including the regulatory authorities. 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.	
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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.

Yes. 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 (ID) as follows: (a) ID can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates; (b) ID 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; and (c) 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 (updated – 2014)

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

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

(b) 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: (new update)

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	The 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. In compliance with Subsection X141.2 of the MORB of the BSP re: Qualifications of a Director and in accordance with the procedures for the nomination and election of independent directors set forth in Rule 38 of the Securities Regulation Code which was incorporated in the PNB By-Laws, the Corporate Governance Committee determines whether the nominees are fit and proper and qualified to be elected as member of the Board. The nominee will then be recommended for election by the Board and/or stockholders during the Annual Stockholders' Meeting.	In compliance with subsection X141.2 of the MORB of the BSP, a director of the Bank shall have the following qualifications: 1. Holder of at least one (1) share of stock of the Bank; 2. He shall be at least a college graduate or have at least five (5) year-experience in business to substitute for such formal education; 3. He shall be at least twenty-five (25) years old at the time of his election or appointment; 4. He must have attended a special seminar on corporate governance for board of Directors conducted or accredited by the BSP and SEC: Provided, That incumbent Directors must attend said seminar within a period of six (6) months from date of election; 5. He must be fit and proper for the position of a director of the bank,
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<p>proven to possess integrity/probity, physical / mental fitness, competence, relevant education/ financial literacy/ training, diligence and knowledge/experience;</p> <p>6. He shall be assiduous in his work habits;</p> <p>7. Practical understanding of the business of the Bank; and</p> <p>8. Membership in good standing in relevant industry, business or professional organizations.</p> <p>9. The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.</p>
b. Re-appointment		
(i) Executive Directors	- Same as above. -	- Same as above. -
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors		As enumerated under Subsection X141.3 of the MORB of the BSP, the Revised Manual of Corporate Governance of the Bank and Section 27 of the Corporation Code.
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors		As enumerated under Subsection X141.3 of the MORB of the BSP and the Revised Manual of Corporate Governance of the Bank.
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors		As provided under Section 28 of the Corporation Code and in case of violation of any of the provisions of the Revised Manual of
(ii) Non-Executive Directors		
(iii) Independent Directors		

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

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

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

6) Orientation and Education Program

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

The Bank furnishes all of its directors with a copy of the specific duties and responsibilities of the Board of Directors as prescribed under Items “b” and “c” of Subsection X141.3 of the Manual of Regulations for Banks (MORB) at the time of their election. The directors concerned are each required to acknowledge receipt of the copies of such specific duties and responsibilities and certify that they fully understand the same. Copies of the acknowledgment and certification are then submitted to the BSP within 10 business days after the date of election.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: (updated – 2014)

Participant(s)	Title of Seminar, Date and Venue
2014	
Cenon C. Audencial Jr., EVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Horacio E. Cebrero III, EVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ Securitization in Housing Finance and Introduction to Concentration Risk on July 4, 2014 at SGV, Makati City ○ BASEL III: What's Next Under the Capital, Leverage and Macro-Prudential Guidelines on August 7, 2014 at SGV, Makati City
Christopher C. Dobles, EVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ 21st Asian Professional Security Association (APSA) International Conference & Secusafe by Secusafe Alliance Philippines on May 14-16, 2014 at Manila Hotel
Jovencio D. Hernandez, EVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Alice Z. Cordero, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City

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

	<ul style="list-style-type: none"> ○ Seminar on Concentration Risk and Related Party Transactions on April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Socorro D. Corpus, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ Comprehensive Competency-Based Learning and Assessment Framework in March 24 and 31, 2014 at PNB Makati Penthouse
Zacarias E. Gallardo, Jr., FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ Mentor Skills Development Workshop on July 15 and August 14, 2014 at PNB Makati Penthouse ○ BASEL III: What's Next Under the Capital, Leverage and Macro-Prudential Guidelines in 2014 on August 7, 2014 at SGV, Makati City
Miguel Angel G. Gonzales, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
John Howard D. Medina, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Benjamin S. Oliva, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Aida M. Padilla, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Carmela Leticia A. Pama, FSVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ Concentration Risk and Related Party Transactions in April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Emmanuel German V. Plan II, FSVP	<ul style="list-style-type: none"> ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ Architecture and Urban Planning: What Business Leaders Need to Know in 2014 in Makati City
Dioscoro Teodorico L. Lim, SVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City ○ Concentration Risk and Related Party Transactions in April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Maria Paz D. Lim, SVP	<ul style="list-style-type: none"> ○ Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City ○ Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City

	<ul style="list-style-type: none"> o Comprehensive Competency-Based Learning and Assessment Framework in March 24 and 31, 2014 at PNB Makati Penthouse.
Manuel C. Bahena, Jr., FVP	<ul style="list-style-type: none"> o Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City o Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City o Mentor Skills Development Workshop on July 15 and August 14, 2014 at PNB Makati Penthouse
Josephine E. Jolejole, FVP	<ul style="list-style-type: none"> o Corporate Governance Seminar by ICD on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City o Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City o Securitization in Housing Finance and Introduction to Concentration Risk in 2014 on July 4, 2014 at SGV, Makati City
Constantino T. Yap, VP	<ul style="list-style-type: none"> o Leading Culture Change Workshop Series on March 24 and 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
2013	
Christopher J. Nelson, director	<ul style="list-style-type: none"> o Orientation Course on Corporate Governance on June 7, 2013 Institute of Corporate Directors
Erwin C. Go, SVP	<ul style="list-style-type: none"> o Corporate Governance and Anti-Money Laundering Act (SEC, IC & Supreme Court MCLE Accredited Seminar) on February 15, 2013 o Philippine Securities Consultancy Corporation (PHILSECC) Dusit Thani Hotel, Ayala Center, Makati City –
Lolita Chu, FVP	<ul style="list-style-type: none"> o Training on Risk-Adjusted Performance Measures on October 28 & 29, 2013 o By: KEN Knoeledge International Holiday Inn & Suites Makati, Manila Philippines
2012	
Deogracias N. Vistan, director Felix Enrico R. Alfiler, director	<ul style="list-style-type: none"> o Corporate Governance Orientation Program (CGOP) o March 1 to 2, 2012; Institute of Corporate Directors, Inc.
Emeline Centeno, SVP	<ul style="list-style-type: none"> o Stress Testing: Perspectives, Guidance & Application o January 20, 2012; AIM, Makati City
Schubert Austero, SVP	<ul style="list-style-type: none"> o Learning for the Future - An Open Space Technology Conference o Crown Plaza Manila Galleria
Alice Cordero, SVP Lino Carandang, FVP	<ul style="list-style-type: none"> o Seminar on Foreign Account Tax Compliance Act (FATCA), DODD- Frank Act & BASEL III o August 31, 2012; 21F Brassiere, Security Bank, Ayala Ave., Makati City
Marie Fe Liza Jayme, FVP Daniel Yu, SVP	<ul style="list-style-type: none"> o Asia Regional Seminar of International Commercial Cash Operations Seminar (ICCOS ASIA) o October 15-17, 2012; Makati Shangri La Plaza
Marlyn Pabrua, SVP	<ul style="list-style-type: none"> o BASEL III and Interface with IFRS Training o Balmori Room, Manila Peninsula Hotel
Senior Officers	<ul style="list-style-type: none"> o Transformational Leadership
Esperanza A. Gavieta, VP	<ul style="list-style-type: none"> o The Housing Finance Sec. after Fin. & Natural Calamities
Ricardo C. Ramos, OIC	<ul style="list-style-type: none"> o Budget Appropriation-PNB New York Compliance/ Operations Training
Winston L. Peckson, FVP	<ul style="list-style-type: none"> o The PERA law (R.A. No. 9505)
Emmanuel German Plan, SVP	<ul style="list-style-type: none"> o Home Guaranty Corporation
Josephine E. Jolejole, VP	<ul style="list-style-type: none"> o 2nd Annual REIT Asia Pacific Philippines Summit 2010

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (updated – 2014)

Name of Directors	Date of Training	Program	Name of Training Institution
2014			
Florencia G. Tarriela	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Felix Enrico R. Alfiler	November 26, 2014	Corporate Governance Seminar	The Institute of Corporate Directors
Florido P. Casuela	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Joseph T. Chua	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Leonilo G. Coronel	March 6 and 7, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Reynaldo A. Maclang	November 26, 2014	Corporate Governance Seminar	The Institute of Corporate Directors
Estelito P. Mendoza	September 19, 2014	Corporate Governance Seminar	SGV
Federico C. Pascual	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Cecilio K. Pedro	June 05, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Washington Z. Sycip	April 1, 2014	Corporate Governance Enhancement Session on Corporate Governance Requirements Under US Laws and Regulations	PLDT - Corporate Governance Seminar conducted by the Chief Corporate Governance Officer
Harry C. Tan	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Dr. Lucio C. Tan	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Lucio K. Tan, Jr.	October 21, 2014	Corporate Governance Seminar	Risk, Opportunities, Assessment and Management (ROAM), Inc.
Michael G. Tan	August 19, 2014	Distinguished Corporate Governance Speaker Series	The Institute of Corporate Directors
Deogracias N. Vistan	November 26, 2014	Corporate Governance Seminar	The Institute of Corporate Directors
Christopher J. Nelson	February 5, 2014	Distinguished Corporate Governance Speaker Seminar	Institute of Corporate Directors
2013			
Florencia G. Tarriela	February 13, 2013	Whole Brain Leadership Workshop	Institute of Corporate Directors
Florido P. Casuela	February 13, 2013	Whole Brain Leadership Workshop	Institute of Corporate Directors
	February 8, 2013	Breakfast Roundtable	Institute of Corporate Directors
Omar Byron T. Mier	February 13, 2013	Whole Brain Leadership Workshop	Institute of Corporate Directors

Christopher J. Nelson	June 17 and October 16, 2013	Breakfast Roundtable	Institute of Corporate Directors
	November 15, 2013	Annual Working Session	Institute of Corporate Directors
Harry C. Tan	February 13, 2013	Whole Brain Leadership Workshop	Institute of Corporate Directors
2012			
Florencia G. Tarriela	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
	November 23, 2012	November 23, 2012	Updates to New AML-CFT LAWS
Florido P. Casuela	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP
Reynaldo A. Maclang	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP
Estelito P. Mendoza	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
Washington Z. Sycip	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP
John G. Tan	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP
Lucio C. Tan	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP
Lucio K. Tan, Jr.	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP
Deogracias N. Vistan	March 1-2, 2012	Orientation Course on Corporate Governance	Institute of Corporate Directors
	November 23, 2012	Updates on New AML-CFT Laws	AMLC Secretariat – BSP

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-	Covered	Covered	Covered	Personal Investment Policy, Manual of Policies*, Sec. 2211 Confidentiality

public Information				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? (updated – 2014)

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

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. (updated – 2014)

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.

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

- 4) Related Party Transactions

- (a) Policies and Procedures (updated – 2014)

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>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.</p> <p>For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.</p> <p>The RPT accounts are discussed, evaluated and endorsed by the BORC for approval of the Board. Any member of the Board who is a director of the RPT account does not participate during the discussion and abstain during the voting on the account.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(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	<p>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</p>
Group	

	<p>arise when a Director, or a member of his family, receives improper personal benefits as a result of his position in the Bank.</p> <p>Any 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.</p> <p>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; or (3) that bank is contemplating a transaction of any kind that would have a material effect on a particular company or security.</p>
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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

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None that the company is aware of.	Not Applicable	Not Applicable

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in

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

amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The Bank has adopted various communication systems to allow its stockholders and third parties, including regulatory authorities, to exercise their rights and communicate their concerns/queries to the Bank. The contact details of the Office of the Corporate Secretary and the stock transfer agent of the Bank are posted in the Bank's website for the easy reference of shareholders. The Bank also posts its contact details for customer care and third parties in the main page of the website. For regulatory issues, the Bank follows the procedure set forth by the concerned regulators.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

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 (updated – 2014)

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended
Chairman/Independent Director	Florencia G. Tarriela	May 27, 2014	22	22
Vice Chair/Independent Director	Felix Enrico R. Alfiler***	May 27, 2014	22	11
Member	Florido P. Casuela	May 27, 2014	22	21
Member	Joseph T. Chua*	May 27, 2014	13	12
Member	Leonilo G. Coronel	May 27, 2014	22	22
Member	Reynaldo A. Maclang	May 27, 2014	22	22
Member	Estelito P. Mendoza	May 27, 2014	22	14
Independent Director	Federico C. Pascual*	May 27, 2014	13	13
Independent Director	Cecilio K. Pedro**	May 27, 2014	19	16
Member	Washington Z. Sycip	May 27, 2014	22	17
Member	Harry C. Tan	May 27, 2014	22	17
Member	Lucio C. Tan	May 27, 2014	22	16
Member	Lucio K. Tan, Jr.	May 27, 2014	22	13
Member	Michael G. Tan	May 27, 2014	22	19
Independent Director	Deogracias N. Vistan	May 27, 2014	22	22

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

** Elected on February 28, 2014

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

- 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? (new update)

Yes. The board members have independent access to Management and the Corporate Secretary to enable the directors have complete information about matters to be taken up during or after their meeting.

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

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

- (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 Manual of Regulations for Banks (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) Monitor the Directors' compliance with the attendance requirements, and 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

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.

- a. Ascertain the identity and citizenship of the transferee, voting trustee, or proxy of voting shares of stock of the bank, and require them to submit or disclose such documents and information relative to their stockholdings or any voting trust arrangements thereto;
- b. Require the transferee, voting trustee, proxy of voting shares of stock to disclose all information with respect to persons related to them within the fourth degree of consanguinity or affinity where they have controlling interest, and the extent thereof;
- c. Require the transferee or recipient of voting shares of stock to execute an affidavit stating, among other things, that the transferee or recipient of voting shares of stock is a bona fide owner of the said shares of stock, and that he/she acknowledges full awareness of (a) the prohibition against ownership of voting shares of stock in excess of the ceilings and/or (b) the requirement for prior Monetary Board approval for transactions resulting to significant ownership of voting shares of stock of a bank by any person, as provided in Subsec. X126.2 of the MORB and such other rules and regulations of the regulatory agencies, as may be amended from time to time;
- d. Promptly inform stockholders (a) who have reached any of the ceilings prescribed by laws/BSP regulations of their ineligibility to own or control more than applicable ceiling or (b) who would own voting shares of stock requiring prior Monetary Board approval;
- e. Disclose the ultimate beneficial owners of bank shares held in the name of Philippine Central Depository (PCD) Nominee Corporation in the annual (or quarterly whenever changes occur) report on Consolidated List of Stockholders and their Stockholdings (BSP 7-16-11), which report shall be made under oath by the corporate secretary;
- f. Submit financial statements, list of certain stockholders together with their stockholdings, as well as such other reports as prescribed/required by the regulatory agencies;
- g. Disclose any material transactions, events and information as required under the rules and regulations of the regulatory agencies;
- 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 committee meetings (Board Credit and Policy Committee and Board Credit Committee) 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 Revised 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
Board Credit and Policy Committee	The respective committee secretariats send the materials to the members at least two days before the meeting. The directors have meet with Management should they require additional information.
Board Credit Committee	
Board Audit and Compliance Committee	
Corporate Governance/ Nomination/ Remuneration Committee	
Risk Oversight Committee	
Trust Committee	
Board ICAAP Steering Committee	
Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries	
Board Oversight RPT Committee	
Board I.T. Governance Committee	

6) External Advice

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

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

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: (updated – 2014)

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
Manual on Signing Authority (MSA) - Branch Operations	Annual review/revision of approving authorities for Branch Operations	To facilitate approval of transactions in the branches for the integrated management of Merged Bank branches
Amendments to the approving limits of Board CreditCom and Board CPC	Revised the approving limits of Board CreditCom and Board Credit and Policy Committee (Board CPC)	To facilitate the approving limits of Board CreditCom and Board CPC under the Merged Bank
Revised Policy on Sure Home Loan Program	I. Amendments to the basic policies, implementing guidelines and approving authorities of the Sure Home Loan Program. II. Included a provision on the guidelines and required documentation in case the loan proceeds to be released is against the DOU of an accredited real estate developer.	To simplify and update the program features as well as to align some provisions with the Policy on Home Flexi Loan Program and Motor Vehicle Loan Program
Guidelines on Booking and Valuation of Real and	Included guidelines for booking and valuation of ROPA properties under Generally Accepted Accounting	Board approved new policy guidelines on booking of ROPA as part of the ROPA strategy

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

	otherwise known as the “Solo Parents’ Welfare Act of 2000”.	
Policy on Hazard Pay	For rank and file employees, including those on probationary status, who are designated to perform cash/deposit pick-up/delivery and ATM off-site cash loading/servicing.	
PNB Car Plan for Officers	The PNB Officers’ Car Plan involves the acquisition by the Bank of brand new motor vehicles for the purpose of leasing them out to qualified officers over a period of five (5) years, thru financing arrangement, with the officer’s option to purchase the said leased vehicle upon expiration of the lease term, as the case may be.	

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

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

Remuneration Scheme	Date of Stockholders' Approval
There has been no proposal on remuneration for directors presented to the stockholder for approval in the Annual Stockholders' Meetings held for the years 2012-2014. As of present, the directors do not receive any compensation apart from per diems.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: (new update)

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	-	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	-	₱31,955,000.00	₱12,370,000.00
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
Total		₱31,955,000.00	₱12,370,000.00

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		₱12,052.60	₱4,042.60
(f) Hospitalization Plan		₱144,409.19	₱57,606.45
(g) Car Plan	-	-	-
(h) Others (Specify)	-	-	-
Total		₱156,461.79	₱61,649.05

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: (new update)

Name of Officer/Position	Total Remuneration
Audencial, Cenon, Jr. C.; Cebrero, Horacio III E.; Dobles, Christopher C.; Hernandez, Jovencio D.	₱62,732,064.00*

* Inclusive of the remuneration of the President

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board: (updated – 2014)

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

(*) *Ex-officio members*

BOARD COMMITTEES' FUNCTIONS/KEY RESPONSIBILITIES AND POWER/AUTHORITY:

A. BOARD CREDIT AND POLICY COMMITTEE (Board CPC) (updated – 2014)

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

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.

B. BOARD CREDIT COMMITTEE (Board CreditCom)

Function/Power/Responsibilities: The Board CreditCom has the authority to review, discuss, note, endorse and/or approve Management pre-clearances, recommendations, updates and reports on credit matters and provide the bank the flexibility to respond to time-sensitive matters as well as facilitate the approval of certain corporate actions within the authority limits determined by the Board. It shall also perform other functions and duties as the Board may confer upon it.

C. BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

Function: The Board Audit and Compliance Committee 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 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 an on-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 of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the BACC.

D. 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.

E. RISK OVERSIGHT COMMITTEE (ROC)

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

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

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

Operational and Legal Risks

1. Approve the basic structure of the framework for managing operational risk (i. e., arising from process, system, people and external event), which includes legal risk.
2. Mandated to be aware of the major aspects of the Bank's operational and legal risks, it shall: (a) Review, on continuing basis, operational and legal risk exposures and loss events by major business lines; and (b) Oversee the effective resolution, management and control of the Bank's operational and legal risk.
3. Assume an oversight role through the 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.

F. 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.”

G. 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.

H. BOARD OVERSIGHT COMMITTEE – DOMESTIC & FOREIGN OFFICES/SUBSIDIARIES (updated – 2014)

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

Key Responsibilities and Power/Authority:

1. To provide oversight on the business plans, initiatives, overall business operations and regulatory compliance of the domestic subsidiaries and overseas offices to include foreign branches, subsidiaries, marketing desk offices and representative offices.
2. To establish the strategic objectives and the business priorities for the domestic subsidiaries and overseas offices that needs to be regularly communicated throughout the domestic subsidiaries and overseas offices. This will include the evaluation and approval of the Bank’s short term, medium term and long term strategic plans and the supporting schedules as components of the major plans and key activities. On periodic basis, the Committee will require the re-forecasting of financial budgets/plans, capital/equity investments, contingency plans and significant changes in market positioning, budgets and re-alignment of the ICAAP Programs for specific business entities.
3. To supervise the formulation of policy guidelines and procedures to ensure the quality of compliance and risk management of the different business legal vehicles by focusing on key risk areas that require closer supervision by the Board and implementation of timely effective corrective actions and/or plans by senior management.
4. To conduct periodic financial performance and management profitability reviews and be informed of market and economic developments and changes in laws and regulatory environment for each of the domestic and overseas business legal vehicle, in coordination with the respective entity Board of Directors, other board committees and senior management group heads that provide oversight support to the domestic subsidiaries and overseas offices.

5. To review and approve business models/licenses, product programs, operations policy and procedures manuals, IT systems and developments, major marketing tie-ups/programs.
6. To review and evaluate qualification of key personnel recommended to be hired or appointed for the domestic subsidiaries and overseas offices as well as those nominated to positions requiring the confirmation of the Board of Directors, and formulate policies for the continuing education of key officers in domestic subsidiaries and overseas offices, their assignment to management committees and the succession planning for the domestic subsidiaries and overseas offices senior management.

I. BOARD OVERSIGHT RPT COMMITTEE (updated – 2014)

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

Key Responsibilities and Power/Authority:

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

J. BOARD I.T. GOVERNANCE COMMITTEE (updated – 2014)

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

Key Responsibilities and Power/Authority:

1. Oversee the development of the long-term and short-term Enterprise IT Strategic Plans.
2. Ensure that IT laws, IT regulatory guidelines and IT corporate standards are considered in the proper and effective implementation of IT risk management policies and procedures.
3. Endorse IT related plans, IT policy guidelines and procedures to the Board for approval.
4. Review new projects that require any IT hardware, software, maintenance support and services, and endorse the needed budget for final approval by the Board.
5. Review and approve the renewal of IT contracts that are part of the overall IT budget.
6. Has oversight of the IT Risk Management System.
7. Review and endorse for approval of the Board the Enterprise IT Strategic Plans of the Parent Bank, its subsidiaries and affiliates.
8. Evaluate and endorse for approval of the Board the IT Organizational Structure of the PNB Parent Bank and related entities belonging to the PNB Group - foreign branches, domestic and foreign subsidiaries and affiliates.
9. Review and endorse for approval of the Board the IT Risk Assessment of the PNB Group and its member entities.

10. Review and endorse for approval of the Board IT policy guidelines and implementing procedures in related to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices;
11. Review and inform the Board in a timely manner critical IT Projects and approve necessary IT budgets (within Php5.0M limit) to support business plans and priorities. (Items beyond Php5.0 Million shall be endorsed to Board Credit and Policy Committee (BCPC) for approval).
12. Oversee that IT Project proposals are consistent with the overall IT Strategic Plans.
13. Monitor the IT Group performance, IT Projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities.

2) Committee Members (updated – 2014)

(a) Board Credit and Policy Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	July 17, 2012	68	2.4 years
Vice Chair (ID)	Florencia G. Tarriela	May 29, 2001	68	13.6 years
Member (ED)	Reynaldo A. Maclang	Feb. 9, 2013	68	1.8 years
Member (NED)	Harry C. Tan	Feb. 9, 2013	68	1.8 years
Member (NED)	Lucio K. Tan, Jr.	May 29, 2008	68	6.6 years
Member (NED)	Michael G. Tan	Feb. 9, 2013	68	1.8 years
Member (ID)	Deogracias N. Vistan	May 29, 2012	68	2.6 years
Alternate Member (NED)	Florido P. Casuela*	May 28, 2008	68	6.6 years

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

(b) Board Credit Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Florido P. Casuela	Feb. 9, 2013	46	1.8 years
Vice Chair (ED)	Reynaldo A. Maclang	Feb. 9, 2013	46	1.8 years
Member (NED)	Harry C. Tan	Feb. 9, 2013	46	1.8 years
Member (NED)	Michael G. Tan	Feb. 9, 2013	46	1.8 years
Member (NED)	Leonilo G. Coronel*	May 27, 2014	30	0.6 year
Member (NED)	Joseph T. Chua*	May 27, 2014	30	0.6 year
Member (ID)	Federico C. Pascual*	May 27, 2014	30	0.6 year

* Elected on May 27, 2014

(c) Board Audit and Compliance Committee (BACC)

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	August 1, 2011	18	3.4 years
Member (ID)	Felix Enrico R. Alfiler	May 27, 2014	10	0.6 year
Member (NED)	Florido P. Casuela	June 25, 2010	18	4.5 years
Member (ID)	Federico C. Pascual	May 27, 2014	10	0.6 year
Member (NED)	Harry C. Tan	May 27, 2014	10	0.6 year

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.

Disclose the profile and qualification of the Audit Committee members.

Deogracias N. Vistan, 70, Filipino, was elected as an Independent Director of the Bank on August 1, 2011. He obtained his Bachelor of Arts and Bachelor of Science degrees in Business Administration from the De La Salle University and earned his Masters in Business Administration from Wharton Graduate School. Mr. Vistan's extensive banking experience includes being Chairman of United Coconut Planters Bank (2003-2004), Vice Chairman 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 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 an Independent Director of PNB Capital and Investment Corporation and PNB International Investments Corporation. He is also a member of the Board of Directors of Lorenzo Shipping Corporation and U-Bix Corporation. He is the Chairman of Creamline Daily Corporation and Pinoy Micro Enterprise Foundation. He is currently a member of the Board of Trustees of the Ramon Magsaysay Award Foundation and Landbank Countryside Development Foundation, Inc.

Felix Enrico R. Alfiler, 65, Filipino, was elected as Vice Chairman/Independent Director of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently the Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and an Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts. In the private sector, Mr. Alfiler was an Advisor at Lazaro Tiu and Associates, Inc., President of Pilgrims (Asia Pacific) Advisors, Ltd., President of the Cement Manufacturers Association of the Philippines (CeMAP), Board Member of the Federation of Philippine Industries (FPI), and Vice President of the Philippine Product Safety and Quality Foundation, Inc. and Convenor for Fair Trade Alliance.

Florido P. Casuela, 73, 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 the Chairman of PNB Securities, Inc. He is also a Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd. and Surigao Micro Credit Corporation. He is a Senior Consultant of the Bank of Makati, Inc. and a Director of Sagittarius Mines, Inc. as well as its subsidiaries, namely: Hillcrest, Inc., where he is also the President, and Pacificrim Land Realty Corporation, where he is the Chairman. He is a Trustee of the LBP Countryside Development

Foundation, Inc. He was formerly the President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation. He was also a Senior Executive Vice President of United Overseas Bank (Westmont Bank), Executive Vice President of PDCP (First Bank), Senior Vice President of Philippine National Bank, First Vice President of Bank of Commerce and Vice President of Metropolitan Bank & Trust Co. Mr. Casuela worked as a Special Assistant to the Chairman of the National Power Corporation and an Audit Staff of Joaquin Cunanan, CPAs. He also held various positions and was a Senior Adviser in the Bangko Sentral ng Pilipinas.

Federico C. Pascual, 72, Filipino, was elected as Independent Director of the Bank on May 27, 2014. He obtained his Bachelor of Laws degree from the University of the Philippines. He took his Masters of Laws, Corporate and Labor Laws in Columbia University. Presently, he is the Chairman/Independent Director of PNB General Insurers Co., Inc. and Independent Director of PNB International Investments Corporation and PNB Holdings Corporation. He is the President/Director of Tala Properties, Woldingham Realty, Inc. and Nineveh Development Corporation. He is also a Director of Global Energy Growth System and Apo Reef World Resort, the proprietor of Green Grower Farm, and a Partner of the University of Nueva Caceres in Bataan. Mr. Pascual was previously the President and General Manager of Government Service Insurance System and the President and CEO of Allied Banking Corporation (ABC). He worked with Philippine National Bank for twelve (12) years in various capacities, including as Acting President, CEO and Vice Chairman. Mr. Pascual previously served as the President and Director of Philippine Chamber of Commerce and Industry, Chairman of National Reinsurance Corporation and PNOC-AFC, co-Chairman of the Industry Development Council of the Department of Trade and Industry, and Treasurer of BAP-Credit Guarantee. He was also a Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation and Certified Data Centre Professional. He is active in various professional and social organizations.

Harry C. Tan, 68, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of Allied Banking Corporation (ABC) since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Bulawan Mining Corporation and a Director of PNB Management Development Corporation, PNB Savings Bank, Allied Commercial Bank and PNB Global Remittance and Financial Company (HK) Limited. He is also the Chairman of the Air Philippines Corporation and the President of Century Park Hotel and Landcom Realty Corporation. He is the Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Tanduay Distillers, Inc., Belton Communities, Inc., and Eton City Inc. He is also the Vice Chairman and Treasurer of LT Group, Inc. He is the Managing Director/Vice Chairman of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominion Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Tobacco Recyclers Corporation, Basic Holdings Corporation, Pan Asia Securities Inc., Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Asian Alcohol Corporation, REM Development Corporation, Tanduay Brands International Inc., Foremost Farms, Inc., Grandspan Development Corporation, Manufacturing Services and Trade Corporation, PAL Holdings, Inc., and Philip Morris Fortune Tobacco Corporation, Inc. He is also the Chairman for the Tobacco Board of Fortune Tobacco International 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.

(d) Corporate Governance Committee*

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	Sept. 27, 2013	14	1.3 years
Member (ED)	Reynaldo A. Maclang	Jan. 16, 2014	14	0.9 year
Member (ID)	Federico C. Pascual*	Oct. 16, 2014	2	0.2 year
Member (NED)	Lucio K. Tan, Jr.	Feb. 9, 2013	14	1.8 years
Member (NED)	Michael G. Tan	Feb. 9, 2013	14	1.8 years
Member (ID)	Florencia G. Tarriela	May 24, 2005	14	9.6 years
Member (ID)	Deogracias N. Vistan	July 15, 2011	14	3.4 years

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

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

(e) Risk Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Florido P. Casuela	May 30, 2006	16	8.6 years
Member (NED)	Joseph T. Chua	May 27, 2014	7	0.6 year
Member (NED)	Leonilo G. Coronel	Sept. 27, 2013	16	1.3 years
Member (NED)	Harry C. Tan	Feb. 9, 2013	7	1.8 years
Member (ID)	Florencia G. Tarriela	May 29, 2001	16	13.6 years

(f) Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	May 27, 2014	6	0.6 year
Member (ID)	Cecilio K. Pedro	May 27, 2014	6	0.6 year
Member (ID)	Florencia G. Tarriela	May 27, 2014	6	0.6 year
Ex-Officio Member	Reynaldo A. Maclang	May 27, 2014	6	0.6 year
Ex-Officio Member	Josephine E. Jolejole	June 15, 2013	9	1.5 years

(g) Board ICAAP Steering Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Michael G. Tan	Feb. 9, 2013	1	1.8 years
Member (NED)	Florido P. Casuela	Dec. 10, 2010	2	4.0 years
Member (ED)	Reynaldo A. Maclang	Feb. 9, 2013	2	1.8 years
Member (ID)	Florencia G. Tarriela	Dec. 10, 2010	2	4.0 years
Member (ID)	Deogracias N. Vistan	July 15, 2011	2	3.4 years

(h) Board Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 29, 2012	12	2.6 years
Member (ID)	Felix Enrico R. Alfiler	May 29, 2012	12	2.6 years
Member (NED)	Joseph T. Chua	May 27, 2014	12	0.6 year
Member (NED)	Leonilo G. Coronel	Sept. 27, 2013	12	1.3 years
Member (ID)	Federico C. Pascual	May 27, 2014	12	0.6 year

(i) Board Oversight RPT Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (ID)	Federico C. Pascual ^{1/}	May 27, 2014	10	0.6 year
Member (ID)	Felix Enrico R. Alfiler ^{2/}	Sept. 27, 2013	16	1.3 years
Member (ID)	Deogracias N. Vistan	Sept. 27, 2013	16	1.3 years
Alt. Member (ID)	Florencia G. Tarriela ^{3/}	Sept. 27, 2013	16	1.3 years
Non-voting Member	Alice Z. Cordero	Dec. 20, 2013	16	1.0 year
Non-voting Member	Dioscoro Teodorico L. Lim	Dec. 20, 2013	16	1.0 year

^{1/} Appointed as member effective May 27, 2014 and assumed as Chairman effective October 24, 2014

^{2/} On medical leave of absence since January 1, 2014.

^{3/} Appointed as alternate member for Dir. Alfiler effective May 27, 2014.

(j) Board IT Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	April 10, 2014	10	0.7 year
Member (NED)	Florido P. Casuela	April 10, 2014	10	0.7 year
Member (NED)	Joseph T. Chua	May 27, 2014	8	0.6 year
Member (ID)	Cecilio K. Pedro	May 27, 2014	8	0.7 year
Member (ID)	Florencia G. Tarriela	May 27, 2014	8	0.7 year

3) Changes in Committee Members (updated – 2014)

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

Name of Committee	Name	Reason
1. Board Credit and Policy Committee	Omar Byron T. Mier	Retired effective on May 27, 2014
	Christopher J. Nelson	Expiration of term as director
	Leonilo G. Coronel	Appointed as a member of another committee
	Florido P. Casuela	Appointed as a member of another committee
2. Board Credit Committee	Leonilo G. Coronel	Appointed as members effective on May 27, 2014
	Joseph T. Chua	
	Federico C. Pascual	
	Omar Byron T. Mier	Retired effective on May 27, 2014

3. Board Audit and Compliance Committee	Felix Enrico R. Alfiler	Appointed as members effective on May 27, 2014
	Federico C. Pascual	
	Harry C. Tan	
	Reynaldo A. Maclang	Appointed as ex-officio member of Trust Committee effective on May 27, 2014
	Florencia G. Tarriela	Appointed as a member of another committee
	Leonilo G. Coronel	Appointed as Chairman of another committee
	Estelito P. Mendoza	Appointed as a member of another committee
Christopher J. Nelson	Expiration of term as director	
4. Corporate Governance/ Nomination/ Remuneration Committee	Federico C. Pascual	Appointed as a member effective on October 16, 2014
	Estelito P. Mendoza	Resigned from the committee effective on October 16, 2014
5. Risk Oversight Committee	Joseph T. Chua	Appointed as members effective on May 27, 2014.
	Harry C. Tan	
6. Trust Committee	Leonilo G. Coronel	Appointed as Chairman effective on May 27, 2014
	Cecilio K. Pedro	Appointed as a member effective on May 27, 2014
	Florencia G. Tarriela	Appointed as members of another committee
	Reynaldo A. Maclang	
	Felix Enrico R. Alfiler	
	Harry C. Tan	
	Michael G. Tan	Retired effective on May 27, 2014
Omar Byron T. Mier		
7. Board ICAAP Steering Committee	Michael G. Tan	Appointed as Chairman effective on May 27, 2014
8. Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	Joseph T. Chua	Appointed as members effective on May 27, 2014
	Federico C. Pascual	
9. Board Oversight RPT Committee	Federico C. Pascual	Appointed as a member effective on May 27, 2014 and assumed as Chairman effective on October 24, 2014
	Deogracias N. Vistan	Appointed as a member effective on October 24, 2014
	Florencia G. Tarriela	Appointed as an alternate member effective on May 27, 2014 for duration of medical leave of absence of Director Alfiler
10. Board IT Governance Committee	Florencia G. Tarriela	Appointed as members effective on May 27, 2014
	Cecilio K. Pedro	
	Joseph T. Chua	

4) Work Done and Issues Addressed (updated – 2014)

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

Name of Committee	Work Done	Issues Addressed
Board Credit and Policy Committee	1. Reviewed, evaluated, approved and/or endorsed for Board approval credit lines and facilities for “current” clients,	Addressed concerns about – 1. exposures to group/conglomerate accounts

	<p>per credit policies and procedures, and the approval limits in the Manual of Signing Authority (MSA).</p> <p>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.</p> <p>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> <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 provided investment and/or risk limits for treasury or investment products.</p> <p>8. Approved expenses over P1,000,000.00.</p> <p>9. Approved/endorsed the setting of floor price/auction/sale of ROPOA</p>	<p>2. long-term exposure of the bank</p> <p>3. approved accounts which were booked but were not availed and the reasons for non-availment</p> <p>4. status of the NPLs and the big ticket items in the bank's ROPOA</p> <p>5. update on remedial accounts, ROPOA, etc. (except credit lines) which have been approved and which were not implemented</p> <p>6. policies of bank which may be causing unnecessary delays for the bank to be 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. monitoring of the renovation/ relocation of the branches</p> <p>8. report on all items, projects, plans, strategies and the like that were presented to and approved by the Board CPC or the Board but remain unimplemented</p> <p>9. reduction of non-performing assets</p> <p>10. identification of strength, weaknesses, opportunities and threats to the various business of the banks</p> <p>11. identification of opportunities in target industries</p>
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Board Credit Committee	<ol style="list-style-type: none"> 1) Approved/endorsed/disapproved credit transactions 2) Reviewed consumer banking portfolio 	<ol style="list-style-type: none"> 1) Credit worthiness of the borrower 2) Growth of portfolio 3) Monitoring of the consumer banking portfolio and account officer/relationship manager workload
Board Audit and Compliance Committee	All audit and compliance reports were discussed during the regular and special meetings. All open issues were tracked and documented in the minutes of meeting of the BACC until closure.	
Corporate Governance/ Nomination/Remuneration Committee	<ol style="list-style-type: none"> 4) Nomination to the PNB Board 5) Review/amendment/approval of policies of the Bank relating to personnel. 6) Launching of Ideas in Action Program (PNB employee suggestion program 7) Corporate Social Responsibility Program of the Bank 8) Approval of the proposed Charter of Board Overseas Offices Oversight Committee 	<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>The Bank aspires to live up to the trust and regard it has been bestowed upon by the Filipino people. One of the ways the Bank intends to do this is by being a good and responsible corporate citizen.</p> <p>The Bank's Corporate Social Responsibility (CSR) policy is manifested through the following strategic thrusts: (a) empowering Filipinos through education; (b) protecting the environment; and (c) commitment to philanthropic initiatives.</p> <p>It's CSR goals and programs are embodied in a framework that promotes shared responsibility and therefore focuses on building partnership and linkages.</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>9) Approval of hiring/appointment/ extension/ promotion of personnel</p> <p>10) Approval of the amendments on bank policies on benefits of officers and staff</p> <p>11) Purchase of Directors and Officers (D & O) Liability Insurance</p>	<p>With no objections raised, the Committee approved/endorsed the hiring/appointment/ extension/promotion of personnel to the Board for approval.</p> <p>The alignment of PNB's existing benefits (Service Awards, Beareavement 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>The new insurance policy will complement the existing liability insurance fund maintained in a trust fund for the directors and officers with specific ranks and mitigate some of the risks due to the increase in the size of the business of the Bank.</p>
<p>Risk Oversight Committee</p>	<p>Accomplished processes and policies Board-approved are as follows:</p> <ul style="list-style-type: none"> ▪ Conducted Rapid Loan Portfolio on El Niño Phenomenon, Global Ebola Scare and carried out stress testing on Real Estate and Decreasing Trend in Oil Price. <p>Highlights of endorsements forwarded for Board approval are as follows:</p> <ul style="list-style-type: none"> ▪ Use of the Merged Deposits Assumptions for % Core and Volatile Deposits using enhanced statistical model in the Maximum Cumulative Outflow (MCO) report/ Liquidity Gap Report ▪ 2014 Treasury Value-at-Risk and Stop Loss Limits ▪ Earnings-at-Risk (EaR) Limit for the Bank <ul style="list-style-type: none"> - Increase the EaR limit to Php4.0B from the current Php3.83B (merged Bank 1+1); - Reckon the EaR limit against a 350 bps potential change in yields across one- 	<p>The ROC had provided directives and resolutions on a number of issues that raise risks on the Bank's credit and market positions and overall operations as enumerated below:</p> <ul style="list-style-type: none"> ▪ The Committee was able to formalize the lending direction of the Bank in tapping the Real Estate sector. A) Residential Real Estate Loans – granted to individual households for the acquisition, construction and/ or improvement of housing units and acquisition of any associated land that is or will be occupied by the borrower. B) Developer Financing – Loans or investment granted to Real Estate developers for project finance, general working capital and other purposes as may be required. ▪ Increased risk oversight of the Committee to the Bank's domestic and overseas subsidiaries. The Committee has instructed all ROCs, or its equivalent, of all subsidiaries to inform the ROC-Parent about the highlights of their risk indicator and monitoring reports on Credit, Market and Operational Risk. ▪ Directed the management to immediately address the issue of Bank's use of Lotus Notes licenses. The Zimbra

	<p>year benchmark interest rates per tenor bucket which is the observed average month-on-month change in yields;</p> <ul style="list-style-type: none"> - Change in the treatment of Regular Savings Account (Volatile portion) to interest-sensitive account (from non-interest rate sensitive account); - Adopt a merged Bank methodology of determining the Bank's EaR Limit <ul style="list-style-type: none"> ▪ Long Term Repurchase Transaction <ul style="list-style-type: none"> - Approval to source longer term dollar funds via Long-Term-Repurchase (LT Repo) facilities being offered by counterparties; - Set-up of Long-Term Credit Facility for prospective LT Repo counterparties to be carved out from existing Money Market lines in coordination with Financial Institutions Division (FID); - Set-up of overall Repurchase Facility limit of US\$ 300M with sublimit for LT Repo of US\$ 100M in coordination with Risk Management Group; ▪ Additional Authorized signatory/ies for the Uniform Stress Testing submitted to BSP ▪ Tier 3 Sub Policies as part of the Enterprise Information Security Policies. This will help in achieving the core objective of information security which is protecting the confidentiality, integrity and availability of the Bank's information assets. These high level security policies are based on ISO 27000 series of internationally-accepted information security and risk management standards, related laws and regulations. 	<p>project was fully implemented to PNB Makati by first week of 2015. The Bank is expected to be fully complied on its email license issues by end of January 2015.</p> <ul style="list-style-type: none"> ▪ The Committee noted the Bank's high credit card stand-in (STIP) figures for several periods and directed the Credit Card Division and relevant units to do the necessary actions to keep the statistics within the acceptable level. The recent Bank's STIP numbers showed that they have been well within the set limit. ▪ Directed PNB Gen to conduct a review on everything that was done by its previous management to uncover other issues or deviations that may result to material losses. The subsidiary President has pledged that they have been strengthening their risk management process and teamed up with the Bank's Internal Audit Group to also fortify their audit activities.
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 	

	<p>and discretionary accounts.</p> <p>3) Approval of the launch of the PNB Institutional Fund UITF launched in February 2014. Asset Under Management (AUM) as of October 2014 is at Php5.09Billion.</p> <p>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.</p> <p>5) Approval of various product manuals in compliance with the requirements of the bank and regulations (Pre-need, Auto Invest Plan, PNB Institutional Fund, Pinnacle Club Service and UITF Online Manual, TBG Risk Manual).</p> <p>6) Review and approval of relevant policies and procedures in compliance with regulatory observations, ensuring that operating standards are in place (e.g., 2014 Compliance Plan and Training Program, 2014 TBG Money Laundering & Terrorist Financing Prevention, User Access Matrix and revision of the Manual of Signing Authority for UITF allowing branch heads to sign in the Participating Agreement).</p> <p>7) Review and approval of transactions by and between trust accounts to fund withdrawal of clients and realign the portfolio in accordance with the funds' strategy/guidelines.</p> <p>8) Approval of various marketing initiatives and promotions to push Trust Products and services both to clients and branches (i.e. cash incentive and referral program and UITF Online Raffle Promo).</p> <p>9) Conduct of regular meetings to ensure that trust activities are conducted in accordance with applicable laws, rules and regulations and prudent practices.</p>	
Board ICAAP Steering Committee	<ol style="list-style-type: none"> 1. Oversight on the review and approval of the Bank's capital planning and risk assessment policies 2. Overall assessment and active oversight on the implementation of the Bank's Board-approved ICAAP 	Provides suggestions and resolutions relative to the BSP Observations and Recommendations on the ICAAP Document
Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	<ol style="list-style-type: none"> 1. Reviewed & monitored the monthly performance of the domestic subsidiaries and overseas offices 2. Recommended strategies/action plans to improve business operations and reduce the losses of the domestic subsidiaries and overseas offices 3. Recommended the development and pushed for the implementation of new remittance products & services and remittance channels 4. Required domestic subsidiaries and overseas offices to reduce operating expenses and instituted cost-saving measures 5. Recommended new business models/ marketing programs and other business building initiatives for the domestic subsidiaries and overseas 	To address the performance/ profitability of the domestic subsidiaries and overseas offices

	offices 6. Oversee that all domestic subsidiaries and overseas offices are compliant to all regulatory requirements	
Board Oversight RPT Committee (BORC)	Related party transactions were deliberated, approved/noted by BORC; endorsed to the board; and documented in the minutes per Board approved policies and procedures.	Complied with the SEC and BSP rules and regulations on RPT.
Board IT Governance Committee	<ol style="list-style-type: none"> 1. Review and endorsed for Board approval IT policy guidelines and implementing procedures relative to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices. 2. Reviewed and informed the Board in a timely manner critical IT Projects and endorsed approval of necessary IT budgets to support business plans and priorities; 3. Monitored the IT Group performance, IT projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities; 4. Reviewed and monitored significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews. 	

5) Committee Program (updated – 2014)

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
Board Credit and Policy Committee	<p>Quarterly management profitability reporting</p> <p>Reports on various industries</p>	<p>Regular assessment of the Bank's performance.</p> <p>Continued search for opportunities in the target industries of the Bank for deeper penetration and identification of risk</p>
Board Credit Committee	Semi-annual review of portfolio	Monitoring of the consumer banking portfolio and identification of strengths, weaknesses, threats and opportunities
Board Audit and Compliance Committee (BACC)	<p>The BACC holds regular monthly meetings to review and approve Compliance and Internal Audit Reports. Special meetings are held to discuss quarterly financial statements submitted to regulators.</p> <p>The BACC invites business resource persons or subject matter experts to participate in the meetings, as necessary, primarily to provide comprehensive reports and guidance to significant issues the BACC is confronted with.</p>	
Corporate Governance/ Nomination/Remuneration Committee	Corporate Governance Seminar	All board members, especially those who are new and have not yet attended one, and key senior officers are enjoined to attend corporate governance seminars/

	Institute of Corporate Directors (ICD) Programs	<p>trainings at least once a year, in compliance with BSP requirement and SEC Memorandum Circular No. 20, Series of 2013.</p> <p>Right now, there are three (3) PNB board members and one (1) board advisor who are ICD Fellows. The other board members are encouraged to attend these ICD Programs to strengthen the Bank's corporate governance.</p>
Risk Oversight Committee	Coordinates preparation of the annual ICAAP program submitted to BSP. Completion of Enterprise Information Security Policy. Endorses annual renewal of Risk Management Manuals, Policies on Procedures to further strengthen risk management practices of the bank enterprise wide. Harmonized risk management policy guidelines for critical risk management reports under the Merged Bank.	
Trust Committee	<p>Strengthened and enhanced the Risk Management and Compliance Systems. The bank has considered relevant banking laws, rules and regulations applicable to trust banking which are monitored through the RCSA Program including compliance with BSP Circular 766 on Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business and Investment Management Activities.</p> <p>Strengthened Trust Operations based on 5 essential components (capability of Trust Operation Management, Adequacy of operations, controls and audits, quality and level of earnings, compliance and management of fiduciary assets) being considered by BSP to get an audit rating of 4 through the acquisition of a new Trust System."</p>	
Board ICAAP Steering Committee	<p>Ensured that the PNB Group ICAAP Program involved active oversight on domestic and foreign subsidiaries.</p> <p>Focused on the seamless implementation of the Capital Contingency Plan to address new BSP regulations and align with recent Basel III developments.</p>	Implemented a well-defined Capital allocation for the subsidiaries aligned with Board approved Business Plans.
Board Oversight Committee – Domestic & Foreign Subsidiaries and Affiliates	<p>Expanded review & monitoring of monthly performance of oversea and domestic offices. Approved new strategic programs to further strengthen its operations to achieve long-term profitable operations via:</p> <ul style="list-style-type: none"> - New marketing programs, tools & strategies to sell PNB products & services supported by aggressive advertising. - Retention programs were approved to win back lost clients 	Rolled-out revenue generating programs and effectively reduced overhead expenses to achieve desired rate of return.

	<p>and deepen relationship with existing valued customers.</p> <ul style="list-style-type: none"> - New distribution channels for remittances through new technology i.e web-based. 	
Board Oversight RPT Committee	<p>Established a robust RPT framework to ensure proper monitoring of RPT dealings are approved per Board approved policy guidelines.</p> <p>Increased awareness of RPT policies and procedures and modified practices to align with new regulations.</p>	<p>Bank has fully adhered with the SEC/BSP regulation and enhanced practices to align with global best practices.</p> <p>Existing policies were modified to provide clearer guidelines and thresholds through issuance of RPT compliance bulletins.</p>

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the Bank: (updated – 2014)

The Bank places a high priority on risk management and has taken concrete steps to refine its framework for risk management, including the identification and control of the risks associated with its operational activities.

A sound, robust and effective enterprise risk management system coupled with global best practices were recognized as a necessity and are the prime responsibility of the Board and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB, while positioning PNB Group to manage the changing regulatory environment in an effective and efficient manner.

Strong independent oversight has been established at all levels within the group. The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business, dealing fairly with its clients, investors, stockholders, the communities affected by the Bank's various activities. The Bank espouses professionalism among the members of its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for the laws and regulations. The Bank practices a philosophy of rational checks and balances and adopts a structured approach to its operating processes.

The bank's Board of Directors has delegated specific responsibilities to various board committees which are integral to the PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively. There are ten (10) Board Committees as presented previously.

Board of Directors

Board Credit & Policy Committee (BCPC)
Board Credit Committee (BCC)
Corporate Governance Committee
Board Audit and Compliance Committee
Risk Oversight Committee
Board ICAAP Steering Committee
Trust Committee
Board Oversight Committee for Overseas & Domestic Subsidiaries and Branches (BOOC)
Board Oversight Related Party Transaction Committee (BORPTC)
Board IT Governance Committee

Figure 1: Board Level Committees

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

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

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

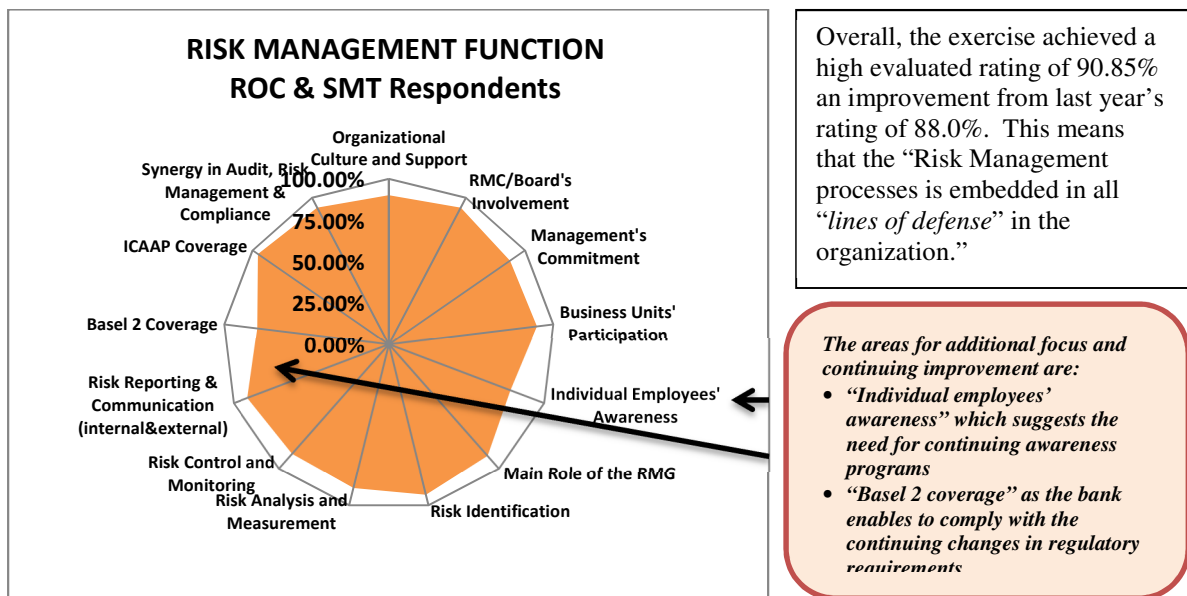


Figure 1: 2013 Overall Assessment of the Risk Management Function

Regular review and assessment of the Enterprise Risk Management Function is completed by both the senior management team and the Risk Oversight Committee members.

(c) Period covered by the review;

One year.

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

Annually.

Summary of RM Function Evaluation - 2014		
	Score	Assessment
Organizational Culture and Support	90.11%	Effective RM process in place
RMC/Board's Involvement	93.33%	Very Effective RM process in place
Management's Commitment	88.89%	Effective RM process in place
Business Units' Participation	90.00%	Effective RM process in place
Individual Employees' Awareness	78.26%	Effective RM process in place
Main Role of the RMG	89.61%	Effective RM process in place
Risk Identification	93.33%	Very Effective RM process in place
Risk Analysis and Measurement	89.17%	Effective RM process in place
Risk Control and Monitoring	88.01%	Effective RM process in place
Risk Reporting & Communication (internal & external)	91.30%	Very Effective RM process in place
Basel 2 Coverage	80.00%	Effective RM process in place
ICAAP Coverage	96.06%	Very Effective RM process in place
Synergy in Audit, Risk Management & Compliance	93.33%	Very Effective RM process in place
Average Rating	90.85%	Effective RM process in place

Figure 2: Summary of RM Function Evaluation

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

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 boards of directors and its delegated committees have the responsibility for managing the bank's overall strategies and objectives.
- Second, the bank works on the basis that risk taking decisions should always be made by a committee consisting of at least three persons, and not by one person alone, no matter how high he is in the organization.
- Third, the bank has policies and procedures in place to guide line management in actually originating, approving and managing these risks.
- Fourth, the Board Risk Oversight Committee is created by the PNB Board of Directors to assist the board to oversee the risk profile and approves the risk management framework of PNB and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

(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 includes 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	To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99%

	<p>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>confidence level and one-day holding period (equities and FX VAR) to ten day holding period for fixed income VAR.</p> <p>VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back-tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR mode</p>
Structural Market Risk	<p>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.</p>	<p>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 an assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.</p>
Liquidity and Funding Risk	<p>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 the availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations.</p>	<p>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 the 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.</p>
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> <ol style="list-style-type: none"> the risk tolerance and/or risk appetite; the required return on asset that the Bank expects to achieve; the adequacy of capital for credit risk. 	<p>The following credit risk management tools are in place:</p> <ol style="list-style-type: none"> 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. Stringent Credit Evaluation: Repayment capacity of prospective borrowers are evaluated using an effective

		<p>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.</p> <p>c) Reporting System: Effective Management Information System (MIS) are in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank in real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.</p> <p>d) Remedial Management System: A work-out system for managing problem credits is in place. This includes 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>c) Regularly Business Continuity Program must be set in place to ensure risks of unforeseen threats which can cause negative events / losses for the bank are mitigated</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> <p>c) The Bank's BCP must be tested to ensure personnel and technology readiness for activation when the need arises.</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</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 monitor the</p>

	strategy and people – it is difficult to sound the all clear. However, processes can make an institution vulnerable in other ways.	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 versus targets” sessions with and reported to the Board of Directors through regular management profitability reporting Sessions. In addition, the coordination between business sectors are done through regular meetings by the senior management team to ensure that overall business targets are continually revisited.
Business Environment Risk	<p>Banks tend to have the least control over this source of operational risk, yet it still needs to be managed. Business environment risk can arise from unanticipated legislative changes such as consumer affairs, physical threats such as bank robberies, terrorist attacks, natural disasters, and regulatory-required financial report changes, new or otherwise.</p> <p>New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more 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>	PNB 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. Furthermore, a Product Committee composed of senior managers has been convened and meets regularly to ensure that the business environment is closely monitored as to competition; and delivery channels and over all service are kept at acceptable levels.
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. 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 institutionalized and implemented the IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG dashboard prior to it being presented to the Risk Oversight Committee with following focused topics:</p> <ul style="list-style-type: none"> 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</p>

		Project Steering Committee to oversee the project's progress and to ensure that the project's objectives are achieved.
Information Security Risk	Enterprise Information Security Policies, the cornerstone of the Bank's information security management system, is a component of an effective Corporate Governance. This communicates Management's directives and support for PNB's information security programs and strategies. The high level security policies stated herein are based on International Organization for Standardization (ISO) 27000 series of internationally-accepted information security and risk management standards, related laws and regulations.	Adoption of globally accepted ISMS (Information Security Management System – in compliance with BSP Circulars and ISO mandated functions). Following domains are in place: 1. Organization of information security 2. Asset management security 3. Human resources security 4. Physical and environmental security 5. Communications and operations management security 6. Access control 7. Information systems acquisition, development and maintenance security 8. Information security incident management 9. Business continuity management 10. Information security compliance

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

(c) Minority Shareholders

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

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:

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

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

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

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

	<p>Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:</p> <p>a) the risk tolerance and/or risk appetite;</p> <p>b) the required return on asset that the Bank expects to achieve;</p> <p>c) the adequacy of capital for credit risk;</p>	<p>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.</p> <p>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.</p> <p>c) Reporting System Effective Management Information System (MIS) are in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.</p> <p>d) Remedial Management System Work-out system for managing problem credits are in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks; and regular review of the sufficiency of valuation reserves.</p> <p>e) Event-Driven Stress Testing Techniques are conducted to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review program is in place to quickly identify possible problem credits on account of evolving events both domestic and global. Results of the stress testing shows minimum impact and have no material effect to Bank's NPL ratio and CAR.</p>
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</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</p>

	for.	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	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:

	change in program, which end up being incorrectly tested prior to cut-over to production.	<ul 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	IS Risk is assessed as the unwanted or unintended negative impact or consequence to the bank as a result of exposure to vulnerability or threat to the bank's information assets.	<p>Adoption of risk mitigation and management tools as follows:</p> <ul style="list-style-type: none"> a) Regular Vulnerability and Penetration Testing b) Increased Risk Awareness Campaign c) Tight Data Protection and Incident Management Reporting & corresponding Resolution Program d) Consistent Patch Management Program to prevent External and Internal Attacks e) 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:

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

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Risk Oversight Committee (ROC)	<ul style="list-style-type: none"> a) Approval of risk limits such as Value at Risk limits, Stop loss limits, credit risk factors, liquidity gap limits, earnings at risk limit. b) Approval of risk manuals c) Review and notation of current risk exposures via the risk dashboards. 	<p>Functions: The BSP-mandated functions of the ROC are as follows:</p> <ul style="list-style-type: none"> a) Identify and evaluate exposures – The ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks

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

1) Internal Control System

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

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

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

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate: (updated – 2014)

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

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

(c) Period covered by the review:

One (1) year.

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

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

Not applicable. Review was conducted in 2014.

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
The Internal Audit Group is headed by the Chief Audit Executive (CAE) reporting directly to the Board Audit and Compliance Committee. The Internal Audit functions include assessment of internal controls and the recommendations to implement constructive measures to ensure adequate control. It is also tasked to support the Bank's risk management activities and corporate governance initiatives. The functions and responsibilities of the Internal Audit Group and the Chief Audit Executive		In-house	Dioscoro Teodorico L. Lim	Functionally reporting to the Board through the BACC and administratively to the President

<p>is covered by the audit charter and Internal Audit Manual which is revised and approved by the Board annually.</p> <p>The major functions that the Internal Audit Group performs are:</p> <ol style="list-style-type: none"> 1. Develop an audit charter, approved by both senior management and the audit committee, for the internal auditing activity. 2. Develop, along with management, an organization model that can be used to map major processes/operations for the purpose of identifying the organization's auditable units. 3. Develop a risk assessment methodology for the auditable entities identified in the model of major processes/operations. 4. Develop an audit plan based on the risk assessment and requests from management and get it approved by the board. 5. Work with senior management and the audit committee to establish a reporting relationship that will ensure that audit recommendations receive appropriate attention. 6. Establish a quality assurance and improvement program for the internal auditing activity that provides assurance that the internal auditing activity: a) performs in accordance with its charter; b) adheres to the Standards and the Code of Ethics; c) operates in an effective and efficient manner; and d) is perceived by the board and management as adding value and improving an organization's operations. 7. The internal audit function shall be established centrally by the parent bank (PNB) and shall have authority over the group (PNB and its Subsidiaries). PNB IAG shall define the internal audit strategies, methodology and scope for PNB and its BSP-supervised domestic and overseas Subsidiaries and branches. 8. For BSP-supervised Subsidiaries with established internal audit functions, the internal audit of said entities shall closely coordinate with PNB IAG to ensure consistent adoption of audit methodologies and alignment of strategies and scope. 			
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- (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? (updated – 2014)

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

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

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? (updated – 2014)

Yes. The IAG Charter states that:

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

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

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

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

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. (updated – 2014)

Name of Audit Staff	Reason
In summary, there were 35 additional auditors (32 newly hired and 3 transferees from other departments) while 26 auditors retired/resigned in 20142.	Turnover of auditors is considered a “normal attrition” scenario in a banking environment

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

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

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

State the internal audit's progress against plans, significant issues, significant findings and examination trends. (updated -2014)

Progress Against Plans	100.6% Accomplishment for 2014: 1,113 audits exceeding plan of 1,106
Issues⁶	None
Findings⁷	92.6% resolution rate
Examination Trends	<ul style="list-style-type: none"> • Regular Audits- • Spot Audits • Confirmation of Balances • Special Audits/Fraud Investigations/Request for Audit <p>The results of our internal control review and evaluation on operations of the bank units disclosed that the internal control environment of the Bank is considered effective as the units' ratings remained concentrated at Low Risk.</p>

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation." (updated – 2014)

Policies and Procedures	Implementation
Internal Audit Charter	Implemented. Based on the assessment of an independent validator, IAG "Generally Conforms" to the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the Definition of Internal Auditing.
Board Audit and Compliance Committee Charter	
Audit Risk Assessment	
Audit Planning and Monitoring of Accomplishment	
Pre-Engagement Activities	
Audit Fieldwork and Reporting of Results	
Audit Client Satisfaction Surveys	
Audit Sampling Methodology	
Audit Working Paper Preparation	
Audit Risk Rating System	
Internal and External Quality Assessment Reviews	
Monitoring of Outstanding Audit Issues	
Fraud Investigations	
Professional Development	
Consulting Activities	
Insourced Activities	
Performance Measures	

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.

(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): (updated – 2014)

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Internal Auditors' performance is governed by the provisions of the International Standards for the Professional Practice of Internal Auditing and BSP prescribed standards and regulations, particularly on rotation of auditors.</p>	<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>		
<p>Auditors are bound to carry out their functions in accordance with the Employee Discipline Policies and Procedures/Code of Conduct.</p>			
<p>Auditors shall not install nor develop policies and procedures, prepare reports, or execute activities that fall within the scope of its review.</p>			
<p>The Board Audit and Compliance Committee (BACC) shall have the sole authority to select, evaluate, appoint, dismiss, replace and re-appoint the External Auditors (subject to stockholder ratification) based on fair and transparent criteria such as (I) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC shall set compensation of the external auditor in relation to the scope of its duties and approve in advance all audit engagement fees and terms and all audit related tax compliance and all non-audit engagements with the External Auditors.</p>			

- (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 Customer Service Policy Guidelines under Circular No. 1-774/2006 which will govern the conduct and manner by which all personnel render customer service to bank clients following the office decorum, standard greetings and spiels, as well as common courtesy.	The Bank continues to update the Customer Service Policy Guidelines issued in 2006. Gen Cir. 2-1653/2008 sets the standard for Service Quality. It sets forth the guiding principles of customer service, the protocols to be followed and the procedures for handling complaints. Further enhancements to this standard were issued, namely, Gen Cir. 2-1740/2009 announcing the Customer Service Hotlines and merging all helpdesks and Gen Cir. 2-1803/2010 which refined the procedures when replying to customer inquiries and/or complaints.
Supplier/contractor selection practice (updated – 2014)	<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>	From among the list of accredited suppliers/contractors, Corporate Services Division (CSD) invites bidders to submit bids for a particular item/s to be procured. For purchases amounting to P5,000.00 and below, a telephone canvas is used; for over P5,000.00 but less than P50,000.00, a formal quotation is used; and for over P50,000.00, a sealed quotation is used. At least 3 bidders are gathered for each item purchased before an evaluation is made based on the terms of pricing and quality of goods/services offered, recommends to proper approving authority/ies (Heads of CSD/Heads of FAG/Bids and Awards Committee [BAC]/BCPC) the best complying bid/s and upon approval, award the transaction/s to the winning bidder/s.

Environmentally friendly value-chain	PNB participates in environmental protection projects of both the government and private sectors.	<ul style="list-style-type: none"> • 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	PNB gets involved in community/school/health/relief/calamity assistance project	<ul style="list-style-type: none"> • PNB Pagtutulungan ng Bayan outreach projects through distribution of relief goods • PNB Brigada Eskwela – volunteer work of employees to help prepare for school opening. • PNB Tan Yan Kee Philhealth Card Distribution Project – free health card for indigents
Anti-corruption programmes and procedures (updated – 2014)	<p>Under the Bank’s Whistleblower Policy (as amended), employees can report or complain internally any suspected or actual commission of theft/fraud, corruption, etc. The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.</p> <p>Policy on Soliciting and/or Receiving Gifts under Gen. Cir. 1-866/2013. Soliciting gifts/ donations/ sponsorship whether in cash or in kind from clients, suppliers and other business-related parties is strictly prohibited.</p>	<p>A whistleblower can submit a confidential report on suspected or alleged actual event/violation to any head of Corporate Security Group, Legal Group, Internal Audit Group or Human Resource Group using the Disclosure of Violation/Complain Form. The Head of such group shall gather details and information and validate and determine the scope and nature of the complaint and forward the complaint to the Head of Corporate Security Group for further evaluation and thereafter prepare an Incident/Preliminary Report and submit the same to the Admin Investigation Committee for appropriate disposition. The identity of the whistleblower or complainant must be kept in strict confidence.</p> <p>Employees may be allowed to receive gifts/ donations/ sponsorship/ financial assistance whether in cash or in kind from clients, suppliers, and other business-related parties, subject to reporting to HRG using the Gift List Form for worth P2,000.00 and above; and more than P5,000.00 must be turned over to HRG for donation to any legitimate charitable institution. To instill professionalism, superiors/bosses are encouraged to return or decline gifts from subordinates with value of more than P2,000.00.</p>
Safeguarding creditors' rights	The Bank adheres to the highest principles of good corporate governance as embodied in its By-Laws and Articles	

	<p>of Incorporation, Code of Conduct and Corporate Governance Manual.</p> <p>It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business.</p>	
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- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? (updated – 2014)

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

- | |
|---|
| <ul style="list-style-type: none"> • PNB Greener Path Project of NLEX • Dr. Lucio Tan Legacy Forest Project • Greener Project in Negros Oriental • UPLB Coco-plantation • Tacloban Mangrove Project • Assistance to Tacloban Elementary School • Books Across the Seas Project • Assistance to Sister of Mary Girstown Students • PNB Gives Relief Goods to Caloocan Fire Victims • PNB-PMAP Med Mission (Pagtutulungan ng Bayan) • Typhoon Glenda/Mario (Pagtutulungan ng Bayan) • Little Angels Home (Pagtutulungan ng Bayan) • Donation to Tan Yan Kee Foundation |
|---|

- 3) Performance-enhancing mechanisms for employee participation.

- (a) What are the company’s policy for its employees’ safety, health, and welfare? (updated – 2014)

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

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

- Wellness/Insurance
 - Coverage under a health care maintenance program (including employees’ qualified dependents)
 - Coverage under a group term life and accident insurance
 - Conduct of annual physical exam; provision of gyms, badminton and basketball courts; grant of discounted rates for immunization/vaccination and other health/wellness products; conduct of lectures/fora on first aid, fitness/nutrition/diet, stress management and the like; conduct of annual fun runs and different sports tournaments
 - Clinic with doctors, nurses and dentist to provide free medical and dental services and free medicines (pain reliever, anti-allergies, antibiotics, antispasmodic, anti-diarrhea etc.) at the Head Office; and provision of medicine cabinets/first-aid kits in branches
- General Welfare
 - Annual Team Building activity for each Group/Unit/Branch and socialization events that promote camaraderie among employees such as Bank Anniversary and Christmas party

- Support and recognition to various clubs/associations/cooperative organized by employees that promote, encourage and conduct civic, social, cultural and sports activities, as well as savings and loan facilities among its members and provision of mini-grocery at the Head Office
 - Chapel for spiritual meditation, worship and Eucharistic celebration (daily masses)
 - Financial assistance and special moratorium on payment of employee fringe benefit loans for employees affected by calamity/natural disaster
 - Scholarship for employees' qualified children
 - Free shuttle bus service for Head Office employees (Macapagal Boulevard - Buendia LRT and EDSA-Taft MRT stations routes and back)
 - Canteen with subsidized food rates and coffee shop at the Head Office
 - Free parking space at the Head Office
 - Employee Communications Program which includes: provision of bulletin boards; suggestion boxes; public announcement system; Intranet (e-mail) and on-line newsletters that disseminate Bank policies, corporate updates, job vacancies including tips on health and wellness as well as pointers on being prepared and safe before/during/after natural calamities (earthquake, typhoon, fire and floods)
 - Special interest and foreign exchange rates and waiver of annual fee of the Bank's credit card for employees
 - Office uniforms
- Safety/Security
- Regular fire and earthquake drill exercises
 - 24/7 or round-the-clock security
 - Top-of-the-line centralized alarm system and CCTV coverage
 - Fumigation of building; regular maintenance of air-conditioning, lighting/electrical, alarm and elevator systems; cleaning of building premises; provision of walkways intended for Persons With Disability (PWD); provision of fire extinguishers and regular maintenance of building water-sprinklers; regular inspection of fire exits
- Awards/Recognition
- Service Excellence Award for teams and individuals to recognize and further promote employees' excellence, productivity and professional growth; and Service Award to those who have been servicing the Bank for a number of years.
- Policy on Learning and Development
- Learning and development activities are conducted for all levels of employees, taking into account their learning/training needs vis-a-vis the Bank's corporate mission, objectives, strategies and values. Learning and development shall be a shared responsibility among top management, middle management, supervisors, employees and training staff.

The learning programs in PNB are the following:

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

- Employee-related approved Bank policies
 - Policy on Resignation and Retirement
 - Policy on Work Schedule
 - Harmonization of Bank Policies on Grant of Bonuses
 - Revisions on the PNB Policy on Transfer of Employee
 - Harmonization Policy on PNB Employees Loans
 - Policy on Special Leave – Anti-Violence Against Women
 - Workplace Policy on HIV/AIDS
 - Harmonization of PNB Policies on Leave Benefits
 - Harmonization Policy on the Group Term Insurance
 - Harmonized Policy on Christmas/Summer Allowance
 - Workplace Policy on Breastfeeding
 - Harmonized Policy on Overtime Pay and Allowance
 - Policy on Bank Expense – Official Travel
 - Policy on Employee Relocation/Dislocation
 - Harmonized Policy on Maternity Leave Benefits

(b) Show data relating to health, safety and welfare of its employees. (updated – 2014)

- Enrolled 8,496 employees under the PNB Group Life Insurance
- Enrolled 8,496 employees under the PNB Group Accident Insurance
- Processed/paid 248 claims/applications for PNB Maternity Benefit
- Enrolled 8,744 employees and 14,021 subsidized dependents under the HMO (Valucare Health Maintenance, Inc.)
- Released/issued various medicines to 12, 783 employees for the year 2014 at PNB Medical Office
- Processed/paid a total of 212 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, nurses and dentist) at the Head Office

(c) State the company’s training and development programmes for its employees. Show the data. (updated – 2014)

Course Title / Duration	Description	Objectives	Target Employees
Orientation Program for New Hires (5 days)	An induction program designed to establish an adequately-informed perspective of the Bank's corporate vision, mission, values, policies and procedures, benefits and provide the requisite knowledge on customer service through a workshop.	At the end of this program, the participants will <ol style="list-style-type: none"> 1. Be familiar with the bank's goals, history, organizational set-up, functions/services of the divisions/departments. 2. Be able to understand the Bank's personnel policies and procedures, employee benefits and other employment-related matters. 3. Be able to know what the Bank expects of you in terms of job performance and conduct. 4. Be able to demonstrate a positive work attitude through a deeper appreciation of the value of your work. 5. Be able to learn and practice the 	Newly Hired Employees

		<p>skills on quality customer service with the aim of :</p> <ol style="list-style-type: none"> sustaining the Bank's competitiveness in the industry; and further strengthening the Bank's corporate image. 	
Selling 101 (1 day)	This one-day workshop is designed to enhance the selling skills competencies of the New Accounts Service Representatives for them to be able to develop a sales mindset.	<ol style="list-style-type: none"> Review and connect the duties and responsibilities of NAC to Selling Develop appreciation for professional selling as a form of service Demonstrate essential skills in selling 	New Accounts Service Representatives
Self-Transformation and Re-discovery (STAR) Workshop (2 days)	<p>This two -day program was designed to provide the participants with the necessary tools to enhance their personal and corporate effectiveness through self-mastery, values clarification and the projection of a professional image.</p> <p>Program Outline: Self-Mastery (Self-Knowledge); Personal Values; Self-Motivation; Habit; Effectiveness; Good grooming and proper hygiene; Corporate wardrobe and visual poise; Workplace etiquette and social graces; Professional image</p>	<ol style="list-style-type: none"> Provide the participants with the necessary tools to enhance their personal and corporate effectiveness Apply skills on how to achieve self mastery Rediscover personal and corporate values and integrate them with their actions Set personal goals Demonstrate ways on how to motivate oneself 	Rank and File Employees
In-Branch Selling Workshop (2 days)	<p>This two-day program aims to provide branch operations employees with the knowledge and skills to transform their branch into an aggressive sales-oriented distribution point.</p> <p>Program Outline:</p> <ul style="list-style-type: none"> Sales - Mindset Attitude Relationship-building Technical know-how 	<p>At the end of this program, the participants will be able to:</p> <ol style="list-style-type: none"> Develop a sales-oriented mindset; Identify the do's and don'ts to having a positive attitude Enumerate and practice the steps in building relationships Apply the steps to the selling cycle 	Staff/ Officers
Leadership Enhancement & Awareness Program (2 days)	This workshop aims to provide participants with an introduction to the basic concepts and principles of effective leadership	<ol style="list-style-type: none"> Differentiate leadership and management Describe the five sources of power and how each causes different follower behavior Identify qualities associated with effective leaders Enumerate and describe the different leadership styles and their application Develop an appreciation for having leadership vision Prepare action plans to achieve 	Officer Candidates

		goals and objectives	
POC (Planning, Organizing, Controlling) for Productivity (2 days)	This program provides participants with the necessary competencies for day-to-day supervision through the application of the management functions.	At the end of the program, participants would be able to: 1. Explain the systems approach to management; 2. Explain the different transformational processes in management to include the basic competencies for each process; and 3. Apply the learning in planning, organizing, and controlling through structured learning exercises and case studies.	Officer Candidates
Performance Management (2 days)	This course aims to provide the participants with the different management techniques necessary to achieve superior performance	At the end of the workshop, the participants would be able to: 1. To explain the importance of performance management. 2. To identify the roles of the officer in performance management 3. To simulate a formal performance review.	Officer Candidates
Managing Effective Teams (MET) (2 days)	This module provides participants with the necessary competencies for the day-to-day supervision through the application of the management function and also gives emphasis on the conceptual framework in building the work team.	At the end of the program, the participants will be able to: 1. Recognize the importance of building a team to accomplish goals. 2. Identify the different stages of team development. 3. Identify and practice the necessary skills in managing effective teams.	Officer Candidates
Managing People for Peak Performance (MP3) (3 days)	A 3-day comprehensive people-handling course designed to provide officers with the requisite knowledge and skills to effectively manage the performance of their direct reports. This workshop focuses on the principles of performance management, with emphasis on coaching and counseling.	At the end of this program, participants will be able to: 1. appreciate the importance of managing employee performance, 2. enumerate and define the different performance management interventions, 3. distinguish work situations that will require coaching and/or counseling 4. identify and practice skills vital to successful coaching and counseling	Officers (AM1 – AVP)
S.M.A.R.T. Leadership (2 days)	This workshop will introduce participants to what is now being considered as a key to leadership effectiveness and success, Emotional Intelligence or "EQ". It will enable the participants to understand and manage themselves and their interpersonal relationships skillfully.	At the end of this workshop, participants will be able to: 1. Appreciate the effective leadership principles 2. Develop a personal mission and vision and clarify personal values 3. Understand the importance of EQ to personal and professional growth 4. Practice effective team leadership skills	Officers (AM1 – AVP)

<p>Personal Effectiveness Program (PEP) (2days)</p>	<p>This program aims to enlighten participants on the various ways they can be more effective in virtually any aspect of their lives, simply by looking into the qualities that are already within them.</p> <p>Too often the barriers to being effective are put in place by none other than ourselves. The course will show that it is sometimes necessary to change ourselves if we want to make changes in our lives and everything in it.</p>	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> 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 	<p>Rank-and-file employees and junior officers</p>
<p>PNB CARES for Internal Customers (2 days)</p>	<p>An internal customer or internal service provider can be anyone in the organization. An internal customer can be a co-worker, another department, or a distributor who depends upon us to provide products or services which in turn are utilized to create a deliverable for the external customer.</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 each others' needs, work productively together to meet common goals, and deliver high quality products and service to the external customer.</p>	<p>At conclusion of the course participants will be able to:</p> <ol style="list-style-type: none"> 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 communication 10. Improve service within your organization, increase productivity, and as a result, offer your clients better service. 11. Create interdepartmental service strategies that help rather than hinder work flow in your organization. 12. Eliminate "turf wars" among departments. 	<p>Rank-and-file employees and officers (AM1-SM)</p>
<p>Negotiation Skills Training (2 days)</p>	<p>Your ability to negotiate well has a large impact on both your personal and professional life. The qualities of the results you get are determined in a large part on your negotiating ability.</p> <p>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</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>

	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.		
Effective Business Writing (2 days)	In today's competitive working environment, it is essential to produce clear, concise and reader-friendly business writing to tight deadlines. Many employees may possess excellent spoken communication skills but often lack confidence when writing business documents. This course will help the participants to understand that writing effectively means delivering their message that is unambiguous, concise and direct to the point.	After the training program, participants should be able to: <ol style="list-style-type: none"> 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. 	Rank-and-file employees and junior officers
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: <ol style="list-style-type: none"> 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)
Living Your Values Everyday (LiVE) (1 day)	A one-day program which aims to effect clarification and alignment in the value systems of the individual employee with the core values of the Bank.	At the end of the program, you will be able to: <ol style="list-style-type: none"> 1. Clarify your personal values 2. Appreciate the importance of values in life and work 3. Identify PNB's corporate values 	Newly Hired Employees/ Officer Candidates

		4. Align your personal values with PNB's corporate values	
Presentation Skills Training (2 days)	In this program, participants will learn how to conquer the podium and deliver presentations that get results. From dynamic introductions to powerful closings, participants will have an opportunity during this training to practice and refine their platform skills.	Upon completing this course participants will know how to: 1. Develop and organize a presentation for any audience and any event 2. Design visuals to enhance both the presenter's message & performance 3. Deliver visual information in a way that keeps the audience in sync 4. Handle tough questions 5. Master memorization techniques 6. Use humor effectively	Rank-and-file employees and officers (AM1-SM)
Stress Management Workshop (2 days)	At the end of the workshop, participants will be able to manage stress positively.	1. Define stress, its symptoms, types and effects 2. Determine personal stress responses 3. Enumerate factors that influence stress tolerance level 4. Identify stressors and its types 5. Demonstrate different stress management techniques	Officer Candidates
Fundamentals of Management (2 days)	This two-day course aims to help participants make the transition from team members to responsive and effective supervisors. The discussion and activities will focus on the roles, responsibilities and basic competencies of a supervisor.	1. Define management and explain its transformational processes 2. Appreciate the roles and responsibilities of a manager 3. Practice the necessary competencies for day-to-day supervision through the use of structured learning exercises and case studies 4. Prepare and present a program plan of action for a JEDI activity	Rank and File Employees
Developing People (2 days)	This program aims to introduce participants to the different concepts of learning and people development.	1. Define training and appreciate its benefits 2. Explain the steps involved in the Training Cycle 3. Enumerate and describe the adult learning principles 4. Enumerate and apply the steps to On-The-Job-Coaching	Officer Candidates
Developing Roadmaps to Effectively Achieve Mastery (2 days)	To identify specific areas to self regulate and provide participants with the necessary foundational skills to achieve self mastery	At the end of the workshop, participants are expected to: 1. Identify and cherish personal dreams 2. Build on areas of strength and identify areas for improvement	Officer Candidates

		<ol style="list-style-type: none"> 3. Create your own goals/plans for professional and personal development 4. Identify roadblocks that impede performance and success and be empowered to make changes 	
Communication in Action (2 days)	Identify communication concepts critical to building positive relationships with others internal and external to the organization	<ol style="list-style-type: none"> 1. Identify the essential factors relevant to interpersonal communications 2. Practice some skills relevant to interpersonal communications 3. Clarify the purpose and functions of communications in an organization 4. Practice skills in the giving of instructions 5. Identify the roles of the junior officer in organizational communications 6. Properly decide when and when not to hold meetings 7. Identify responsibilities in attending meetings 	Officer Candidates

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. (updated – 2014)

The Bank grants the quarterly Service Excellence Award to individual employees and/or teams who have pushed themselves one step further in the following areas of the Bank: process improvement, productivity enhancement, professional improvement, extraordinary leadership and values, risk management, cost reduction, corporate social responsibility, customer service, revenue generation and cross-selling of bank products. The Bank also grants the Service Award to employees who have been servicing the Bank for a number of years.

The Bank adopted the existing PNB Policy on the Grant of Bonuses as part of the harmonization of policies for the merged bank and pursuant to the recently concluded collective bargaining agreement (CBA) of PNB with the employees union.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation. (updated – 2014)

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 (updated – 2014)

(a) Holding 5% shareholding or more

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

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

2) Does the Annual Report disclose the following:

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

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

- The dividend policy of the Bank is included in the Information Statement under Management Report.

3) External Auditor's fee

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

4) Medium of Communication

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

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

5) Date of release of audited financial report: (updated – 2014)

February 28, 2014

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 Bank has loans and other transactions with its subsidiaries and affiliates, and with certain 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 with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank'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 Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2014 and 2013, the Bank was in compliance with such regulations.

DOSRI loans are reported to the BSP in accordance with existing BSP regulations. The reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the BORC is an independent director and appointed by the Board.

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 information relating to the DOSRI loans of the Group follows: (updated – 2014)

	Consolidated			
	September 30, 2014	December 31,		
		2013	2012	2011
Total Outstanding DOSRI Accounts *	12,688,324	3,577,857	2,650,526	4,916,441
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	4.35%	1.40%	2.03%	4.34%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	4.35%	1.40%	2.03%	4.34%
Percent of DOSRI accounts to total loans	4.35%	1.40%	2.03%	4.34%
Percent of unsecured DOSRI accounts to total DOSRI accounts	1.02%	1.52%	3.29%	14.60%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%	0.00%	0.00%
Percent of non-acruing DOSRI accounts to total DOSRI accts.	0.00%	0.00%	0.00%	0.00%

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

Details on the significant related party transactions of the Group (the Bank and its subsidiaries) and the Bank are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Bank has control. Transactions reported under other related parties represent companies which are under common control. (updated – 2014)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Receivables from Customers		7,232,568	Revolving credit lines with fixed annual interest rate of 4.25% and maturity terms of less than 90 days; unsecured, with no impairment
Accounts receivable		57,220	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		3,459	Interest in receivables from customers
Deposit liabilities		2,025,578	With annual rates ranging from 0.1% to 3.0% and maturity terms ranging from 30 days to one (1) year
Bills Payable		1,599,046	Foreign currency-denominated bills payable with fixed annual interest rate of 1.03% and maturity term of 180 days; unsecured
Accrued interest payable		17,335	Interest on deposit liabilities and bills payable
Due to other banks		12,245	Clearing accounts for funding and settlement of remittances
Due from Other banks		429,110	With annual fixed rates ranging from 0.01% to 4.5% including time with maturities of up to 90 days
Other Liabilities		3,625,000	Deposit for stock subscription
Interest Expense	19,160		Interest expense on deposit liabilities and bills payable
Interest income	66,841		Interest income on receivable from customers
Rental Income	19,114		Rental income with lease term of ranging from 2 to 5 years and annual escalation rates ranging from 5% to 10%
Other expenses	1,739		Share in utilities expense
Securities Transactions:			
Purchases	1,608,525		Outright purchase of securities
Sales	752,197		Outright sales of securities
Trading gains	1,316		Gain on sale of investment securities
Loan releases	8,192,356		Loan drawdowns
Loan collections	1,343,815		Settlement of loans and interest
Net withdrawals	2,650,415		Net withdrawals for the period
Affiliates			
Receivables from Customers		12,513,169	USD Term Loan with re-pricing interest rates ranging from 3.75% to 4.79% and maturity terms from three (3) to seven (7) years;
Sales contract receivable		105,750	Arising from sale of investment property; title will be transferred upon full payment; non-interest bearing loan payable within one year; with no impairment
Accrued interest receivables		56,074	Accrued interest of receivables from customers
Bills Payable		40,000	Bills payable, 90 days, unsecured

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

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".
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(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 <u>not</u> in The Corporation Code
None	None

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 2014. 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. (updated – 2014)

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

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

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

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? (updated – 2014)

- a. Date of sending out notices:

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

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 for one (1) week alternatively in three (3) newspapers 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:

For the Annual Stockholders' Meeting - May 27, 2014

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

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. (updated – 2014)

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

- Q. Mr. Alejandro V. Villapando, a stockholder, took the floor and asked if in view of the impressive figures presented by the report of the President, the stockholders will finally receive their much awaited dividends.
- A. President Omar Byron T. Mier replied that everyone who invests in the shares of a company has two sources of income, one is the price of the stock and the other is dividends. The price of PNB stocks has gone up to about ₱92.00 per share, so stockholders who acquired their shares at lower price can sell at a profit. To be able to declare dividends, PNB will have to comply with certain regulatory conditions and have a certain amount of unrestrained retained earnings. Based on the plan and strategies that have been presented, the bank hopes to be able to declare dividends in a few years.
- Q. Ms. Eugenia Socorro Gomez, a stockholder and former employee, took and asked if there was truth to the rumored BPI-PNB merger.
- A. Mr. Mier replied that the rumor came about two or three weeks ago when a couple of investors accompanied by investment bankers came to PNB. They were impressed with the bank's three-year plan and said that PNB's stock price was undervalued. When these investors started to buy, the price of PNB shares shot up to as high as ₱94.50. A lot of reporters were speculating why the price was going up. He said that there was no truth to the rumors of a BPI-PNB merger. That was a story of the past. He assured Ms. Gomez that the plan is to grow PNB as stronger and more profitable, independent bank.

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

Annual Stockholders' Meeting (May 27, 2014)			
Resolution	Approving	Dissenting	Abstaining
Confirmation of the Minutes of the 2013 Annual Stockholders' Meeting held on May 28, 2013	Majority	-	12,651,340
Notation of President's Report	Majority	-	12,861,790
Approval of the Bank's 2013 Annual Report	Majority	-	12,861,790
Approval of the Amendment of Article II of the Articles of Incorporation, in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank	Majority	-	12,651,340
Approval of the Amendment of the By-Laws, as follows: a. Section 1.1, Article I, in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank; and b. Section 4.2, Article IV, to clarify that the annual meeting of the stockholders shall be held at the principal office of the Bank, if practicable, or anywhere in Metro Manila on the last Tuesday of May of each year	Majority	-	12,651,340
Approval of the ratification of all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2013 Annual Stockholders' Meeting	Majority	-	12,861,790
Approval of the Election of the following Directors:			
a) Florencia G. Tarriela	Majority	6,663,422	12,651,340
b) Felix Enrico R. Alfiler	Majority	836,741	12,651,340
c) Florido P. Casuela	Majority	12,906,335	12,651,340
d) Joseph T. Chua	Majority	6,959,051	12,651,340
e) Leonilo G. Coronel	Majority	12,906,335	12,651,340
f) Reynaldo A. Maclang	Majority	12,906,335	12,651,340
g) Estelito P. Mendoza	Majority	12,906,335	12,651,340
h) Federico C. Pascual	Majority	836,741	12,651,340
i) Cecilio K. Pedro	Majority	836,741	12,651,340
j) Washington Z. Sycip	Majority	7,374,113	12,651,340
k) Harry C. Tan	Majority	7,494,716	12,651,340
l) Dr. Lucio C. Tan	Majority	6,959,051	12,651,340
m) Lucio K. Tan, Jr.	Majority	7,909,778	12,651,340
n) Michael G. Tan	Majority	7,626,094	12,651,340
o) Deogracias N. Vistan	Majority	6,247,832	12,651,340
Appointment of External Auditor	Majority	11,561,805	12,651,340

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: (updated – 2014)

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

- (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: (updated – 2014)

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Florencia G. Tarriela, director Florido P. Casuela, director Leonilo G. Coronel, director Reynaldo A. Maclang, director Estelito P. Mendoza, director Omar Byron T. Mier, director Christopher J. Nelson, director Cecilio K. Pedro, director Washington Z. Sycip, director Michael G. Tan, director Lucio C. Tan, director Deogracias N. Vistan, director Doris S. Te, corporate secretary Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Jovencio B. Hernandez, EVP Alice Z. Cordero, FSVP Socorro D. Corpus, FSVP Zacarias E. Gallardo, Jr., FSVP Miguel Angel G. Gonzalez, FSVP Ramon L. Lim, FSVP John Howard D. Medina, FSVP Edgardo T. Nallas, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela A. Pama, FSVP Emmanuel German V. Plan II, FSVP Elfren Antonio S. Sarte, FSVP	May 27, 2014	In person and by representative to act by written proxy	0.005%	77.411%	77.416%

Allan L. Ang, SVP Emeline C. Centeno, SVP Elisa M. Cua, SVP Erwin C. Go, SVP Dioscoro Teodorico L. Lim, SVP Emmanuel A. Tuazon, SVP Manuel C. Bahena, Jr., FVP Lino S. Carandang, FVP Josephine E. Jolejole, FVP Arsenia L. Matriano, FVP Sarah Jessica M. Navarro, FVP Udel C. Salvo, FVP Janette Y. Abad Santos, VP					
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(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No. This is handled by the Bank's stock transfer agent.

(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 for one (1) week daily in at least one newspaper of general circulation in the Philippines, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.	The written notice of the meeting together with the Definitive Information Statement and Audited Financial Statement contained in a CD are physically mailed to the last known addresses on record of all the qualified stockholders through the Stock Transfer Agent. This is also disclosed to the Philippine Stock Exchange and uploaded to the Bank's website. The notice is also published alternately in newspapers of general circulation for one week.

(i) Definitive Information Statements and Management Report (updated – 2014)

	Annual Stockholders' Meeting (May 27, 2014)
Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	30,373
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 5 - 6, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 5 - 6, 2014
State whether CD format or hard copies were distributed	Distributed in CD format

If yes, indicate whether requesting stockholders were provided hard copies	Printed (hard) copies of the contents of the CD, i.e., Definitive Information Statement and Audited Financial Statement, were made available during the meeting. Printed copies are also sent to the stockholders upon receipt of their written request.
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(j) Does the Notice of Annual/Special Stockholders' Meeting include the following: (updated – 2014)

	Special Stockholders' Meeting	Annual Stockholders' Meeting (May 27, 2014)
Each resolution to be taken up deals with only one item.	Not Applicable	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Not Applicable	Yes
The auditors to be appointed or re-appointed.	Not Applicable	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Not Applicable	No dividend will be declared.
The amount payable for final dividends.	Not Applicable	Not Applicable
Documents required for proxy vote.	Not Applicable	Proxies are not solicited.

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 may access the 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

	<p>officers, and the aggregate compensation of directors and officers.</p> <p>All other material information are disclosed to the regulators and uploaded to the Bank's website for easy access by all stockholders of the Bank.</p> <p>The minority shareholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p> <p>The minority shareholders have access to any information relating to matters for which Management is accountable.</p>
Appraisal Right	<p>The shareholders have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:</p> <ol style="list-style-type: none"> 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. The financial figures have to be signed off by the President and Chief Financial Officer. 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 Tel.#(632) 536-0540 Fax No. (632) 834-0780 Email: lunarjq@pnb.com.ph

FOR OTHER STAKEHOLDERS (updated – 2014)

	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

	<p>Bank in line with the prescribed standard of disclosure by regulatory agencies.</p> <ul style="list-style-type: none"> • 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	<p>SVP Emeline Centeno Corporate Planning and Research Division Tel # 526-3131 local 2120/2084 Email address: centenoec@pnb.com.ph iru@pnb.com.ph</p>

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 • Facebook • Print Media • Radio • Letter Advices to Publics • TV Advertisements (Local, Cable and Overseas) • Press Releases • Short message service alerts • Electronic Channels – ATM, Phone, Mobile • Websites and Social Networks
(4) Investors Relations Officer	<p>SVP Norman Martin C. Reyes Chief Marketing Officer / Marketing Group Head Tel.# (632) 526-3131 loc. 4360 Email address: reyesnmc@pnb.com.ph</p>

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

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:

- a. Secure Board approval for the envisioned transaction.
- b. 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.
- c. Do a comparative analysis of the proposals and prepare a recommendation to the Board of Directors.
- d. Get approval for their engagement.
- e. Evaluate the papers and secure the necessary approvals:
 - i. 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.
 - ii. 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 an advisor for a Fairness Opinion as necessary and on a per transaction basis. Hence, for prospective transactions, PNB will hire whoever is qualified to render Fairness Opinion following SEC rules regarding this matter.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

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

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		

Under the Bank's Revised Corporate Governance Manual (Manual), the Board established an evaluation system such as the Performance Evaluation Sheet to determine and measure their compliance with the Manual. Any violation thereof shall subject the responsible director, officer or employee to the penalty provided under Part 10 of the 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, the results are discussed and noted by the Corporate Governance Committee before submission to the Board for notation.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

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



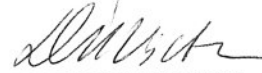
FLORENCIA G. TARRIELA
Chairman of the Board/
Independent Director



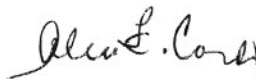
OMAR BYRON T. MIER
President & Chief Executive Officer



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. Tarriela 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

NOTARY PUBLIC

ATTY. RUTH PAMELA E. TANGHAL-MANUBAG

Commission No. 12-13 Rol No. 46269
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

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