PBCOM PHILIPPINE BANK OF COMMUNICATIONS 菲律濱交通銀行	CORPORATE GOVERNANCE	
	TABLE OF CONTENTS	Date: April 2018

I. Introduction
A. General Policy 1
B. Objectives 1
C. Definition of Terms 1

II. Compliance System 7
A. Plan of Compliance 7

B. Role, Qualification, Grounds for Disqualification General and Specific Roles and Responsibilities 7
1. Board of Directors 7
2. Executive Committee 16
3. Board Level Committee 17
a. Audit Committee 17
b. Risk Oversight Committee 20
c. Governance Committee 22
d. Related Party Transaction Committee 25
4. Director 27
5. Independent Director 34
6. Lead Independent Director 36
7. Chairman of the Board 37
8. Chief Executive Officer 39
9. Officer 40
10. Corporate Secretary 43
11. Chief Compliance Officer 46
12. Risk Management Function 49
13. Chief Risk Officer 51
14. External Auditor 53
15. Internal Auditor 54

C. Internal Audit Functions 56

D. Selection, Appointment, Election, Re-election 57

E. Confirmation of the Election / Appointment of Director and Officers 58

F. Disqualification Procedures 59

G. Effect of Non-Possession of Qualifications or Possession of Disqualification 61

H. Multiple Board Seats 62

I. Remuneration and other incentives 64

J. Sanction 65

III. Communication Process 66

IV. Training Process 67

V. Reports or Disclosures 68

VI. Shareholder's Benefit 71

VII. Annexes
- Annex A - 1: Audit Committee Charter 73
- Annex A - 2: Governance Committee Charter 89
- Annex A - 3: Risk Oversight Committee Charter 92
- Annex A - 4: Related Party Transactions Committee Charter 98
- Annex A – 5: Executive Committee Charter 99
- Annex B – 1: Director's Self Evaluation 101
- Annex B – 2: Director's Evaluation of the Board's Performance 103
- Annex B – 3: Evaluation of Board Committee en banc Performance 107
- Annex B – 4: Evaluation of Board Committee Performance 112
- Annex B – 5: Evaluation of Management Committee Performance 117
- Annex C: Performance evaluation – independent control function 119
- Annex D: Related Party Transactions Policy 121

GENERAL POLICY

1. The Board of Directors and Management, i. e. officers and staff, of Philippine Bank of Communications hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same shall guide the attainment of our corporate goals.

2. The Bangko Sentral ng Pilipinas (BSP), in aligning its existing regulations with international best practices that promote good corporate governance, has issued guidelines and circulars to strengthen corporate governance in its supervised financial institutions, parts of which were adopted in this manual.

3. The Bank being a covered institution regulated by the Securities and Exchange Commission (SEC) under the Securities Regulation Code shall likewise conform with SEC regulatory issuances. The list of these SEC Circulars is shown in b B-2, updated as of April *2018*

OBJECTIVES

4. This Manual shall institutionalize the principles of good corporate governance in the entire organization.

5. The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

DEFINITION OF TERMS

6. **Corporate Governance** is the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their stockholders.

   It is a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behaviour – reconciling long-term customer satisfaction with shareholder value – to the benefit of all stockholders and society.

   Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, stakeholders and the nation.

7. **Board of Directors** is the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.

3. **Directors** shall include:
   a) Directors who are named as such in the articles of incorporation;
   b) Directors duly elected in subsequent meetings of the stockholders; and
   c) Those elected to fill vacancies in the Board of Directors.

4. **Executive Director** is a director who has executive responsibility of day-to-day operations of a part or the whole of the organization.

5. **Non-Executive Directors** shall refer to those who are not part of the day to day management operations and shall include the independent directors. However, not all non-executive directors are considered independent directors.

6. **Independent Directors** – is a person who is independent of management and the controlling shareholder, and is 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.

7. **Officers** shall include the Chief Executive Officer (CEO) (shall also refer to p resident or any other title referring to the top management post in the bank), executive vice president, senior vice president, vice president, general manager, treasurer , secretary, trust officer and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank either through announcement, representation, publication or any kind of communication made by the bank:

   A person holding the position of chairman, vice-chairman of the board of directors or any other position of the board of directors shall not be considered as an officer unless the duties of his position in the board of directors include functions of management such as those ordinarily performed by regular officers.

8. **Stockholder** – shall refer to any stockholder of record in the books of the bank acting personally or through an attorney-in-fact, or any other person duly authorized by him. or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the bank, individual and/or collectively with the stockholdings of: (1) his spouse and/or relative within the first degree by consanguinity or affinity or legal adoption; (2) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and (3) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one (1%) or more of the total subscribed capital stock of the bank.

9. **Majority stockholder or majority shareholder** means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of the bank.

10. **Substantial stockholder** shall refer to a person, or a group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

11. **Related Interest** shall refer to any of the following:
    a) Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of the bank;
    b) Partnership of which a director, officer, or stockholder of the bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
    c) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;

d) Corporation, association or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
e) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in items "11(b)" and "11(d)";
f) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty-percent (20%) of the subscribed capital of a substantial stockholder of the lending bank or which controls majority interest of the bank pursuant to MORB item "g" of Subsec. X303.1;
g) Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the lending bank; and
h) Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers or related banks.

12. **Related Parties** shall cover the following:
- Directors, Officers & Stockholders of the Bank
- Related Interest (RI)

  For the purpose of this policy, Related Interest are the following:
  - Spouse or relative within the 1st degree of consanguinity or affinity, or relative by legal adoption, of a Director, Officer or Substantial Stockholder of the Bank.
  - Partnership of which a Director, Senior Officer or Substantial Stockholder of the Bank or his spouse or relative within the 1st degree relative by consanguinity or affinity, or relative by legal adoption, is a General Partner.
  - Directorship, Shareholdings (at least 20% of the subscribed capital of such corporation) & Officership with other companies/corporation of the Director, Senior Officer, Substantial Stockholder of the Bank or his spouse or relative within the 1st degree relative by consanguinity or affinity, or relative by legal adoption.

    These shall include the spouse, parent, parent-in-law, child, son-/daughter-in-law.

- Subsidiaries & affiliates of the Bank
- Any party that the bank exerts direct/indirect over, or that exerts direct/indirect control over the bank
- Subsidiaries, affiliates and special purpose entities of the party the bank exerts direct/indirect over, or that exerts direct/indirect over the bank
- Corresponding persons in affiliated companies
- Any person/juridical entity whose interest may pose potential conflict with interest of the bank.

13. **Related Party transactions** are transactions or dealings with Related Parties of the Bank, including Trust & Wealth Management Group, regardless of whether or not a price is charged.

a) On and off-balance sheet credit exposures and claims and write-offs;
b) Investments and/or subscriptions for debt/equity issuances;
c) Consulting, professional, agency and other service arrangements/ contracts;
d) Purchases and sales of assets, including transfer of technology and intangible items; (e.g. research and development, trademarks and license agreements)
e) Construction arrangements/contracts;
f) Lease arrangements/contracts;
g) Trading and derivative transactions;
h) Borrowings, commitments, fund transfers and guarantees;
i) Sale, purchase or supply of any goods or materials; and
j) Establishment of joint venture entities.

14. **Related Company** means another company which is:
a) its parent or holding company;
b) its subsidiary or affiliate; or
c) a corporation where a bank or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

15. **Close family members** are persons related to the bank's directors, senior officers (SVP & up and segment/group heads reporting functionally/administratively to the President) and substantial stockholders within the second degree of consanguinity or affinity, legitimate or common-law. These shall include spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son/daughter-in-law, brother-/sister-in-law, grandparent-in-law, and grandchild-in-law.

16. Senior Officers Senior Vice President and up and those segment heads reporting functionally / administratively to the President

17. **Corresponding persons in affiliated companies** shall refer to the DOS of the affiliated companies and their close family members.

18. **Subsidiary** shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

19. **Affiliate** shall refer to an entity linked directly or indirectly to a bank by means of:
a) Ownership, control as defined below, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice-versa;
b) Interlocking directorship or officership, where the director or officer concerned owns; controls, or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity;
c) Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity;
d) Management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; or
e) Permanent proxy or voting trusts in favor of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.

20. **Parent** is shall refer to a corporation which has control over another corporation directly or indirectly through one (1) or more intermediaries.

21. **Control** of an enterprise exists when there is:
    a) Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
    b) Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
    c) Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
    d) Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
    e) any other arrangement similar to any of the above.

    Control is presumed to exist if there is ownership or holding, whether direct or indirect, of twenty percent (20%) or more of a class of voting shares of the Bank.

22. **Conglomerate** is a group of corporations that has diversified business activities in varied industries, whereby the operations of such businesses are controlled and managed by a parent corporate entity.

23. **Management** a group of executives given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation**.**

24. **Internal Control** 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 and the organization's policies and procedures.

25. **Enterprise Risk Management** is a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

26. **Risk appetite statement** shall refer to the articulation in written form of the aggregate level of types of risk that the bank is willing to accept, or to avoid, in order to achieve its business objectives.

27. **Risk Governance framework** shall refer to the framework through which the board of directors and management establish the bank's strategy; articulate and monitor adherence to risk appetite and risk limits; identify, measure and manage risks.

28. **Risk limits** shall refer to the allocation of the bank's risk appetite statement to specific categories (e.g. credit, market, liquidity, operational) the business unit or platform level (e.g. retail, capital markets); lines of business or product level (e.g. concentration, value-at-risk or other limits); and other levels, as appropriate.

29. **Stakeholders** means any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, *depositors*, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

PLAN OF COMPLIANCE

1. Compliance with the principles of good corporate governance shall start with the Board of Directors.

2. The Bank recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the bank to grow its business, while contributing to the advancement of the society where it operates.

3. It shall be the Board's responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

4. The Board shall ensure that a compliance program is defined for the bank and that compliance issues are resolved expeditiously. For this purpose, the Governance Committee shall oversee the compliance program.

5. The Board shall appoint a full-time Chief Compliance Officer (CCO) to manage the compliance program.

6. The Board needs to be structured so that it provides an independent check on management. As such, it is vitally important that a number of board members be independent from management.

7. The Board shall be assessed on the quality of its' leadership in ensuring the sound operations of the Bank and in dealing decisively with issues that may emerge, as the Bank's strategic direction and operation, financial condition, results of operations, current and potential level of risk exposures and the quality of the control environment are their ultimate responsibility.

8. The Board shall ensure the proper and efficient implementation and monitoring of compliance with this Code, the Code of Business Conduct and Ethics and internal policies.

9. Assessment of the Bank's Corporate Governance shall be guided by the framework provided under BSP Memorandum 2013-002 (Refer to Annex G)

BOARD OF DIRECTORS

10. Composition of the Board of Directors

a) Pursuant to Sections 15 and 17 of the R.A. No. 8791, there shall be at least five (5), and a maximum of fifteen (15) members of the board of directors of a bank.

b) In case of a bank/quasi-bank/trust entity merger or consolidation, the number of directors may be increased up to twenty-one (21).

c) The number of members of the board of directors of a bank shall be commensurate with its size and complexity of operations.

d) To the extent practicable, the members of the board of directors shall be selected from a broad pool of qualified candidates. Non-executive directors, who shall include independent directors, shall comprise at least majority of the board of directors to promote the independent oversight of management by the board of directors.

e) The Board should be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Bank's industry/sector.

f) In order to avoid groupthink and ensure optimal decision-making is achieved, the Board shall be diversified in not only age but also gender, culture, skills, competence and knowledge.

11. **Minimum number of independent directors.** At least one-third (1/3) but not less than two (2) members of the board of directors shall be independent directors. *Provided*, that any fractional result from applying the required minimum proportion, i.e. one-third (1/3) shall be rounded-up to the nearest whole number.

12. **Limitation on Nationality of directors.** Non-Filipino citizens may become members of the Board of Directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, that pursuant to Section 23 of the Corporation Code of the Philippines (BP Blg. 68), a majority of the directors must be residents of the Philippines.

POWERS AND AUTHORITY

13. The corporate powers of the Bank shall be exercised, its business conducted and all its property shall be controlled through the Board of Directors.

14. The powers of the Board of Directors as conferred by law are original and cannot be revoked by the stockholders.

15. The Directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the Bank and all shareholders.

GENERAL RESPONSIBILITY

16. The Board of Directors is primarily responsible for defining the Bank's vision and mission.

17. The Board of Directors has the fiduciary roles, responsibilities and accountabilities as provided under the law, the Bank's articles and by-laws, and other legal pronouncements and guidelines to the Bank, all its shareholders including minority shareholders and other stakeholders.

18. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

19. The board of directors shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

SPECIFIC DUTIES AND RESPONSIBILITIES

20. ***The Board of Directors shall define the Bank's corporate culture and values*.** It shall establish a code of conduct and ethical standards in the Bank and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:

a) Approves a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the corresponding disciplinary actions and sanctions.

The Bank's Code of Ethics are incorporated in the Bank's On-boarding Guidebook, wherein each new employee is given a copy for them to read, understand and guide them in their daily tasks**.**

b) Consistently conduct the affairs of the Bank with a high degree of integrity and play a lead role in establishing the Bank's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Bank, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.

c) Oversees the integrity, independence and effectiveness of Bank's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed. It shall prevent the use of the facilities of the bank in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.

21. ***The Board of Directors shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof.*** In this regard, the board of directors shall:

a) Ensures that the Bank has beneficial influence on the economy by continuously providing services and facilities, which will be supportive of the national economy.

b) Approves the Bank's strategic objectives and plans. These shall take into account:
- The Bank's long-term financial interests:
- Its level of risk tolerance: and
- Ability to manage risks effectively.

The board shall establish a system for measuring performance against plan through regular monitoring and reviews, with corrective action taken as needed.

These are all translated in the Bank's Corporate Strategic Planning Handbook.

c) Actively engage in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment as well as act in a timely manner to protect the long-term interest of the Bank.

d) Approves and oversees the implementation of policies governing major areas of the Bank's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g. internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

22. ***The Board of Directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.*** In this regard, the board of directors shall:

a) Oversees selection of the Chief Executive Officer (CEO) and other key personnel, including members of senior management and heads of control functions (Chief Risk Officer, Chief Compliance Officer, Chief Audit Executive) based on the application of fit and proper standards.

Integrity, technical expertise, and experience in the Bank's business, either current or planned, is the key considerations in the selection process.

b) Approves and oversees the implementation of performance standards as well as remuneration and other incentives policy.

The policy should be consistent with the long-term strategic objectives and financial soundness of the Bank and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Bank's operating and risk culture.

c) Oversees the performance of senior management and heads of control functions:

(1) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
(2) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations.
(3) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
(4) Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk

management functions.

d) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.

   Qualifications, duties and responsibilities for each of the position as documented in this manual will be the start in objectively identifying the key knowledge, skills and abilities required for the position. A professional development program for the identified potential candidate to help the individuals prepare for the job. The process is conducted in an impartial manner and aligned with the strategic direction of the Bank.

e) Ensures the personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional developmental program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.

f) Ensures that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

23. ***The Board of Directors shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework***. In this regard, the board of directors shall:

a) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed. In this regard, the Board of Directors shall:
   (1) Structures itself in a way, including in terms of size and frequency of meetings, to promote efficiency, critical discussion of issues and thorough review of matters. The Board of Directors shall meet regularly to properly discharge their functions, and likewise have discussion on values, conduct and behavior;
   (2) Creates committees to increase efficiency and allow deeper focus in specific areas;
   (3) Regularly reviews the structure, size and composition of the board of directors and board-level committees with the end in view of having a balanced membership. The Board shall adopt a system and procedure for evaluation of the structure, size and composition of the board and board-level committees;
   (4) Adopts policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities ;
   (5) Ensures that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and

understandable assessment of the Bank's performance, financial condition, and risk exposures;

(6) Assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Bank itself, which may be facilitated by the Governance Committee or external facilitators.

(7) Maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly minuted.

b) Develops a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders.

c) Adopts a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power,

d) Conducts and maintains the affairs of the Bank within the scope of its authority as prescribed Articles, By-laws, and existing laws, rules and regulations. It shall ensure effective compliance which will include prudential reporting obligations.

e) Maintains and periodically update organizational rules, by-laws or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the BSFI's organizational structure facilitates effective decision-making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.

f) Oversees the development, approve and monitor implementation of corporate governance policies. The board shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.

g) Approves an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard, the board of directors shall:

(1) Approves all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting.

Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.

(2) The board of directors shall delegate to the RPT Committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors.

This shall, however, exclude DOSRI transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

(3) Establish an effective system to:
(i) Determine, identify and monitor related parties and RPTs;
(ii) Continuously review and evaluate existing relationships between and among businesses and counterparties; and
(iii) Identify, measure, monitor and control risks arising from RPTs.

(4) The board of directors shall maintain adequate capital against risks associated with exposures to related parties.

(5) The board of directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.

h) Defines an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard, the board of directors shall:

(1) Defines and approves appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account the nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed.

The board of directors shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.

(2) Define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.

(3) Ensures that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.

(4) Defines and approves policies and clear strategies for the establishment of new structures.

(5) Understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure

and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances.

The board of directors shall ensures that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions.

(6) Develops sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.

(7) Requires the Enterprise Risk Management, Compliance Management and Internal Audit to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board of directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board of directors.

24. ***The Board of Directors shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof.*** In this regard, the board of directors shall:

a) Define the Bank's risk appetite.
b) Approves and oversees adherence to the risk appetite statement (RAS), risk policy and risk limits.
c) Oversees the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the bank.
d) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard, the Board of Directors shall:

1) Ensures that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.
2) Ensures that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

25. The board of directors may delegate some of its functions, but not its responsibilities, to board-level committees. In this regard, the board of directors shall:

a) Approves, reviews, and updates, at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of

directors, what is expected of the committee members, and tenure limits for serving in the committee.

The board shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.

b) Appoint members of the committees taking into account the optimal mix of skills and experience to allow the board of directors, through the committees, to fully understand and objectively evaluate the relevant issues.

c) Ensures that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

d) Constitute the following committees to ensure efficiency and allow deeper focus in specific area

(1) Audit Committee
(2) Risk Oversight Committee
(3) Governance Committee
(4) Related Party Transaction Committee

EXECUTIVE COMMITTEE

PURPOSE

1. Subject to the limits set forth in the Bank's By-Laws and insofar as such may be lawfully delegated to it, the Executive Committee shall possess and exercise all of the functions and powers of the Board in the management of the business and affairs of the Bank during intervals between the monthly meetings of the Board. The Executive Committee shall have the power to provide business development and financial policy direction.

COMPOSITION

2. The Executive Committee shall consist of at least five (5) but not more than seven (7) members of the Board appointed or elected by the Board based on the recommendations of the Governance Committee. The Corporate Secretary shall act as the Secretary.

3. In case of any vacancy in the Executive Committee, whether such vacancy shall be filled or not, shall be left to the discretion of the Board. However, should vacancies occur reducing the number of Executive Committee members to less than the required quorum, the Chairman may designate any officer or member of the Board to fill such vacancy, and the Executive Committee member chosen shall serve only for the unexpired portion of the vacated term to be confirmed by the Board.

DUTIES AND RESPONSIBILITIES

4. The specific duties of the Executive Committee shall include:

   a. Reviews of corporate financial status, policies and procedures and the approval/ recommendation of revisions thereto, including periodic registration and disclosure statements, publications, etc;

   b. Reviews of specific business or operating plans regarding significant investments, acquisition or disposal of assets (e.g. CAPEX, OPEX, etc.);

   c. Subject to limits imposed by the Board, authorization or approval, to invest in or acquire another company, to extend loans to corporations or individuals, to enter, modify, extend, renew or terminate partnerships, joint venture or any other business dealing, and to sell or dispose acquired and/or fixed bank properties;

   d. Evaluation and recommendation to the Board of policies and/or transactions where the proposed amount involved exceeds the limit imposed by the Board as set forth in the relevant rules and/or regulations;

   e. Approval of any and all major policy and strategic actions to be undertaken by management beyond the authorities established for management; and

   f. Such other functions as may be delegated by the Board to the Executive Committee which shall include, the approval of credits and setting of authorization limits thereof. This shall, however, exclude material RPT & DOSRI transactions, which are required to be approved by the Board.

BOARD-LEVEL COMMITTEE

AUDIT COMMITTEE

1. **Audit Committee -** refer to Annex A-1 for Audit Committee Charter details.

COMPOSITION AND CHAIRPERSON

2. The committee shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The chairperson of the AuditCom shall not be the chairperson of the board of directors or of any other board-level committees.

3. The committee shall have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. It shall have access to independent experts to assist them in carrying out their responsibilities.

DUTIES AND RESPONSIBILITIES

4. The Audit Committee shall:

   a. ***Oversees the financial reporting framework***.
   The AuditCom shall oversee financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.

   b. ***Monitors and evaluates the adequacy and effectiveness of the internal control system*.**
   (1) The AuditCom shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.

   (2) Through the Internal Audit Group, monitors and evaluates the adequacy and effectiveness of the Bank's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the bank's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the bank's financial data, and (d) ensure compliance with applicable laws and regulations.

   c. ***Oversees the internal audit function*.**
   (1) The AuditCom shall be responsible for the appointment/selection, remuneration and dismissal of internal auditor. The AuditCom shall review and approve the audit scope and frequency. It shall ensure that the scope covers the review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls and risk management system.

(2) The AuditCom shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. It shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.

(3) Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter.

(4) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. Internal Auditor should directly report to the Audit Committee.

(5) The Audit Committee should also approve the terms and conditions for outsourcing internal audit services.

d. Oversee the external audit function.

(1) The AuditCom shall be responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the BSP and other regulators.

(2) Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

(3) Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should 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, if allowed, should be disclosed in the Bank's Annual Report and Annual Corporate Governance Report;

(4) Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

(5) Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Areas where a significant amount of judgment has been exercised
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

(6) Reviews the disposition of the recommendations in the External Auditor's management letter;

e. ***Oversees the implementation of corrective actions*.**
The AuditCom shall receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions.

Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations

f. ***Investigate significant issues/concerns raised.***
The AuditCom shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.

g. ***Establish whistleblowing mechanism.***
The Auditom shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matter of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

h. Performs oversight functions over the Bank's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions

i. Coordinates, monitors and facilitates compliance with laws, rules and regulations

RISK OVERSIGHT COMMITTEE

1. Risk Oversight Committee – refer to Annex A-3 for Risk Management Committee Charter

COMPOSITION AND CHAIRPERSON

2. The committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The ROC's chairperson shall not be the chairperson of the board of directors, or any other board-level committee.

3. The committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.

DUTIES AND RESPONSIBILITIES

4. The Risk Oversight Committee (ROC) shall advise the board of directors on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank. The ROC shall:

a. ***Oversees the risk management framework***.

(1) The ROC shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

(2) Develops a formal enterprise risk management plan which contains the following elements:

- common language or register of risks,
- well-defined risk management goals, objectives and oversight,
- uniform processes of ecomianceassessing risks and developing strategies to manage prioritized risks,
- designing and implementing risk management strategies, and
- continuing assessments to improve risk strategies, processes and measures

(3) Oversees the implementation of the enterprise risk management plan through Enterprise Risk Management Group. The ROC conducts regular discussions on the Bank's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks

(4) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The ROC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss

b. ***Oversees adherence to risk appetite.***

(1) The ROC shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the therisk appetite based on the quality of compliance with the limit structure, policies and procedures

relating to risk management and control, and performance of management among others.

(2) Advises the Board on its risk appetite levels and risk tolerance limits.

(3) Reviews at least annually the Bank's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the bank;

(4) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;

(5) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

(6) Reports to the Board on a regular basis, or as deemed necessary, the bank's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary

c. ***Oversees the risk management function***.
The ROC shall be responsible for the appointment/selection, remuneration and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversee the risk taking activities of the Bank.

GOVERNANCE COMMITTEE

1. Governance Committee – refer to Annex A-2 for Governance Committee Charter

COMPOSITION AND CHAIRPERSON

2. The committee shall be composed of at least three (3) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson.

The following sub-committees shall fall under the purview of the Bank's Governance Committee:

- Nomination Sub-committee
- Compensation and Remuneration Sub-Committee
- Performance Evaluation Sub-Committee

DUTIES AND RESPONSIBILITIES

3. The Governance Committee shall assist the board of directors in fulfilling its corporate governance responsibilities. In this regard, the GovCom shall:

a. ***Oversees the nomination process for members of the board of directors and for positions appointed by the board of directors.***

(1) The GovCom shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors. The committee shall recommend to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.

(2) Determines the nomination and election process for the bank's directors and has the special duty of defining the general profile of board members that the bank may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board

(3) Recommends assignment of tasks/projects to board committees

b. ***Oversees the continuing education program for the board of directors.***

(1) The GovCom shall ensure allocation of sufficient time budget and other resources for the continuing education of directors, and draw on external expertise as needed. The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

(2) Recommends continuing education/training programs for directors

(3) Proposes and plans relevant trainings for the members of the Board

c. ***Oversees the performance evaluation process.***

(1) The GovCom shall oversee the periodic evaluation of contribution and performance (e.g. competence, candor, attendance, preparedness and participation) of the board of directors, board-level committees, and senior

management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.

(2) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance

Compliance Management Group will facilitate the annual performance of the Director's Board Performance, Director's Self-assessment, Board Committee Performance and Management Committee Performance (Refer to Annex).

Inputs should be obtained from the members of the Board Committee (Governance Committee, Risk Oversight Committee and Audit Committee) as part of the evaluation of Independent Control Function's (Compliance, Audit, Risk) and the Head of Control Function's (Chief Risk Officer, Chief Compliance Officer and Chief Risk Officer) effectiveness in maintaining an effective relationship with the Board Committee and the basis for initiative s to enhance the function's value to the Bank. (Refer to Annex).

(3) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement

d. ***Oversees the design and operation of the remuneration and other incentives policy.***

(1) The GovCom shall ensure that the remuneration and other incentives policy is aligned with operating risk culture as well as with the strategic and financial interest of Bank, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethic, and complies with legal and regulatory requirements.

(2) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Bank's corporation's culture and strategy as well as the business environment in which it operates.

e. Oversees the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light if material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments
.

f. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance

g. In addition, the following items shall be observed and undertaken by the three governance team committees: Audit Committee, Governance Committee and Risk Oversight Committee:

- Ensures that control functions (Internal Audit, Compliance and Enterprise Risk Management) are independent from executive functions and business line responsibilities, operations and revenue generating functions. Participation shall be limited to advisory capacity only.

- Ensures independent oversight functions (Audit, Governance and Risk Oversight Committees) have no concurrent membership in management level committees to avoid conflict of interest.

- Ensures periodic performance appraisal of independent control function and its head shall be undertaken by their respective independent oversight committees.

- To monitor the accomplishment of the control functions, that program is being performed in accordance with the approved plan and changes in the plan should be adequately justified and approved prior to implementation

RELATED PARTY TRANSACTION COMMITTEE

1. RPT Committee – refer to Annex A-4 for Related Party Transactions Committee Charter details.

2. The Committee shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, in compliance with applicable laws and regulations, conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged to protect the interest of depositors, creditors, fiduciary client and other Stakeholders.

COMPOSITION AND CHAIRPERSON

3. The committee shall be composed of at least three (3) members of the board of directors, two (2) of whom shall be independent directors, including the chairperson. The committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. The compliance officer or internal auditor may sit as resource persons in RPT committee.

DUTIES AND RESPONSIBILITIES

4. The RPTCom shall:

a. ***Evaluates on an ongoing basis existing relations between and among businesses and counterparties*** to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators

b. ***Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms*** (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

- The related party's relationship to the Bank and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits of the Bank of the proposed RPT
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Bank shall have in place effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All material RPTs shall be endorsed by the RPTCom to the Board for approval.

c. ***Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest***. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Bank's affiliation or transactions with other related parties;

d. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

e. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

f. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including *a periodic review of RPT policies and procedures*.

DIRECTOR

1. The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their "duty of care" and "duty of loyalty" to the Bank.

2. A director shall include those named as such in the articles of incorporation, those duly elected in subsequent meetings of the stockholders, or those elected to fill vacancies in the Board of Directors.

QUALIFICATIONS

3. Director shall have the following minimum qualifications:

   a. He must be fit and proper for the position of a director.

      In determining whether a person is fit and proper for the position of a director, the following matters must be considered:
      - integrity/probity, physical/mental fitness;
      - relevant education/financial literacy/training;
      - possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and
      - sufficiency of time to fully carry out responsibilities.

      In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with bank policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.
      An elected director has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications under MORB x150.1.

      Director shall submit to the BSP required certification and other documentary requirements listed in Appendix 98 as guide within twenty (20) banking days from date of election. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and result in his/her removal from the Board

The members of the board 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

b. He must have attended a seminar on corporate governance for board of directors within a period of six months from date of election. A director shall submit to the BSP a certification of compliance with the BSP - prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.

4. In selecting independent and non-executive directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities.

SPECIFIC DUTIES AND RESPONSIBILITIES

5. ***To remain fit and proper for the position for the duration of his term.*** A director is expected to remain fit and proper for the duration of his term.

   a) He should possess unquestionable credibility to make decisions objectively and resist undue influence.
   b) He shall treat Board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance; and
   c) He shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.

6. ***To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions.***

   Directors should, whenever possible avoid situations that would give rise to a conflict of interest.
   a) If transactions with the Bank cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the Bank than those offered to others.
   b) The basic principle to be observed is that the Director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests.

   c) He should avoid situations that would compromise his impartiality.

7. ***To act honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public***.

The Director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances.

While the Director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

8. ***To devote time and attention necessary to properly discharge their duties and responsibilities***. Directors should devote sufficient time to familiarize themselves with the Bank's business.

a) They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the Board's work.
b) They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations.
c) If a person cannot give sufficient time and attention to the affairs of the Bank, he should neither accept his nomination nor run for election as member of the board.

9. ***To act judiciously***. Before deciding on any matter brought before the Board of Directors, every Director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.

10. ***To contribute significantly to the decision-making process of the Board.*** Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of the Board.

11. ***To exercise independent judgment***. The Director should view each problem/situation objectively.

a) When a disagreement with others occurs, he should carefully evaluate the situation and state his position.
b) He should not be afraid to take a position even though it might be unpopular.
c) He should support plans and ideas that he thinks will be beneficial to the Bank.

12. ***To have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the contents of its Articles of Incorporation and By-laws, the requirements of BSP and where applicable, the requirements of other regulatory agencies.*** The Director should also keep himself informed of the industry developments and business trends in order to safeguard the Bank's competitiveness;

13. ***To observe confidentiality***. Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

DIRECTOR – GROUNDS FOR DISQUALIFICATION

1. Without prejudice to specific provisions of law prescribing disqualifications for directors / officers / employees, the following are disqualified from becoming directors:

2. **Permanently disqualified.** The following directors/officers/ employees are permanently disqualified by the Monetary Board from holding a director position:

   a) Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft And Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);

   b) Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six years, or a violation of the Corporation Code committed within five years prior to the date of his election or appointment.

   c) Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.

   d) Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;

   e) Directors, officers or employees of closed banks/quasi-banks/trust entities who were found to be culpable for such institution's closure as determined by the Monetary Board;

   f) Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory.

   g) Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executor.

   h) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with bank, quasi-bank, trust company, investment house or as an

affiliated person of any of them

i. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, BSP, or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

j. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law, rule, regulation or order administered by the SEC or BSP

k. Any person found guilty by final judgement or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations of misconduct enumerated previously.

3. **Temporarily disqualified.** Directors/officers/employees disqualified by the Monetary Board from holding a director position for a specific/indefinite period. Included are:

a) Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate department of the SES when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;

b) Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during their incumbency, and Directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting. This disqualification applies only for purposes of the immediately succeeding election;

c) Person who are delinquent in the payment of their obligations as defined hereunder:

(1) Delinquency in the payment of obligations means that an obligation of a person with the Bank where he/she is a director or officer, or at least two

(2) obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to MORB Section X306;

(2) Obligations shall include all borrowings from a bank obtained by:

i. A Director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;

ii. The spouse or child under the parental authority of the director or officer;

iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;

iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

v. A corporation, association or firm wholly owned or majority of the capital of which is owned by any or a group or persons mentioned in the foregoing items (i), (ii) and (iv).

d) Persons who have convicted by a court for offenses involving dishonesty, breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory;

e) Directors and officers of closed banks pending their clearance by the Monetary Board;

f) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate department of SES of such directors' election/reelection;

g) Directors who failed to attend the required special seminar for board of directors. This disqualification applies until the director concerned had attended such seminar;

h) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons; or after

the lapse of five (5) years from the time they were officially advised by the appropriate department of the SES of their qualification.

i) Directors under preventive suspension;

j) Persons with derogatory records as certified by, or on the official files of, the judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, International Police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affecting the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;

k) Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

l) Directors and officers of bank, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

m) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid.

n. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with

INDEPENDENT DIRECTOR

1. An independent director of the Bank can be elected as an independent director of its:

   a) Parent or holding company;
   b) Subsidiary or affiliate
   c) Substantial shareholder; or
   d) Other related companies; or vice-versa

   Provided that he is not a substantial shareholder of the Bank or any of the said concerned entities.

2. The number and type of entities where the independent director is likewise elected shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities;

3. An independent director may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same Bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

QUALIFICATIONS

4. **Independent director:**

   - is not or was not a director, officer or employee of the bank, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
   - is not or was not a director, officer, or employee of the bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
   - is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
   - is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the bank or any of its related companies or of any of its substantial stockholders;
   - 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;
   - is not or was 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 during the past three (3) years counted from the date of his election;
   - 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 arm's length and could not materially interfere with or influence the exercise of his judgment;

- was not appointed in the bank, its subsidiaries, affiliates or related interest as Chairman "Emeritus", "Ex-Ofticio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
- is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders
- is not employed as an executive officer of another company where any of the bank's executives serve as directors.

5. The bio-data of independent director required to be submitted under MORB Section X148.2 shall be accompanied by a certification under oath from the director concerned that he/she is an independent director as defined under MORB Section X141.1 or Item no. 47 of this Manual.

6. An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in the committee that perform independent oversight/control; functions such as Audit, Risk Oversight and Corporate Governance committees, without prior approval of the Monetary Board**.**

DISQUALIFICATIONS

7. If the beneficial equity ownership of the independent director in the Bank exceeds two percent (2%) of the Bank's subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

TERM LIMITS

8. Rules on the term limit of independent directors are as follows:

   a) A Bank's independent director may only serve for a maximum cumulative term of nine (9) years.
   b) After which, the independent director should be perpetually barred from re-election as such in the same bank, but may continue to qualify for nomination and election as a regular director.
   c) In the instance that a bank wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and
   d) Reckoning of the cumulative nine-year term is from 2012.

LEAD INPENDENT DIRECTOR

1. **The Board designated the Chairman of the Governance Committee to be the Lead Independent Director.**

   The **functions** include, among others the following:

   a. Leads the Independent Director at the Board meeting in raising queries and pursuing matters
   b. Leads meeting of Independent Director, with-out the presence of the Executive Director
   c. Serves as an intermediary between the Chairman and other directors when necessary
   d. Convenes and chairs meeting of the non-executive directors.
   e. Contributes to the performance evaluation of the Chairman, as required.

2. The non-executive directors separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the bank should be chaired by the lead independent director.

CHAIRMAN OF THE BOARD

DUTIES AND RESPONSIBILITIES

1. ***The Chairperson of the board of directors shall 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 members of the board of directors. He shall:
   a. ensures that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns;
   b. ensures a sound decision-making process;
   c. encourages and promote critical discussion;
   d. ensures that dissenting views can be expressed and discussed within the decision-making process;
   e. ensures that members of the board of directors receive accurate, timely, and relevant information;
   f. ensures the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and
   g. Ensures conduct of performance evaluation of the board of directors at least once a year.

2. ***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.

3. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations

4. Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions.

5. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging in the skills and expertise of individual directors.

6. Ensures that the Board sufficiently challenge and inquires on reports submitted and representations made by Management.

7. Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors.

8. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

To promote checks and balances, the chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the Bank within the past three (3) years.

QUALIFICATIONS

The positions of chairperson and CEO shall not be held by one (1) person. In exceptional cases where the position of chairperson of the board of directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

CHIEF EXECUTIVE OFFICER -

The CEO shall be the overall-in-charge for the management of the business and affairs of the Bank governed by the strategic direction and risk appetite approved by the board of directors. He shall be primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Bank.

ROLES AND RESPONSIBILITIES

The CEO has the following roles and responsibilities, among others:

a) Determines the bank's strategic direction and formulates and implements its strategic plan on the direction of the bank.

b) Communicates and implements the bank's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same.

c) Oversees the operations of the bank and manages human and financial resources in accordance with the strategic plan.

d) Has a good working knowledge of the bank's industry and market and keeps up-to-date with its core business purpose.

e) Directs, evaluates and guides the work of the key officers of the bank.

f) Manages the bank's resources prudently and ensures a proper balance of the same

g) Provides the Board with timely information and interfaces between the Board and the employees;

h) Builds the corporate culture and motivates the employees of the bank.

i) Serves as the link between internal operations and external stakeholders.

OFFICER

1. Shall include the president, executive vice president, senior vice-president, vice president, general manager, treasurer, secretary, trust officer and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either through announcement, representation, publication or any kind of communication made by the bank.

2. The Chairman or vice- or another position in the board shall not be considered as an officer unless the duties of his position in the board include functions of management such as those ordinarily performed by regular officers.

3. The members of a group or committee, including sub-groups or subcommittees, whose duties include functions of management such as those ordinarily performed by regular officers, and are not purely recommendatory or advisory, shall likewise be considered as officers.

QUALIFICATIONS

4. An officer shall have the following minimum qualifications:

   a) He must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered:

      i. Integrity/probity;
      ii. Education/training; and
      iii. Possession of competencies relevant to the function such as knowledge and experience, skills and diligence

   In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with bank policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

   An appointed/elected officer has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications under MORB x150.2.

   Officer shall submit to the BSP required certification and other documentary requirements listed in Appendix 98 as guide within twenty (20) banking days from date of election. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and result in his/her removal therefrom.

5. The appointment of officers with the rank of Senior Vice President (SVP) and above shall be subject to BSP confirmation.

6. Appointment of officers below the rank of SVP shall be subject neither to Monetary Board approval nor BSP confirmation.

7. The appointment of above-mentioned officers shall be deemed to have been confirmed by the BSP, if after sixty (60) banking days from receipt of the required reports, no advice against said appointment has been received by the Bank

8. The election/appointment of Treasurer, Chief Compliance Officer, Chief Risk Officer, Chief Audit Executive, Treasurer and Trust Officer regardless of rank shall be subject to BSP confirmation.

DOCUMENTARY REQUIREMENTS

9. An officer shall submit to the BSP the required certifications and other documentary proof of such qualifications using Appendix 98 as guide within twenty (20) banking days from date of meeting of the board of directors in which the officer is appointed/promoted. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and results to his/her removal therefrom.

DUTIES AND RESPONSIBILTIES

10. ***To set the tone of good governance from the top.*** Bank officers shall promote the good governance practices within the bank by ensuring that policies on governance as approved by the board of directors are consistently adopted across the bank;

11. ***To oversee the day-to-day management of the bank.*** Bank officers shall ensure that bank's activities and operations are consistent with the bank's strategic objectives, risk strategy, corporate values and policies as approved by the board of directors. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization;

12. ***To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency***. Bank officers shall establish measureable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the board of directors for the performance of the bank; and

13. ***To promote and strengthen check and balance systems in the bank***. Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

DISQUALIFICATIONS

14. The disqualifications for directors shall likewise apply to officers, except those stated in Item 3.b and 3.g on Temporary Disqualification;

15. The spouse or a relative within the second degree of consanguinity or affinity are prohibited from holding officership positions across the following functional categories within the bank:

    a) Decision making and senior management function (e.g. chairman, president, chief executive officer, chief operating officer, general manager, and chief financial officer other than the treasurer or controller)
    b) Treasury functions (e.g. Treasurer and VP – Treasury)
    c) Recordkeeping and financial reporting functions (e.g. controller and chief accountant)
    d) Safekeeping of assets (e.g. chief cashier)
    e) Compliance functions (e.g. compliance officer)
    f) Internal audit function (e.g. internal auditor)

16. The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier or accountant is a branch or extension office unit of a bank or their respective positions is disqualified from holding or being appointed to any of said position in the same branch or extension office

17. Any appointive or elective officials whether full time or part time, except in cases where such service is incident to financial assistance provided by the government or government-owned or-controlled corporations or in cases allowed under existing law

18. Except as may otherwise be allowed under Commonwealth Act No. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of the Bank.

CORPORATE SECRETARY

1. The Corporate Secretary, who must be a Filipino, is and officer of the Bank.

2. Accuracy in the preparation of documents and coordination with the appropriate directors and officers in matter directly affecting them are expected of him.

3. His loyalty to the mission, vision and specific business objectives of the Bank come with his duties.

4. Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

5. He should be a separate individual from the Chief Compliance Officer and should not be a member of the Board of Directors.

DUTIES AND RESPONSIBILITIES

1. Furnish all first time directors with a copy of the specific duties and responsibilities of the Board of Directors prescribed under MORB X143.1 & X143.2 upon election.

2. Requires the directors to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same. Copies of the acknowledgment and certification herein required shall be submitted in accordance with Appendix 6 of the Manual of Regulations. Keep on file certification under oath of the directors that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

3. Gathers and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Bank.

4. Assists the Board and Executive Committee in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar and assisting the chairs of the Board and ExCom to set agendas for those meetings.

5. Safe keeps and preserve the integrity of the minutes of the Board and Executive Committee, as well as other official records of the Bank.

6. Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Bank, and advises the Board and the Chairman on all relevant issues as they arise.

7. Works fairly and objectively with the Board, in accordance with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders and shareholders.

8. Advises on the establishment of board committees and their terms of reference.

9. Informs members of the Board, in accordance with the by-laws, of the agenda of

their meetings in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require heir approval.

10. Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so.

11. Oversees the drafting of the by-laws and ensures that they conform with regulatory requirements.

12. Sends Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting and posted on the bank's website.

13. Publishes the voting results taken during the most recent Annual or Special Shareholders' Meeting, the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting should be available on the bank's website within five business days from the end of the meeting.

14. Keeps the stock certificate book, the stock, and transfer book and the corporate seal which he shall stamp on all documents requiring the seal of the bank

15. Fills and countersign all the certificates of stock issued, making corresponding annotation on the margins or sub of such certificates upon issuances, keep a complete up-to-date roll of the stockholders and their addresses.

16. Furnishes a copy of the Compliance Policies and Procedures Manual containing the Bank's policies on Corporate Governance and succeeding updates to the Manual to all incumbent directors and new director/s that will be elected.

17. Submits reportorial requirements, but not limited to the following:

    a) Bio-data of Directors and Officers

       Submit to the appropriate department of the SES of BSP a bio-data with ID picture of the directors/officers after their election/re-election/ appointment and as changes occur, in a prescribed form within twenty (20) banking days from date of election/re-election/appointment/change in accordance with *Appendix 6 of the MORB*.

       The bio-data shall be updated and submitted in cases of change of name due to change in civil status and change of residential address, within twenty (20) banking days from the date the change occurred.

    b) List of Incumbent Members of the Board of Directors

       Submit to the appropriate department of the SES, a duly notarized list of the incumbent members of the Board of Directors and Officers (chief executive officers, down the line) within twenty (20) banking days from the annual election of the Board of Directors. Any change in the composition of the

Board of Directors shall also be reported to the BSP after the election or appointment of a member.

c) Acknowledgment receipt of copies of specific duties and responsibilities of the board of directors and of a director and certification that they fully understand the same.

d) Resolution on the Financial Audit Report

Submit a copy of the Board Resolution on the Financial Audit Report to Controllership Segment the following day after discussion by the Board for submission to the appropriate supervising and examining department of the BSP. The resolution shall show, among other things, the action(s) taken on the report and the names of the directors/trustees present and absent.

e) Resolution on the Letter of Comments (LOC) Submitted by the External Auditor.

Submit a copy of the Board Resolution on the LOC by the External Auditor to Controllership Segment the following day after discussion by the Board for submission to the appropriate supervising and examining department of the BSP. The resolution shall show, among other things, the action(s) taken on the findings and recommendations and the names of the directors/trustees present and absent.

18. Performs required administrative functions.

19. Performs such other duties and responsibilities as maybe provided by the regulators (SEC, BSP, PSE etc.)

CHIEF COMPLIANCE OFFICER

1. The Chief Compliance Officer (CCO) is a full time senior officer functionally reporting to the Board of Directors/Governance Committee.

2. The CCO is the lead senior officer for purposes of administering the compliance program and liaise with the regulators (BSP, SEC) on compliance-related issues.

3. The, through its CCO and/or other authorized compliance officers, may consult the BSP for clarifications on specific provisions of related laws and regulations.

4. The appointment/designation of the CCO shall require prior confirmation of BSP.

5. The appointment of the Compliance Officer shall be immediately disclosed to the Securities and Exchange Commission (SEC) on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer

QUALIFICATIONS

6. The CCO should have the necessary qualifications, experience, and professional background and should have a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations.

7. The CCO should be up-to-date with the developments in laws, rules and standards maintained through continuous training.

8. An appointed CCO has the burden to prove that he possesses all the minimum qualifications and none of the disqualifications by submitting to the BSP, proof of such qualifications. Non-submission of complete documentary requirements within the prescribed period shall be construed as his failure to establish his qualifications for the positions and results in his removal as CCO.

9. The CCO's qualifications shall also be subject to the provisions of MORB Section X145.1 enumerating the qualifications of bank officers, particularly considering fit and proper matters such as integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

10. The CCO shall have commensurate skills and expertise to provide appropriate guidance and direction to the bank on the development, implementation and maintenance of the compliance program.

11. The CCO should not be a member of the Board of Directors

DUTIES AND RESPONSIBILITIES

12. The principal function of the CCO is to oversee the design of an appropriate compliance system, promote its effective implementation and management and address breaches that may arise.

13. The CCO shall also be responsible for ensuring the integrity and accuracy of documentary submissions to the BSP/SEC and other regulatory agency.

a) All officers to ensure the integrity and accuracy of documentary submissions to the BSP and other regulatory agencies as this is one of their primary responsibilities

b) For prudential reports (e.g. FRP, CAR report, CDRC, CTR, STR) and other periodic reports submitted to regulatory agencies (BSP, PDIC, SEC etc.) is the responsibility of the concerned units/officer responsible to submit such report.

c) Documentary requirements for submission to regulatory agencies to support a request for approval or notification should be coursed through the Bank's Compliance Office/Chief Compliance Officer for verification of the accuracy and completeness of the requirement. Adequate lead time should be allotted by the proponent/owner, for the movement of the documents, including the checking.

d) Furthermore, any monetary penalty/fine/sanction arising from the Bank's shortfall/violation to the accuracy, completeness timeliness of requirements should be answerable for by the responsible owners (to be ascertained through due process).

14. He shall perform the following duties:

a) Identifies, monitors and controls compliance risks.

1) Establishes a compliance policy, ensuring that it is observed, reporting to the Board of Directors/Governance Committee on its ongoing implementation and assessing its effectiveness and appropriateness.

2) Reports to the Board of Directors/Governance Committee matters relevant to the compliance policy and its implementation, recommending any required changes to the policy as needed

Note: *The report should assist the Board Members in making an informed assessment as to whether the institution is managing its compliance risk effectively. However, any material breaches of laws, rules and standards shall be reported promptly.*

b) Ensures that proper controls are incorporated into the Bank system so that all relevant compliance issues are fully addressed

Note: Management and system designers should consult with the Chief Compliance Officer during the development and implementation stages of banking products and services. This level of involvement will help decrease Bank's compliance risk and may prevent the need to delay deployment or redesign programs that do not meet regulatory requirements.

c) Ensures proper onboarding of new directors (i.e., orientation on the bank's business, charter, articles of incorporation and by-laws, among others).

d) Reports the matter to the Board/Governance Committee if violations are found and recommends the imposition of appropriate disciplinary action.

e) Monitors, reviews, evaluates and ensures the compliance by the Bank, its officers and directors with the provisions of relevant laws, CG Code, this manual, rules and regulations and all governance issuances of regulatory agencies

f) Appears before the BSP and Securities and Exchange Commission (SEC) upon summon on similar matters that need to be clarified by the same.

g) Collaborates to properly address compliance issues, which may be subject to investigation.

h) Identifies possible areas of compliance issues and works towards the resolution of the same.

i) Ensures the attendance of the board members and key officers to relevant trainings.

j) Performs such other duties and responsibilities as may be provided by the regulators (BSP, SEC)

RISK MANAGEMENT FUNCTION

1. The risk management function shall directly report to the Risk Oversight Committee (ROC)/board of directors.

2. The primarily function is to assist management in meeting its responsibility to understand and manage risk exposures and ensure the development and consistent implementation of risk policies, processes, and procedures throughout the bank.

2. Personnel of the management function should collectively have knowledge and technical skills commensurate with the bank's activities and exposure. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the bank's activities

DUTIES AND RESPONSIBILITIES

3. The risk management function shall be responsible for overseeing the risk-taking activities across the Bank, as well as in evaluating whether these remain consistent with the Bank's risk appetite and strategic direction.

4. It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk taking activities of the Bank.

5. The risk management function shall be responsible for identifying, measuring, monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense.

6. The risk management function involves the following activities, among others:

   a) identifying the key risk exposures and assessing and measuring the extent of risk exposures of the bank and its trust operations;
   b) monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the bank's internal capital adequacy assessment on an on-going basis;

   c) monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and

   d) Reporting on a regular basis to senior management and to the board of directors of the results of assessment and monitoring.

   e) Defining a risk management strategy.

   f) Identifying and analyzing key risks exposure relating to economic, environmental, social and governance (EESG) factors and the achievement of the bank's strategic objectives.

   g) Evaluating and categorizing each identified risk using the bank's predefined risk categories and parameters.

   h) Establishing a risk register with clearly defined, prioritized and residual risks.

i) Developing a risk mitigation plan for the most important risks to the bank, as defined by the risk management strategy.

j) Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Risk Oversight Committee.

k) Monitoring and evaluating the effectiveness of the bank's risk management processes.

CHIEF RISK OFFICER

1. The Bank shall appoint full-time Chief Risk Officer (CRO) who shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions. The appointment, dismissal and other changes to the CRO shall have prior approval of the board of directors.

2. In cases, when the CRO will be replaced, the bank shall report the same to the BSP within five (5) days from the time it has been approved by the board of directors.

3. CRO will functionally report to the Risk Oversight Committee/Board. He shall have direct access to the Board of Directors and the Risk Oversight Committee without any impediment.

4. The CRO shall have sufficient stature, authority and seniority within the bank. This will be assessed based on the ability of the CRO to influence decisions that affect the bank's exposure to risk.

5. The CRO shall have the ability, without compromising his independence, to engage in discussions with the board of directors, chief executive officer and other senior management on key risk issues and to access such information, as he deems necessary to form his or her judgment.

6. The CRO shall meet with the board of directors/risk oversight committee on a regular basis and such meetings shall be duly minuted and adequately documented.

QUALIFICATIONS

7. The CRO should have the knowledge and skills necessary to oversee the Bank's risk management activities. This will be assessed based on the ability of the CRO to influence decisions that affect the Bank's exposure to risk.

8. The CRO should have the ability to interpret and articulate risk in a without compromising his independence, can engage in a constructive dialogue with the board of directors, chief executive officer, and other senior management on key risk issues.

DUTIES AND RESPONSIBILITIES

9. The CRO shall be responsible for overseeing the risk management function and shall support the board of directors in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into a risk limits structure.

10. The CRO shall likewise propose enhancements to risk management policies, processes, and systems to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

11. The CRO has the following **functions:**

    a) Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;

b) Communicates the top risks and the status of implementation of risk management strategies and action plans to the Risk Oversight Committee;
c) Collaborates with the CEO in updating and making recommendations to the Risk Oversight Committee;

d) Suggests ERM policies and related guidance, as may be needed; and

e) Provides insights on the following:

   i. Risk management processes are performing as intended;
   ii. Risk measures reported are continuously reviewed by risk owners for effectiveness; and
   iii. Established risk policies and procedures are being complied with.

EXTERNAL AUDITOR

1. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the bank, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee. The reappointment, removal and fees of the external auditor shall likewise be recommended by the Audit Committee.

2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Bank's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

3. The external auditor of the bank shall not at the same time provide the services of an internal auditor to the same client. The Bank shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

4. The Bank's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

5. If an external auditor believes that the statements made in the Bank's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

6. The Bank shall disclose of non-audit services performed by its external auditor in the Annual report to deal with the potential conflict of interest.

INTERNAL AUDITOR

1. The Bank has in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which it's Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

2. The Internal Auditor shall report to the Audit Committee

3. The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Bank's organizational and procedural controls.

4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

5. The head of the internal audit function shall be appointed/reappointed or replaced with prior approval of the Audit Committee.

QUALIFICATIONS

6. The head of internal audit function must have an unassailable integrity, relevant education/experience/training, and has an understanding of the risk exposures of the bank, as well as competence to audit all areas of its operations. He must also possess the following qualifications:

   a) The head of the internal audit function must be a Certified Public Accountant (CPA) or a Certified Internal Auditor (CIA).

   b) He must have at least five (5) years' experience in the regular audit (internal or external) of a UB or KB as auditor-in-charge, senior auditor or audit manager.

   c) He must possess the knowledge, skills, and other competencies to examine all areas in which the bank operates.

DUTIES AND RESPONSIBILITIES

7. Demonstrate appropriate leadership & have the necessary skills to fulfill his responsibilities for maintaining the unit's independence and objectivity.

8. To be accountable to the board of directors or audit committee on all to be accountable to the board of directors or audit committee on all matters related to the performance of its mandate as provided in the internal audit charter. The head of the internal audit function/Chief Audit Executive shall submit a report to the audit committee or board of directors on the status of accomplishments of the internal audit unit, including findings noted during the conduct of the internal audit as well as status of compliance of concerned departments/units.

9. Ensures that the internal audit function complies with sound internal auditing standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.

10. Develop audit plan based on robust risk assessment, including inputs from the board of directors, audit committee and senior management and ensure that such plan is comprehensive and adequately covers regulatory matters.

11. Ensures that the internal audit function has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate.

12. Periodically reviews the internal audit charter and presents it to senior management and Audit Committee for approval.

13. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and Audit Committee for review and approval.

14. Spearheads the performance of the internal audit activity to ensure it adds value to the bank.

15. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan.

16. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

INTERNAL AUDIT - FUNCTIONS

Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management and governance systems and processes of the bank, which helps management and the board of directors in protecting the bank and its reputation. The internal audit function shall both assess and complement operational management, risk management, compliance and other control functions. In this respect, internal audit shall be conducted based on risk assessment.

1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;

2. Performs regular and special audit as contained in the annual audit plan and/or based on the bank's risk assessment.

3. Performs consulting and advisory services related to governance and control as appropriate for the bank.

4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the bank.

5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the bank.

6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned.

7. Evaluates specific operations at the request of the Board or Management, as appropriate.

8. Monitors and evaluates governance processes.

SELECTION/ APPOINTMENT, ELECTION, RE-ELECTION

1. Directors of the Bank are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

2. In compliance with SEC SRC Rule 38, and as matter or practice, the Bank has adopted the following rules in the nomination and election of Directors:

   a) All nominations for directors and independent directors shall be submitted to the Nominations Committee though any of the members of the Committee or the Corporate Secretary at any time before the submission of the Definitive Information Statement to the Securities and Exchange Commission (SEC), allowing the Nominations Committee sufficient time to pass upon the qualifications of the nominees.
   b) All nominations shall be in writing duly signed by a stockholder and accepted and conformed to by the nominees likewise in writing indicating whether a particular nominee/s is/are intended to be an independent director or not. It must contain the nominee's age, educational attainment, work and/or business experience and/or affiliation;

   c) No individual shall be nominated as director or independent director unless he meets the minimum requirements/qualifications prescribed by the regulatory agencies and his manual and none for any ground for disqualifications.

   d) The Nominations Committee shall pre-screen the qualifications of the nominees and prepare a final list of candidates, including a summary of all relevant information about them.

   e) The nomination and election process also includes the review and evaluation of the qualifications of all persons nominated to the Board, including whether candidates:
      i. Possess the knowledge, skills, experience and particularly in the case of non-executive directors, independence of mind;
      ii. Have a record of integrity and good repute;
      iii. Have sufficient time to carry out their responsibilities;
      iv. Have the ability to promote a smooth interaction between board members.

CONFIRMATION OF THE ELECTION/ APPOINTMENT OF DIRECTORS AND OFFICERS

1. The election/appointment of Directors/Officers shall be subject to confirmation by the following:

Monetary Board	Directors CEO
SES Committee	Treasurer Head of Internal Audit Head of Enterprise Risk Management Head Of Compliance Trust Officer SVP's & above

2. Any succeeding resignation, retirement or replacement of directors/officers as mentioned above shall be reported to the BSP within twenty (20) banking days after such resignation/retirement/replacement.

3. It is, however, understood that all cases of disqualification shall be elevated to the Monetary Board of the BSP. If after evaluation, the Monetary Board shall find grounds for disqualification, the Director/Officer so elected/appointed may be removed from office even if he/she has assumed the position to which he/she was elected.

4. A director/officer whose election/appointment was not confirmed for failure to submit the complete documentary requirements listed in Appendix 98 shall be deemed removed from office after due notice to the board of directors of the bank, even if he/she has assumed the position to which he/she was elected/appointed, pursuant to Section 16 of R.A. No. 8791.

DISQUALIFICATION PROCEDURES

1. The board of directors and management of the Bank shall be responsible for determining the existence of the ground for disqualification of the Bank's director/officer or employee and for reporting the same to the BSP. While the Bank may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the MB to disqualify a director/officer/employee from being elected/appointed as director/officer. Grounds for disqualification made known to the Bank, shall be reported to the appropriate department of the BSP within seventy-two (72) hours from knowledge thereof.

2. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position.

3. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.

4. If no reply has been received from the director/officer concerned upon the expiration of the period, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.

5. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the MB.

6. For directors/officers of closed banks, the concerned department of the SES shall make appropriate recommendation to the MB clearing said directors/officers when there is no pending case/complaint or evidence against them.

   When there is evidence that a director/officer has committed irregularity, the appropriate department of the SES shall make recommendation to the MB that his/her case be referred to the Office of Special Investigation (OSI) for further investigation and that he/she be included in the masterlist of temporarily disqualified persons until the final resolution of his/her case.

   Directors/officers with pending cases/complaints shall also be included in said masterlist of temporarily disqualified persons upon approval by the MB until the final resolution of their cases.

If the director/officer is cleared from involvement in any irregularity, the appropriate department of the SES shall recommend to the MB his/her delisting. On the other hand, if the director/officer concerned is found to be responsible for the closure of the institution, the concerned department of the SES shall recommend to the MB his/her delisting from the masterlist of temporarily disqualified persons and his/her inclusion in the masterlist of permanently disqualified persons.

7. If the disqualification is based on dismissal from employment for cause, the appropriate department of the SES shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense or the ultimate facts which resulted in the dismissal to be able to determine if the disqualification of the director/officer concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. The appropriate department of the SES may decide to recommend to the MB a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/officer concerned does not warrant disqualification.

8. All other cases of disqualification, whether permanent or temporary shall be elevated to the MB for approval

9. Upon approval by the MB, the concerned director/officer shall be informed by the appropriate department of the SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected/appointed as director/officer in any FI under the supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified.

10. The board of directors of the bank institution shall be immediately informed of cases of disqualification approved by the MB shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the board on the director/officer involved.

11. Persons who are elected or appointed as director or officer in any of bank for the first time but are subject to any of the grounds for disqualification, shall be afforded the procedural due process.

12. Whenever a director/officer is cleared, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank only upon prior approval by the MB. It shall be the responsibility of the appropriate department of the SES to elevate to the MB the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons.

EFFECT OF NON-POSSESSION OF QUALIFICATIONS OR POSSESSION OF DISQUALIFICATION

1. Director/officer elected or appointed who does not possess all the qualifications and/or has any of the disqualifications shall not be confirmed by the confirming authority and shall be removed from office even if he/she has assumed the position to which he/she was elected or appointed.

2. Confirmed director/officer or officer not requiring confirmation found to possess any of the disqualifications shall be subject to the disqualification procedures.

3. Director/Officer, prior to assuming the position to which he/she was elected/appointed, must submit with the appropriate department of the SES a verified statement that he/she has all the aforesaid qualifications and none of the disqualifications. The submission of verified statement will apply to directors/officers elected/appointed.

MULTIPLE BOARD SEATS

1. There need not be a limit to the number of directorships a director may have in other companies as long as he is able to attend to his obligations and as long as the company/ies he is a director in is/are not direct competitor. Further, the director must be able to attend at least 50% of the board and/or board level committee meetings in a year.

2. Each director should disclose at the time of his appointment, and on an annual basis, the number and nature of offices held in public companies or organizations and other significant commitments, with the identity of the public companies or organizations and an indication of the time involved.

3. Further, he/she should notify the Board where he/she is an incumbent director before accepting a directorship in another company.

MEETINGS

4. Regular meeting of the Board of Directors shall be held in the Philippines at least once a month on such date and at such hour as may be fixed by the Board.

5. Special meeting of the Board shall likewise be held in the Philippines and may be called by the Chairman motu propio or at written request of any four (4) members of the Board. Notice of such special meeting shall be sent by the Secretary to the Directors.

   a) Full board of directors' meetings

      The meetings of the board of directors may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein.

      Every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25) of all meetings of the board of directors every year.

      The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.

   b) Board-level committee meetings

      Board-level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies: Provided, That the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of director

6. All meetings of the Stockholders shall be held at the head office of the Bank or such other place within Metro Manila as may be determined by the Board of Directors.

The annual meeting of the Stockholders shall be held on the 3rd Tuesday of June in each calendar year, at 4:00pm, if not a legal holiday, but if a legal holiday, it shall be held on the next business day immediately following.

7. Director with material interest in any transaction affecting the bank should abstain from taking part in the deliberation for the same.

REMUNERATION AND OTHER INCENTIVES

1. The board of directors shall approve the remuneration and other incentives policy that is appropriate and consistent with the Bank's operating and risk culture, long-term business and risk appetite, performance and control environment.

2. The policy shall cover all employees and should be designed to encourage good performance that supports the interest of the Bank's and its stakeholders. It shall be aligned with prudent risk-taking and explicitly discourage excessive risk-taking as defined by the Bank's internal policies.

3. The Governance Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

4. The Bank consider the following as the remuneration and other incentives policy:

   a) The remuneration and incentives package shall take into accounts the employee's position, role responsibilities and activities in the Bank. It shall also consider the risks that the employee takes on behalf of the Bank;

   b) Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. The policy may include provision that defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced if new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting, or if it is discovered that the employee has failed to comply with internal policies or legal requirements;
   c) Remuneration of employee in risk control functions (i.e. Internal Audit, Compliance and Risk Management Functions) shall be based on the achievement of their objectives and shall be independent of the business lines which they oversee.

   d) No director should participate in discussion/deliberation involving his own remuneration.

5. The Bank provides a commensurate and rational salary structure depending on the scope of responsibilities/functions of each employee, which is reviewed periodically to align with the current regulatory provisions and industry trends. It complies with the wage orders or government mandated pay adjustments issued by the Department of Labor and Employment and the Tripartite Wage Boards if applicable. Periodic merit increases are given based on annual performance appraisal reviews for officers while regular rank and file employees receive fixed salary adjustments based on the applicable provisions of the existing Collective Bargaining Agreement.

6. Members of the Board are entitled to reasonable per diem for all board and board committee meeting.

SANCTION

Without prejudice to the sanctions prescribed under Section 37 (Administrative Sanctions on Banks and Quasi-Banks) of R.A. No. 7653 and to the provisions of Section 16 (Fit and Proper Rule) of R.A. No. 8791, any director of a bank who violates or fails to observe and/or perform any of the above responsibilities and duties shall for each violation or offense, be penalized with the amount of P30,000.00.

GENERAL

1. This Manual shall be available for inspection by any stockholder of the Bank at reasonable hours on business days.

2. This manual shall be submitted to the regulators as required and shall be available in the Bank's website.

3. The Board shall appoint/designate Investor Relations Officer (IRO) to ensure constant engagement with its shareholders.

4. The Board likewise appoint/designate Bank's Corporate Information Officer to handle receiving of feedback, complaints and queries from shareholders and ensure that all information regarding the activities of the Bank are properly and timely communicated to shareholders.

5. The Corporate Secretary/Assistant Corporate Secretary as appointed/designated by the Board is the Bank's Corporate Information Officer.

6. The contact information (e.g. investor's relations, customer feedback) shall be posted in the website.

SCOPE

7. All directors, executives, segment, group, division and unit heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

DISSEMINATION AND DISTRIBUTION

8. An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resources Group (HRG), with a minimum of at least one (1) hard copy of the Manual per division

9. Copy of the manual shall likewise be available in the Bank's Public Folder accessible to all employees.

GENERAL

1. A Director shall be required to attend a seminar on corporate governance, which shall be conducted by a private or Government institution duly recognized/accredited by the Bangko Sentral ng Pilipinas.

2. Training of directors include an orientation program for first-time directors for at least eight (8) hours and annual continuing training for at least four (4) hours for all directors and key officers including Corporate Secretary and Chief Compliance Officer.

3. A program on corporate governance conducted by training providers that are duly accredited by the Security and Exchange Commission. Certificate of Attendance shall be submitted within ten (10) days from the completion of the program.

4. Officers and staff shall be trained in the normal course of bank operations with respect to the compliance program of the Bank and the identified business risk.

5. Funds shall be allocated for the purpose of conducting an orientation program or workshop to operationalize this Manual.

GENERAL

1. This section covers the reportorial and disclosure requirements of the Bangko Sentral ng Pilipinas, Securities and Exchange Commission and the Philippine Stock Exchange.

2. The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

3. The Bank shall accomplish annually the Corporate Governance Report to facilitate the disclosure of compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for PLCs and to harmonize the corporate governance requirements of the Commission and the PSE.

4. The Board should fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might attend their judgment.

5. The Bank shall require all directors and officers to disclose/report to the bank any dealings in the bank's shares within three business days.

6. The Bank shall provide a clear disclosure of its policies and procedure for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. In addition, companies should disclose the remuneration on an individual basis, including termination and retirement provisions.

7. The Bank shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.

BSP DOCUMENTARY AND REPORTORIAL REQUIREMENTS

8. The election/appointment of directors/officers (Treasurer, Head of audit, compliance and risk, Trust Officer, with the rank of SVP & above) shall be subject to confirmation by the Monetary Board/SES Committee.

9. The Bank shall also report to the appropriate department of the SES, any succeeding resignation, retirement, or replacement within twenty (20) banking days after such resignation/retirement/replacement.

10. The required certification and other documentary proof of qualifications for the confirmation of the election/appointment of directors/officers are provided under Appendix 98 of the MORB.

11. Report on material exposures to related parties within twenty (20) calendar days after the end of the reference quarter.

12. Conglomerate Structure shall likewise disclose within 30 calendar days after the end of every calendar year.

13. The Chief Risk Officer appointed/replaced by the Board shall be reported to the BSP within five (5) calendar days from the time of approval of the board of directors.

SEC DISCLOSURES AND REPORTORIAL REQUIREMENTS

14. All material information, i.e., anything that could adversely affects its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information shall include, among others financial conditions, results of business and operations, acquisition or disposition significant assets, off balance sheet transactions, board changes, related party transactions, shareholdings of directors, changes to ownership and direct/ indirect remuneration of members of the Board and Management.

    The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders

15. The presence of independent directors during the Board approval of the acquisition or disposal of significant assets to establish transparency and independence on the transaction.

16. The Board should have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

17. Other information that shall always be disclosed includes aggregate remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.

18. The Board of Directors, management and employees are prohibited to communicate material non-public information about the bank to any person unless the bank is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange (PSE). This rule shall not apply if:

    a) A person who is bound by duty to maintain trust and confidence to the Bank such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and

    b) A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

    Note: Listed companies selectively disclosing material non-public information to securities analysts, institutional investors or other third parties who do not fall under letters a and b above, ahead of the general public, shall be considered as violating the Securities and Exchange Commission (SEC) Rule.

19. Information required to be disclosed shall be released via the approved stock exchange procedure. There are two kinds of disclosure:

    a) Structured Continuing Disclosure – includes the periodic reportorial requirements required by the SEC and the PSE. Examples of these reports are: Audited Annual Financial Report, Annual Report, Semi-Annual Report, Quarterly Report, etc.

    b) Unstructured Continuing Disclosure – these refer to the communication of corporate developments to the investing public as they occur. A listed company is required to keep the PSE and the SEC promptly informed by phone or fax, at least 10 minutes after, and confirmed in writing within two (2) hours of any material information or corporate act. During trading hours, information should be relayed by phone at least 10 minutes after and immediately confirmed by fax.

    Unstructured Disclosures shall be addressed to the attention of the Compliance and Surveillance Department of the PSE.

20. The reports or disclosures required under this Manual shall be prepared by the responsible officer and submitted to the SEC through the Corporate Information Officer (CIO) or, in his absence, the alternate CIO designated by the Board.

21. The CIO may refer items for disclosure to the Chief Compliance Officer for comments however the responsibility of reporting to the PSE and the SEC remains with the CIO.

INVESTORS' RIGHTS

1. The Bank recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the provisions discussed in the succeeding paragraphs are issued for the guidance of all parties concerned.

2. Rights of Investors/Minority Interests

   The Board shall be committed to respect the following rights of the stockholders:

   a. Voting Right

      i Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
      ii Cumulative voting shall be used in the election of directors.
      iii A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

   b. Pre-emptive Right

      All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

   c. Power of Inspection

      All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

   d. Right to Information

      i The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
      ii The minority shareholders shall be 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.
      iii The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of legitimate purposes".

e. Right to Dividends

i Shareholders shall have the right to receive dividends subject to the discretion of the Board.

ii The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

f. Appraisal Right

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

i 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;

ii 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

iii In case of merger or consolidation.

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

CHARTER OF THE AUDIT COMMITTEE Revised: 05 January 2018

I. Purpose and Objectives

This Charter sets forth the authority and responsibilities of the Audit Committee of the Board of the Directors.

A. The Committee assists the Board in fulfilling its oversight responsibilities with respect to internal controls including financial reporting control and information technology security, accounting policies, and auditing and financial reporting practices.

B. The Committee assists the Board in its oversight of:
   1. the financial reporting process;
   2. compliance with legal and regulatory requirements;
   3. the external auditor's qualification and independence;
   4. the performance of the external auditors and the Bank's internal audit function; and
   5. the system of internal control.

C. The Committee will report its activities to the Board on a regular basis and make such recommendations, as the Committee deems necessary or appropriate.

D. The Committee is entitled to place reasonable reliance on:
   1. the integrity of those persons and organizations within and outside the Bank from whom and from which it receives information; and
   2. the accuracy of the financial and other information provided to the Committee by such persons or organizations, absent actual knowledge to the contrary which will be promptly reported to the Board of Directors.

E. The function of the Committee is oversight.
   1. The management of the Bank is responsible for the preparation, presentation and integrity of the Bank's consolidated financial statements.

   2. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies as well as internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations.

   3. The external auditors are responsible for planning and performing proper audits, including an audit of the Bank's annual consolidated financial statements filed on SEC Form 17-A, and other procedures, including reviews of the Bank's unaudited interim consolidated financial statements prior to the filing of each quarterly report on SEC Form 17-Q.

F. The Committee will review and assess the adequacy of this written charter annually and recommend changes to the Board of Directors when necessary.

II. Membership

A. The Audit Committee shall be composed of at least three (3) members of the Board of Directors, who shall all be non-executive directors, majority of whom shall be independent directors including the Chairman. The Chairman of the Audit Committee shall not be the Chairman of the Board of Directors or of any other board-level committee.

B. With respect to Committee members, the basis for determining independence will be the director independence guidelines specified in the Bank's Corporate Governance Manual plus additional requirements imposed upon audit committees by the regulatory authorities. The Committee members will not receive, directly or indirectly through their affiliations or relatives, any consulting, advisory or other compensatory fee from the Bank or its subsidiaries other than Director's Fees as defined in the Bank's Corporate Governance Manual and fixed amounts of compensation under a retirement plan for prior service.

C. The composition of the Committee and its independence will be reviewed annually by the Board of Directors.

D. Should there be members who sit simultaneously on the Audit Committees of two or more other public companies, the Board will determine if their duties on other boards impair their ability to serve effectively on the Audit Committee of the Bank, and such determinations will be disclosed in the Annual Proxy Statement.

E. The Audit Committee shall have accounting, auditing, or related financial management expertise or experience commensurate with size, complexity of operations and risk profile of the Bank. The Board of Directors will perform an annual review to confirm the qualifications and independence of the Committee. Committee members will serve at the pleasure of the Board and may be removed by the Board of Directors in its discretion.

F. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

III. DUTIES AND RESPONSIBILITIES

A. Matters to Be Reviewed and Discussed by the Committee

1. The Committee shall:
   a. Oversees the financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
   b. Oversees the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.
   c. Be responsible for the appointment/selection, remuneration and dismissal of the Chief Audit Executive. It shall review and approve the audit scope and frequency. It shall ensure that the scope covers the review of the effectiveness of internal controls including financial, operational and compliance controls and risk management system. The Committee shall functionally meet with the Chief Audit Executive and such meetings shall be duly minuted and adequately documented. In this regard, the Committee shall review and approve the performance and compensation of the Chief Audit Executive and budget of the internal audit function.
   d. Be responsible for the appointment, fees and replacement of the external auditor. It shall review and approve the engagement contract and ensure that the scope of the audit likewise cover areas specifically prescribed by the BSP and other regulators.
   e. Receives key audit reports and ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions.
   f. Have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management and have full discretion to invite any director or executive officer to attend its meetings.
   g. Establishes and maintains mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

2. The Committee will review management's assessment of the adequacy of internal controls, and the resolution of identified material weaknesses and reportable conditions in internal controls, errors, fraud, sufficiency of risk controls, including the prevention and detection of management override or compromise of internal controls. The Committee will obtain assurance from management on the state of the Bank's internal controls including controls over information systems and information technology functions.

3. The Committee will review the Report on Internal Controls that is filed within the Bank's Annual Report. That report will state the responsibilities of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting and contain an assessment of the effectiveness of such structure and procedures. The Committee will also review the external auditors' examination of management's assertion regarding the Bank's internal controls over financial reporting.

4. The Committee will review and discuss with management and the external auditors the scope of services required at the commencement of the audit, matters relating to the conduct of the audit, and the results of the audit.

5. The Committee, or in its discretion, the Chairman of the Committee, will discuss with management, the Chief Audit Executive and/or the external auditors, as appropriate, the Bank's correspondences with regulators regarding financial statement filings and disclosures and the Bank's financial earnings press releases and financial information and earnings guidance provided to analysts and rating agencies.

6. The Committee will review with management, the external auditors, and the Chief Audit Executive the Bank's annual consolidated financial statements and the related opinion thereon, prior to filing with the Securities and Exchange Commission. The Chief Executive Officer, Chief Financial Officer, and Chief Audit Executive will be present at this review, which will include a review of the Bank's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Bank's Annual Report on SEC Form 17-A, as well as any other matters to be reviewed per the requirements of the regulatory agencies and the Philippine Stock Exchange.

7. The Committee will review the external auditors' judgment about the quality of accounting principles as applied in financial reporting, and will review and assess the reasonableness of analyses prepared by management and the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements. Specifically, the external auditors will report to the Committee:
   a. all critical accounting policies and practices used by the Bank;
   b. all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the external auditors;
   c. going concern assumptions; and
   d. other material written communications between the external auditors and management.

8. The Committee will review the interim and annual financial statements before their submission to the Board with particular focus on the following matters:

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
f. Compliance with tax, legal and regulatory requirements.

9. The Committee will receive from management reports on unusual or complex transactions including related party transactions and review these with management, the external auditor and the Chief Audit Executive.

10. The Committee will consider a review of the number and experience of supporting staff, the size and complexity of the Controllership Group in order to determine whether the Controller has adequate staff resources with the appropriate experience and expertise, and that the Controller is able to perform his duties in support of good internal controls, effective audits and high quality financial reporting and disclosure. It may consider participating in the appointment of the Controller by reviewing management's recommendation of candidates and their qualifications and experience and finally concurring with management's recommendation on the choice of candidate.

11. The Committee could obtain feedback on the competency and adequacy of the Controllership Group from the external auditors and internal auditors and inquire into the root causes for major/significant audit adjustments to ascertain the competence of the group.

12. The Committee will obtain from the external auditor's assurance that the audit was conducted in a manner consistent with auditing standards, accounting principles generally accepted in the Philippines or the International Accounting Standards.

13. The Committee will prepare and review with the external auditors the report relating to its oversight role, as required by the Securities and Exchange Commission, for inclusion in the Bank's Annual Proxy Statement.

14. At least annually, the Committee will obtain and review a report by the external auditors describing:

a. the external auditors' internal quality-control procedures;
b. any material issues raised by the most recent internal quality-control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm; and

c. any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the external auditors and the Bank.

15. The Committee will review and approve management representation letters before submission to the external auditor.
16. The Committee will review with management, the Chief Legal Officer, the Chief Compliance Officer, and the Chief Audit Executive the Bank's compliance with laws and regulations, including the laws and regulations relating to safety and soundness designated by responsible banking agencies and will also review management's assertions with respect to laws and regulations. It will receive reports from the Chief Legal Officer and the Controller reports covering litigations, claims, contingencies and other significant legal issues that impact financial statements.

17. The Committee will receive from management and review the results of all unsatisfactory regulatory examination reports, if there be any, and management's responses thereto.

18. The Committee will provide oversight over Management's activities in managing credit, market, operational, legal and other risks of the Bank. The Committee will review and discuss policies with respect to risk management and risk assessment and promote risk awareness in the Bank. The Committee may discharge this duty by receiving and discussing at least annually a report from the Risk Management Committee of the Board of Directors summarizing their reviews of the Bank's methods for identifying and managing risks.

19. The Committee will review and discuss any reports received from attorneys with respect to securities law violations and/or breaches of fiduciary duties which were reported to the Chief Legal Officer or the Chief Executive Officer and not resolved to the satisfaction of the reporting attorney.

20. The Committee will receive from the Chief Compliance Officer each year a report on compliance with laws and regulations and from the Head of Human Resource Group a report on compliance with the Code of Conduct.

21. The Committee will receive reports on the preparation and implementation of a Business Continuity Plan (BCP) from the BCP Directorate Chairman.

B. The Committee's Relationship with the External Auditors

1. The Committee will recommend to the Board the appointment, re-appointment and fees of the external auditors. Annually, the Committee will recommend that the Board request shareholder ratification of the appointment of the external auditors. The external auditors are to report to the Committee. The Committee also has the responsibility to evaluate and, when appropriate, to recommend removal of the external auditors. If the

external auditor resigns or communicates an intention to resign, the Audit Committee should follow up on the reasons/explanations giving rise to such resignation and consider whether it needs to take any action in response to those reasons. The Committee is responsible for setting the compensation of the external auditors, and the Committee shall periodically review the fees charged by the external auditors for all audit services and permitted audit-related, tax and other services.

2. The Committee shall appoint, dismiss and re-appoint external auditors based on fair and transparent criteria such as:
   a. core values, integrity, culture and high regard for excellence in audit quality,
   b. technical competence and expertise of auditing staff,
   c. independence,
   d. effectiveness of the audit process, and
   e. reliability and relevance of the external auditor's reports.

3. The Committee will ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

4. The Committee shall regularly review and monitor the external auditor's technical competence, independence, objectivity and overall effectiveness of the external audit process. The Committee is responsible for oversight of the external auditors' work as it pertains to the audit of the Bank's financial statements and related disclosures, control evaluations and other audit or attest services. The Committee will discuss with the external auditors the overall scope and plans for their audit, including the adequacy of staffing and it will continually engage the external auditor on matters concerning audit quality. The external auditors will also report to the Committee on the results of the audit, and the Committee will discuss any management or internal control letter issued or proposed to be issued by the external auditors. The Committee shall likewise review the disposition of the recommendations in the external auditor's management letters. The Committee shall establish a system that addresses, in a timely and effective manner any findings of fraud or error on the financial statements.

5. In assessing the effectiveness of the external auditor's work, the Audit Committee should closely coordinate with the external auditor during all phases of the external audit engagement, as follows:
   a. It should discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement. Where relevant, the engagement letter should reflect changes in circumstances relevant to the external audit;
   b. It should obtain an understanding of the scope and audit approach which shall be adopted by the external auditor for purposes of meeting the Bank's financial reporting requirements;
   c. It should ascertain and take steps to address the major areas of concern identified by the external auditor during the course of its audit. These

issues my cover significant accounting estimates, valuation methodologies and accounting policies adopted;

d. It should review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate;
e. It should assess the extent of cooperation provided by the Bank's management during the conduct of the external audit; and
f. It should understand and duly assess the external auditor's opinion regarding the capability of Bank management and the adequacy of accounting/ information systems to comply with financial and prudential reporting responsibilities.

6. The Committee will ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

7. The Committee will receive from the external auditors written disclosures about their independence and discuss with them any factors that might detract from their independence. Public accountants will not be independent if, at any point during the audit and professional engagement period, any audit partner earns or receives compensation based on that partner's procuring engagements with the Bank to provide any services other than audit, review, or attest services. The lead and concurring partner must rotate after five years and be subject to a five-year "time-out" period after rotation. Audit partners, other than the lead and concurring partner, will be subject to rotation and time-out periods as prescribed by regulation.

8. The Committee is responsible for the pre-approval of all audit and permitted non-audit services performed by the external auditors, and the Committee will not engage the external auditors to perform the specific non-audit services prescribed by law or regulation. The Committee may delegate authority for the pre-approval of all audit and non-audit services to a member of the Committee. All such approvals will be reported at the next subsequent Committee meeting. As an alternative to pre-approving each non-audit service, the Committee may establish and disclose policies and procedures for pre-approval, provided they are consistent with requirements of applicable laws and regulations. The Committee will review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses.

9. The Committee will 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, if allowed, will be disclosed in the Bank's Annual Report and Annual Corporate Governance Report.

10. The Committee will require the external auditors to certify annually that they are in compliance with all applicable legal and regulatory requirements including those addressing rotation of lead and concurring partners,

provisions of prohibited services, document retention, and the submission of timely reports.

11. The Committee will prohibit management from hiring as a manager overseeing financial reporting matters of the Bank, any person who was employed by the external auditors and was the lead partner, concurring partner, or any other member of the audit engagement team who provided more than ten hours of audit, review or attest services for the Bank within the one-year period preceding the commencement of the audit of the current year's financial statements.

12. The Committee will review with the external auditors any audit problems or difficulties and management's response and will consider disagreements between management and the external auditors, if any arise, and oversee any process for resolution.

13. In order to reinforce the Audit Committee's effectiveness in performing its key role in strengthening corporate governance, the Audit Committee shall maintain effective communication channels with the external auditor through regular and structured dialogues in the course of the external audit. Such communications should focus on the key accounting or auditing issues that, in the external auditor's judgment, give risk to a greater risk of material misstatement in the financial reports, as well as other external audit concerns of the Audit Committee. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. During regular meetings of the Audit Committee, matters that may be raised include audit findings that would impact on the Bank's compliance with regulatory requirements, disclosures and other accounting concerns.

C. Duties with Respect to Internal Audit

1. The Committee will establish a permanent internal audit function and consider the appointment of an independent Chief Audit Executive, who must be a Certified Public Accountant or a Certified Internal Auditor.

2. The Committee will establish and identify the reporting line of the Chief Audit Executive to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Committee. The Committee shall ensure that, in the performance of the work of the Chief Audit Executive, he shall be free from interference by outside parties.

3. The Committee will ensure that the activities of Internal Audit are in compliance with the *International Standards for the Professional Practice of Internal Auditing (ISPIIA).*

4. The Committee shall oversee Internal Audit and shall be responsible for:

    a. Monitoring and reviewing the effectiveness of Internal Audit including an assessment of its performance.
    b. Approving the Internal Audit plan, scope and budget. The Chief Audit Executive shall submit a report to the Audit Committee on the status of accomplishments of Internal Audit, including findings noted during the conduct of internal audit as well as status of compliance of concerned units.
    c. Reviewing the Internal Audit reports and the corresponding recommendations to address the weaknesses noted, discussing the same with the Chief Audit Executive and reporting significant matters to the Board of Directors.
    d. Ensuring that Internal Audit maintains an open communication with Senior Management, the Audit Committee, external auditors and the supervisory authority.
    e. Reviewing discoveries of fraud and violations of laws and regulations as raised by Internal Audit.
    f. Reporting to the Board of Directors the annual performance appraisal of the Chief Audit Executive.
    g. Recommending for approval of the Board of Directors the annual remuneration of the Chief Audit Executive and key internal auditors.
    h. Selecting and overseeing the performance of the outsourced internal audit service provider where applicable, particularly:
        - Ensuring the independence of the service provider.
        - Reporting to the Board of Directors on the status of accomplishments of the service provider including significant findings noted.
        - Ensuring that the service provider complies with sound internal auditing standards such as the ISPPIA and other supplemental standards issued by regulatory authorities/ government agencies as well as with the relevant code of ethics.
        - Ensuring that the audit plan is aligned with the overall plan strategy and budget of the Bank and is based on robust risk assessment.
        - Ensuring that the service provider has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities outsourced.

5. The Committee will review recommendations of management with respect to the appointment, compensation, and replacement of the Chief Audit Executive prior to management's taking actions to hire, set compensation or replace the Chief Audit Executive. The Committee will review and approve the remuneration of the head and personnel of Internal Audit. Said remuneration shall be in accordance with the Bank's remuneration policies and practices and shall be structured in such a way that these do not create conflicts of interest or compromise independence and objectivity.

6. The Chief Audit Executive is accountable to the Committee. The Committee will advise the Chief Audit Executive that he or she is expected to provide

the Committee with summaries of significant reports to management prepared by Internal Audit and management's responses thereto. The Audit Committee shall review and discuss all reports of examinations submitted by the Internal Audit Group and shall confirm the recommendations, actions taken/to be taken by concerned management and the recommended audit rating. In addition, the Chief Audit Executive will report to the Committee on the follow-up of significant issues raised in reports and the resolution thereof to enable the Committee to review and monitor Management's responsiveness to audit findings and recommendations.

7. The Committee may outsource internal audit activities in accordance with existing BSP regulations. Outsourcing shall however be done on a limited basis to have access to certain areas of expertise that are not available to Internal Audit or to address resource constraints. The Chief Audit Executive shall ensure that the knowledge or inputs from the outsourced experts shall be assimilated into the Bank to the greatest extent possible.

8. On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the Committee or Internal Audit believes should be discussed privately.

9. Annually, review and approve changes (if any) to the Internal Audit Charter and endorse such for Board approval.

10. The Committee shall commission an assessment team outside of the organization to conduct an independent quality assurance review of Internal Audit at least every five (5) years.

D. **Other Responsibilities**

1. Regularly report to the Board of Directors about the Bank's compliance with internal policies and legal or regulatory requirements and evaluations on the assessment of effectiveness of internal control made by management, internal auditors and external auditors.

2. Perform any other activities consistent with this Charter that the Board of Directors determines are necessary or appropriate.

IV. Meetings and Determination of Quorum

A. The Committee shall meet once a month at the 5th floor Boardroom, PBCom Tower, Makati City. A quorum at any meeting of the Audit Committee shall consist of a majority of all the members thereof.

B. Minutes of all meetings will be approved by the Committee and maintained. The Secretary of the Audit Committee shall be designated by the Audit Committee Chairman.

C. The Committee will meet separately at least quarterly with each of management, the Chief Audit Executive, the Chief Legal Officer and the external auditors, providing sufficient time to discuss any matters that the Committee or any of these persons or firms believes should be discussed.

D. The Committee may request any officer or employee of the Bank or outside counsel to the Bank or external auditors or any special counsel or advisors to the Committee to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

ANNEX A

Audit Committee Self-Assessment Worksheet

Responsibilities under the Code	Specific Areas/ Dimensions	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow-up Actions Needed
Setting of Committee Structure and Operation	1. Committee size.			
	2. Independence requirement			
	3. Qualifications, skills and attributes of members and Chair.			
	4. Financial knowledge of members.			
	5. Succession plan for members and Chair.			
	6. Meetings (frequency, etc.).			
	7. Reporting to the Board and issuance of certifications on critical compliance issues.			
	8. Evaluations.			
	9. Resources including access to outside advisors			
	10. Training and education			
Oversight on Financial Reporting and Disclosures	1. Extent of understanding of the Bank's business and industry in which it operates.			
	2. Compliance with financial reporting regulations.			
	3. Recognition of management's responsibility over the financial statements.			
	4. Appropriateness of accounting policies adopted by management.			
	5. Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements.			

Responsibilities under the Code	Specific Areas/ Dimensions	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow-up Actions Needed
	6. Identification of material errors and fraud, and sufficiency of risk controls.			
	7. Actions or measures in case of finding of error or fraud in financial reporting.			
	8. Review of unusual or complex transactions including all related party transactions.			
	9. Determination of impact of new accounting standards and interpretations.			
	10. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party transactions.			
	11. Review and approval of management representation letter before submission to external auditor.			
	12. Communication of the Audit Committee with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements.			
	13. Fair and balanced review of financial reports.			
	14. Assessment of correspondence between the bank and regulators regarding financial statement filings and disclosures.			
Oversight on Risk Management and Internal Controls	1. Obtaining management's assurance on the state of internal controls.			
	2. Review of internal auditor's evaluation of internal controls.			
	3. Evaluation of internal control issues raised by external auditors.			
	4. Assessment of control environment including IT systems and functions.			

Responsibilities under the Code	Specific Areas/ Dimensions	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow-up Actions Needed
	5. Setting a framework for fraud prevention and detection including whistle-blower program.			
	6. Deliberation on findings of weaknesses in controls and reporting process.			
	7. Understanding and assessment of identified risks.			
	8. Evaluation of sufficiency and effectiveness of risk management processes and policies.			
	9. Preparation and implementation of a Business Continuity Plan.			
	10. Promotion of risk awareness in the organization.			
Oversight on Management and Internal Audit	1. Evaluation of compliance with the Code of Conduct for management.			
	2. Communication with management and internal auditor.			
	3. Assessment of adequacy of resources and independence of Internal Auditor.			
	4. Qualifications of an Internal Auditor.			
	5. In-house or outsource internal audit function.			
	6. Compliance with International Standards on the Professional Practice of Internal Auditing.			
	7. Review and approval of internal audit annual plan.			
	8. Extent and scope of internal audit work.			
	9. Reporting process.			

Responsibilities under the Code	Specific Areas/ Dimensions	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No)	Has this been implemented? (If yes, cite reference document)	Follow-up Actions Needed
Oversight on External Audit	1. Assessment of independence and professional qualifications and competence of external auditor.			
	2. Engagement and rotation process of external auditor or firm.			
	3. Review and approval of scope of work and fees of external auditor.			
	4. Assessment of non-audit services.			
	5. Understanding disagreements between the auditor and management.			
	6. Actions on the findings of external auditor.			
	7. Management's competence regarding financial reporting responsibilities.			
	8. Evaluation of performance of external audit-reappointment and resignation.			
	9. Compliance of external auditor with auditing standards.			
	10. Completeness and timeliness of communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting.			

GOVERNANCE COMMITTEE CHARTER

Purpose and Objective

1. The Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. It shall 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. The Committee assists the Board of Directors in its oversight of the Bank's compliance with legal and regulatory requirements, the Bank's Compliance Function and the performance of the Chief Compliance Officer and the Compliance Management Group.

Membership

1. The Governance Committee shall be composed of at least three (3) members of the Board of Directors, who shall be all non-executive directors, majority of whom shall be independent directors, including the chairperson.

2. The Board of Directors shall duly appoint the members of the Committee.

Duties and Responsibilities

The Committee shall be responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines. It shall assist the board of directors in fulfilling its corporate governance responsibilities. In this regard, the Corporate Governance Committee shall:

1. *Oversee the nomination process for member of the board of directors and for positions appointed by the board of directors.*

   The committee shall review and evaluate the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors.

   The committee shall recommend to the board of directors matters pertaining to the assignment to board committees as well as succession plan for the members of the board of directors and senior management.

2. *Oversee the continuing education program for the board of directors.*

   The committee shall ensure allocation of sufficient time, budget and other resources for the continuing education of directors, and draw on external expertise as needed.

   The committee shall establish and ensure effective implementation of policy for on-boarding/orientation program for first time directors and annual continuing education for all directors.

3. *Oversee the performance evaluation process.*

   The committee shall oversee the periodic evaluation of contribution and performance (e.g., competence, candor, attendance, preparedness and participation) of the board of directors, board-level committees, and senior management. Internal guidelines shall be adopted that address the competing time commitments of directors serving on multiple boards.

4. *Oversee the design and operation of the remuneration and other incentives policy.*

The committee shall ensure that the remuneration and other incentives policy is aligned with operating and risk culture as well as with the strategic and financial interest of PBCom, promotes good performance and conveys acceptable risk-taking behavior defined under its Code of Ethics, and complies with legal and regulatory requirements. It shall work closely with the Bank's risk oversight committee in evaluating the incentives created by the remuneration system. In particular, the risk oversight committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, and the likelihood and timing of earnings. Moreover, it shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes to ensure that it operates and achieves

6. The Committee shall develop and recommend amendments to the Articles of Incorporation and By-Laws as well as the set of guiding corporate governance principles, policies and best practices including but not limited to:

   - Size of the Board (number of members)
   - Criteria for Membership (e.g. Qualifications, Stock Ownership, diversity)
   - Retirement Age of Members
   - Mix of Management and Independent Directors
   - Conflicts of Interest
   - Compensation and benefits of managing and non-managing members of the Board, Senior Management
   - Structure and charter of Board Committees
   - Rotation of Committee members and chairs
   - Performance Evaluation of CEO and the members of the Board
   - Succession Planning and Senior Management Directors Development

7. *The Governance Committee shall oversee the Compliance System and shall be responsible in the:*
   - *Review and monitoring of the effectiveness of the Compliance Function*
   - *Approval and monitoring of the Annual Compliance Program*
   - *Approval of any revisions/updates to the Compliance Policies Procedures Manual (Corporate Governance; Compliance Program; Money Laundering Prevention Program)*
   - *Review and monitoring of the Bank's replies to BSP's Report of Examination (ROE)*
   - *Monitoring of actions/implementation of commitment to the ROE*

8. **The Governance Committee is the mother group for the following sub-committees:**

   - **Nomination Sub-Committee**
     Taking into account such relevant factors as strength of character, extent of business experience/expertise and mature judgment, the Nomination Sub-Committee shall identify individuals qualified to become directors, conduct all needed interviews/inquiries into their background and qualifications, negotiate the appropriate compensation package and recommend to the Board the nominees for election as new or replacement members; the sub-committee shall have oversight functions in the selection, nomination and appointment of members of senior management.

   - **Compensation and Remuneration Sub-Committee**

     Based on the needs of the business to attract the best talents to help it accomplish its objectives and guided by periodic benchmarking with practices/offers of other leading financial institutions, the Compensation and Remuneration Sub-Committee shall recommend and oversee implementation of the program of salaries and benefits for Directors and senior management; the sub-committee shall monitor adequacy, effectiveness and

consistency of compensation program vis-a-vis corporate philosophy and strategy.

- **Performance Evaluation Sub-Committee**

  The Performance Evaluation Sub-Committee shall recommend and oversee the implementation of a Performance Management Process for Senior Management and the Members of the Board: review Performance vis-a-vis agreed upon objectives, evaluate progress made with respect to Senior Management Directors Development plans, monitor changes in professional affiliations, personal status even health, which could have qualifications, resignation and succession implications.

Meetings

1. The Committee shall meet *every two months* or whenever necessary to discuss, agree and prepare consolidated reports on recommendations from its sub-committees. It shall prepare/distribute minutes and make other regular reports to the Board.

2. Annually, it shall review and assess the adequacy of its own/sub-committees' charters and its overall performance then recommend changes for the approval of the Board when and where necessary.

RISK OVERSIGHT COMMITTEE CHARTER

I. PURPOSE

The Risk Oversight Committee has been established by the Board of Directors to assist it in the effective discharge of its function in overseeing the risk management program of the Bank, its subsidiaries and its trust unit.

An effective risk management program is a critical component for the safe and sound operation of the Bank. It is a key element in achieving PBCom's goals and objectives, optimizing growth and capital while minimizing losses to the Bank.

II. DUTIES AND RESPONSIBILITIES

The ROC shall advise the board of directors on the Bank's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the Bank. The ROC shall:

1. *Oversee the risk management framework*. The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.

2. *Oversee the adherence to risk appetite*. The committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.

3. *Oversee the risk management function*. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Bank.

III. COMPOSITION AND CHAIRPERSON

A. Membership

1. The Board of Directors shall appoint the members of the Risk Oversight Committee;

2. The Committee shall be composed of at least three (3) members of the Board of Directors, majority of whom shall be independent directors, including the chairperson. The Risk Oversight Committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.

3. The ROC's chairperson shall not be the chairperson of the Board of Directors, or any other board-level committee.

4. The Secretary of the Committee shall be the Chief Risk Officer.

B. Meeting Arrangements

1. The Committee shall meet every month and at such other times it deems necessary;

2. A quorum shall constitute more than half the number of members of the Risk Oversight Committee;

3. A resolution shall constitute the majority votes by committee members present during the meeting;

4. The Risk Oversight Committee may invite other officers / personnel responsible for any matter related to the meeting agenda to provide representation in the meeting;

5. The Secretary of the Risk Oversight Committee shall arrange the meeting schedule and prepare the agenda. The Secretary shall send out the meeting agenda, risk management reports, minutes of previous meeting, and other necessary documents to all committee members at least three working days before the scheduled ROC meeting for the members to review the necessary details.

IV. SPECIFIC DUTIES AND RESPONSIBILITIES

The Risk Oversight Committee has the responsibility to:

1. Review and recommend for approval by the Board of Directors PBCom's written risk management program to identify, measure, monitor and control the following risks:

   - Credit
   - Market
   - Interest Rate
   - Liquidity
   - Operational
   - Compliance
   - Strategic
   - Reputation

2. Review reports on risk exposures, recommend necessary actions and communicate risk management plan to concerned segment / group to address or reduce the risks;

3. Report regularly to the Board of Directors the Bank's overall risk exposure, actions taken to reduce the risks and recommend further action or plans as necessary;

4. Report to the Board of Directors significant matters concerning risk exposures of the Bank including any BSP examination findings on unsafe and unsound banking practices; and actions taken to manage those risks;

5. Oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached;

6. Develop and approve the bank's risk appetite framework including risk tolerance levels and monitoring system to ensure that limits set are observed and that immediate corrective actions are taken whenever limits are breached;

7. Evaluate the magnitude, direction and distribution of risks across the Bank and its subsidiaries and approve the bankwide risk profile;

8. Oversee the bank's risk and capital adequacy assessment process;

9. Approve and oversee the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations.

10. Evaluate and approve the bank's risk management system framework.

11. Create and promote a risk culture that requires and encourages the highest standards of ethical behavior by risk managers and risk-taking personnel.

12. Assess the performance of the Chief Risk Officer (CRO) and the risk management function on an annual basis.

V. ANNUAL EVALUATION

The committee shall review and re-assess the adequacy of this charter annually and recommend refinements, as necessary, to the Board of Directors for approval.

ENTERPRISE RISK MANAGEMENT/ICAAP GROUP CHARTER1

This charter describes the mission, organizational position, organizational structure, duties and responsibilities, authority, qualifications of ERMG personnel, resources and accountability of the Enterprise Risk Management/ICAAP Group in Philippine Bank of Communications (PBCom).

I. MISSION

The Enterprise Risk Management/ICAAP Group (ERMG) of Philippine Bank of Communications (PBCom) serves the Bank's Board of Directors and Management by assisting the Bank accomplish its objectives by bringing a systematic and disciplined approach to promoting risk management practices consistent with the type and complexity of operation of the Bank and its subsidiaries. It shall assist The management of risk is a direct responsibility of the business and support units. Enterprise Risk Management/ICAAP Group (ERMG) provides assistance to the Bank's units and subsidiaries for them to effectively:

A. Identify and assess risks associated with their objectives;
B. Define controls to address the identified risks; and,
C. Set up monitoring mechanism to ensure that controls are effectively addressing the risks.

ERMG shall provide advice and consulting activities to progressively improve the risk management processes and practices in the units and in the Bank as a whole.

II. ORGANIZATIONAL POSITION

ERMG is an independent unit administratively under the Office of the President and CEO with direct functional/reporting responsibility to the Board Risk Oversight Committee (ROC) in frequency and scope as the Committee shall require.

The Chief Risk Officer (CRO) shall have direct access to the Board of Directors and the Risk Oversight Committee without any impediment.

The Chief Risk Officer shall be appointed and replaced with prior approval of the Board of Directors. XX

The appointment, dismissal and other changes to the CRO position shall have prior approval of the Board of Directors.

III. DUTIES AND RESPONSIBILITIES

A. The Enterprise Risk Management/ICAAP Group is responsible for overseeing the risk-taking activities across the bank, as well as in evaluating whether these remain consistent with the Bank's risk-appetite and strategic direction.

It shall ensure that the risk governance framework remain appropriate relative to the complexity of risk-taking activities of the Bank.

It shall be responsible for identifying, measuring , monitoring and reporting risk on an enterprise-wide basis as part of the second line of defense.

1. Identifying the key risk exposures and assessing and measuring the extent of risk exposures of the bank and its trust operations;
2. Monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the bank's internal capital adequacy assessment on an on-going basis;
3. Monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
4. Reporting on a regular basis to the Board of Directors and to senior management the results of assessment and monitoring.

B. Specific Duties

1. Develop the risk management program for the bank and its Trust unit.
2. Recommend Risk Appetite Framework including risk tolerance levels aligned with the Bank's strategic goals.
3. Design Enterprise Risk Management Framework aligned with leading practice.
4. Recommend policies and procedures relating to the management of risks throughout the institution, including the Bank's Trust operations. These shall 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 risk;
d. An adequate system for measuring risk;
e. Effective internal controls and a comprehensive risk-reporting process.

5. Identify, analyze and measure risks from the Bank's trading, position-taking, lending, borrowing and other transactional activities.
6. Conduct stress tests on the Bank's portfolios that are to be documented and reported to the Risk Oversight Committee and the Board of Directors.
7. Develop and implement risk control assessment tools.
8. Provide reports to the Risk Oversight Committee and Board of Directors on the bank's Risk Profile and its material risk exposures.
9. Enable the Internal Capital Adequacy Assessment Process (ICAAP) in the Bank.
10. Monitor and report compliance with approved limits.
11. Set product development guidelines and include new exposures within the current framework.
12. Develop training programs, conduct trainings and undertake other initiatives geared towards promoting risk consciousness of employees.
13. Communicate formally and informally to the Risk Oversight Committee any material information relative to the discharge of its function.

IV. AUTHORITY CHIEF RISK OFFICER

The Chief Risk Officer (CRO) shall have sufficient stature, authority and seniority within the bank. He / She shall be independent from Executive functions and business line responsibilities, operations, and revenue-generating functions, and shall have access to such information, as he deems necessary to form his judgment. The CRO shall have direct access to the BOD and the ROC without any impediment.

a. Qualifications

The CRO should have the knowledge and skills necessary to oversee the Bank's risk management activities. The CRO should have the ability to interpret and articulate risk in a clear and understandable manner and, without compromising his/her independence, can engage in a constructive dialogue with the BOD, Pres. & CEO, and other senior management on key risk issues.

b. Duties and Responsibilities

The CRO shall be responsible for overseeing the risk management function and shall support the BOD in the development of the risk appetite RAS of the Bank and for translating the risk appetite into a risk limit structure. The CRO shall propose enhancements to risk management policies, processes, and systems to ensure that the Bank risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

The Chief Risk Officer shall have sufficient stature, authority and seniority within the bank. The officers of ERMG shall have unrestricted access to all levels of Management, any functions, documents and records, property and personnel considered necessary for the performance of its functions.

V. QUALIFICATIONS OF ERMG PERSONNEL

Risk Management personnel must be fit and proper for the particular position he/she shall hold and must possess integrity/probity, competence, education, diligence and experience/training. In particular, risk management personnel shall possess sufficient experience and qualifications, including knowledge on the banking business, the developments in the market, industry and product lines, as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the bank's activities.

ERMG Personnel should collectively have knowledge and skills commensurate with the Bank's business activities and risk exposures.

The Chief Risk Officer shall have the ability without compromising his/her independence, to engage in discussions with the Board of Directors, Chief Executive Officer and other senior management on key risk issues and to access such information as he/she deems necessary to form his or her judgment. The CRO shall meet with the Board of Directors/ Risk Oversight Committee on a regular basis and such meetings shall be duly minuted and adequately documented.

VI. RESOURCES

The Enterprise Risk Management Group shall be given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.

VII. ACCOUNTABILITY

ERMG shall submit its annual plans and programs to the President and Risk Oversight Committee and shall be accountable to the Risk Oversight Committee in the performance of such plans/programs.

Related Party Transactions (RPT) Committee Charter

Purpose and Objective

The Committee shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other Stakeholders.

Membership

The RPT Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors, including the chairperson. The committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. The Compliance Officer is the committee secretariat. The Compliance Officer or Internal Auditor may sit as a resource person.

Duties and Responsibilities

The RPT Committee shall:

- *Evaluate on an ongoing basis existing relations between and among businesses and counterparties* to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- *Evaluate all material RPTs* to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
- *Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.*
- *Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.*
- *Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.*
- *Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.*

Meeting

The Committee shall meet *quarterly* or whenever necessary.

The Committee Secretary will develop the agenda for each meeting and notice will be sent out at least three days before the meeting date. Minutes of Committee meetings will be kept and distributed to all members. Committee reports and recommendations will be prepared and appropriately distributed as ongoing Committee activities dictate and make other regular reports to the Board.

Annually, it shall review and assess the adequacy of its Charter and its overall performance then recommend changes for the approval of the Board when and where necessary.

CHARTER OF THE EXECUTIVE COMMITTEE

PURPOSE

Subject to the limits set forth in the Bank's By-Laws and insofar as such may be lawfully delegated to it, the Executive Committee shall possess and exercise all of the functions and powers of the Board in the management of the business and affairs of the Bank during intervals between the monthly meetings of the Board. The Executive Committee shall have the power to provide business development and financial policy direction.

DUTIES AND RESPONSIBILITIES

The specific duties of the Executive Committee shall include:

- Review of corporate financial status, policies and procedures and the approval/ recommendation of revisions thereto, including periodic registration and disclosure statements, publications, etc;
- Review of specific business or operating plans regarding significant investments, acquisition or disposal of assets (e.g. CAPEX, OPEX, etc.);
- Subject to limits imposed by the Board, authorization or approval, to invest in or acquire another company, to extend loans to corporations or individuals, to enter, modify, extend, renew or terminate partnerships, joint venture or any other business dealing, and to sell or dispose acquired and/or fixed bank properties;
- Evaluation and recommendation to the Board of policies and/or transactions where the proposed amount involved exceeds the limit imposed by the Board as set forth in the relevant rules and/or regulations;
- Approval of any and all major policy and strategic actions to be undertaken by management beyond the authorities established for management; and
- Such other functions as may be delegated by the Board to the Executive Committee which shall include, the approval of credits and setting of authorization limits thereof. This shall, however, exclude material RPT & DOSRI transactions, which are required to be approved by the Board.

MEMBERSHIP

The Executive Committee shall consist of at least five (5) directors who shall be appointed or elected by the Board based on the recommendations of the Governance Committee. The Corporate Secretary shall act as the Secretary.

In case of any vacancy in the Executive Committee, whether such vacancy shall be filled or not, shall be left to the discretion of the Board. However, should vacancies occur reducing the number of Executive Committee members to less than the required quorum, the Chairman may designate any officer or member of the Board to fill such vacancy, and the Executive Committee member chosen shall serve only for the unexpired portion of the vacated term to be confirmed by the Board.

MEETINGS

Meetings of the Executive Committee shall be held every week. The presence of at least fifty one percent (51%) of its members shall constitute a quorum. During such meetings, the Bank's Segment/Group heads shall individually make their presentations.

The Executive Committee Secretary shall develop the agenda for each meeting notice/materials thereof shall be sent to all members, as far as practicable, at least three (3) days before the meeting date. Minutes of Executive Committee meetings shall be recorded, kept and distributed to all Executive Committee members by the Secretary.

Annually, the Executive Committee shall review and assess the adequacy of its Charter and its overall performance then recommend changes for the approval of the Board when and where necessary.

RESOLUTIONS AND REPORTS

The resolutions of the Executive Committee shall be in writing and shall be submitted to the Board at the Board's next meeting, following the adoption by the Executive Committee of such resolutions. The Executive Committee shall likewise prepare other reports and recommendations to the Board, as may be necessary.

Director's Self-Evaluation Form

PERFORMANCE EVALUATION				
Individual Members of the Board				
NAME:			EVALUATION PERIOD: (MM/YYYY –MM/YYYY)	
INSTRUCTIONS: *The director will go over each question carefully and assign a number from* ***1–10*** *(the lowest being* ***not observed*** *and the highest being* ***largely observed*** *to reflect his/her self-assessment of the degree of his/her compliance with the following corporate governance mechanisms. After the director's self-assessment, the Governance Committee (GC) will indicate its own evaluation of the Director's performance on the corresponding spaces provided. For data on actual attendance, the PBCom Corporate Secretary's Office will provide the official records.*				
			DIRECTOR	GOVCOM
Part I EVALUATION OF DIRECTOR'S QUALITATIVE PERFORMANCE	1	Was I fully aware that my primary loyalty as a member of the Board is to the Bank, as a whole, an institution with several shareholders as well as other stakeholders?		
	2	Was I fully aware that my duty of loyalty to the Bank demands that I always act honestly, lawfully and in good faith, and avoid conflicts of interest?		
	3	Did I attend Board Meetings and related activities regularly?		
	4	Did I observe confidentiality and the duty of proper and responsible disclosure?		
	5	Did I take advantage of training opportunities on corporate governance provided me?		
	6	Was I able to draw the line between Board and management responsibilities, not getting involved in management and operational issues, but exercising diligent oversight over, and regular monitoring of operations?		
	7	Did I insist on high quality standards of auditing and compliance?		
	8	Did I insist on strict adherence to the Bank's Code of Conduct which should guide all relations with the Bank's other stakeholders and with the general public?		
TOTAL POINTS ON QUALITATIVE PERFORMANCE Maximum Points Achievable (80)				
Part II. DIRECTOR'S ACTUAL ATTENDANCE OF BOARD MEETINGS		For the subject period, I physically attended and participated in the following: _____ out of a total _____ Board Meetings		

TOTAL POINTS ON ATTENDANCE OF MEETING Maximum Points Achievable (40)		
X142.5 Board of Directors Meeting states that "every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year. The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election." *<u>For Scoring Attendance:</u>* *If actual attendance is AT LEAST 50% of ALL Board Meetings = 40 points* *If actual attendance is LESS than 50% of ALL Board Meetings = 0 points*		
TOTAL		

NOTE: A combined total score of 40 points is acceptable.

SUBMITTED BY: _____
Director's Signature over Printed Name

REVIEWED AND EVALUATED BY: GOVERNANCE COMMITTEE:

Name	Signature	Comments/Remarks

Director's Evaluation of the Board's Performance

PERFORMANCE EVALUATION	
Board Performance	
NAME:	EVALUATION PERIOD: (MM/YYYY –MM/YYYY)

INSTRUCTIONS: *The director will go over each question carefully and assign a number from 1–10 (the lowest being not observed and the highest being largely observed to reflect his/her personal-assessment of the degree of the Board's compliance with the following corporate governance mechanisms. After the director's assessment, the Governance Committee (GC) will indicate its own evaluation of the Board's performance on the corresponding spaces provided. For data on attendance, the PBCom Corporate Secretary's Office will provide the official records.*

			DIRECTOR	GOVCOM
Part I QUESTIONS ON THE BOARD	1	Did the Board have an explicit commitment in a written policy document to:		
		(i) Promote long-term shareholder value?		
		(ii) Safeguard and respect stakeholder interests in general?		
		1) A policy on human resource development and personnel development system based on accountability, checks and balances and a corporate Code of Ethics?		
		2) A policy, with appropriately updated Guidelines, to promote the good reputation of the Bank in dealings with depositors, borrowers and other parties that transact business with the Bank?		
	2	Did the Board set and periodically review as well as update the Bank's corporate philosophy and mission?		
	3	Did the Board regularly monitor corporate performance against the strategic and business plans, and against annual financial objectives and operating plans/targets?		
	4	Did the Board have a performance evaluation system in place? Did it work in a manner that includes evaluation of Board performance itself? Was this system used to evaluate the performance of top management and select, monitor and compensate the CEO and other senior officers?		
	5	Did the Board appoint committees with independent member/directors to carry out various critical responsibilities?		
	6	Was the Board committed to have a working Board of Directors whose size and composition would be conducive to active participation of all members?		
	7	*Did the Board define the Bank's corporate culture and values.*		
	8	*Did the Board approve the Bank's objectives and*		

		Strategies and oversee management's implementation thereof.		
	9	*Did the Board appoint/select key members of senior management and heads of control functions and approve remuneration and other incentives policy.*		
	10	*Did the Board approve and oversee the implementation of the Bank's corporate governance framework.*		
	11	*Did the Board approve the Bank's risk governance Framework and oversee management's implementation thereof,*		
Part II QUESTIONS ON THE CHAIRMAN BOARD	1	Did the Board have a Manual on Corporate Governance?		
	2	Did the Manual on Corporate Governance clearly indicate the main responsibility of the Chairman as being focused on the proper governance of the Bank through the Board of Directors?		
Part III QUESTIONS ON THE MEMBERS OF THE BOARD	1	Was I fully aware that my primary loyalty as a member of the Board is to the Bank, as a whole, an institution with several shareholders as well as other stakeholders?		
	2	Did I know that my duty of loyalty to the Bank demands that I always act honestly, lawfully and in good faith, and avoid conflicts of interest?		
	3	Did I attend Board Meetings and related activities regularly?		
	4	Did I observe confidentiality and the duty of proper and responsible disclosure?		
	5	Did I take advantage of training opportunities on corporate governance provided me?		
	6	Did I able to draw the line between Board and management responsibilities, not getting involved in management and operational issues, but exercising diligent oversight over and regular monitoring of operations?		
	7	Did the President and other executive directors (i.e. directors with management responsibilities in the Bank) recognize the dual role they play, and that in the board, as directors, they are to express their views and make decisions with integrity and independence, including a degree of independence from their executive functions?		
Part IV QUESTIONS ON BOARD MEETINGS	1	Did the Board meet regularly?		
	2	Did the Board meet to consider strategic and long-term positioning issues of the Bank at least once a year?		
	3	Did the Board assess the risk of the portfolio the Bank carries?		

	4	Did the Board oversee the risk management process, ensuring that operating officers generally stay within limits authorized for them? Were corrective reports and actions automatically triggered once those limits were breached?		
	5	Did the Board have a performance evaluation system, which enabled it to assess its own governance mechanism and performance?		
	6	Did the Board exercise due diligence and care in looking at, And acting upon, the audit reports submitted through its audit committee by the internal auditors, the external auditors, and the BSP?		
Part V QUESTIONS ON ON OTHER BOARD ISSUES	1	Did the internal auditor, *risk officer, compliance officer* report directly to the Board/*Board-level Committee*?		
	2	Did the Board encourage accurate and timely disclosure on all material matters pertaining to the Bank?		
	3	Did the Board insist on high quality standards of auditing and compliance?		
	4	Did the Board have a clear, written policy on transparency and disclosure to the regulatory authorities and the general public?		
	5	Did the Board encourage open channels of communication with the regulatory authorities?		
	6	Did the Board insist on strict adherence to the Bank's Code of Conduct which should guide all relations with the Bank's other stakeholders and with the general public?		
Part VI. ACTUAL ATTENDANCE OF BOARD MEETINGS		For the subject period, I have physically attended and participated in the following: _____ out of a total _____ Board Meetings		
TOTAL POINTS ON ATTENDANCE OF MEETING Maximum Points Achievable (40)				

I attest herewith that I have honestly and faithfully answered to the best of my personal knowledge all the questions/items in this evaluation of the PBCom's Board of Directors for the period _____.

Director Name & Signature: _____

Date: _____

REVIEWED AND EVALUATED BY: GOVERNANCE COMMITTEE:

Name	Signature	Comments/Remarks

Evaluation of Board Committee *en banc* Performance

PERFORMANCE EVALUATION	
Board Committee en banc Performance	
BOARD COMMITTEE:	
NAME:	EVALUATION PERIOD: (MM/YYYY –MM/YYYY)

INSTRUCTIONS:

The Board Committee will accomplish this evaluation form en banc.

*The Committee en banc will go over each question carefully and assign a number from **1–10** (the lowest being **not observed** and the highest being **largely observed** which reflect the committee's collective self-assessment of the degree of their committee's compliance with the following corporate governance mechanisms using as basis the individual members' personal evaluation. After the committee's self-assessment, the Governance Committee (GC) will review and evaluate the Committee's collective assessment prior to the submission to the Board of Directors for notation/confirmation.*

For attendance (Part V), the Committee's Secretariat / records keeper shall provide the official records for the same.

			DIRECTOR	COMMITTEE CHAIRPERSON
Part I QUESTIONS ON THE COMMITTEE	1	Did the Committee encourage accurate and timely disclosure on all material matters pertaining to the Bank?		
	2	Did the Committee regularly monitor corporate performance against the strategic and business plans, and against annual financial objectives and operating plans/targets?		
	3	Did the Committee have a performance evaluation system in place? Did it work in a manner that includes evaluation of Committee performance itself?		
	4	Did the Committee include independent directors as members to carry out various critical responsibilities?		
	5	Was the Committee committed to have a working Board of Directors whose size and composition would be conducive to active participation of all members?		
Part II QUESTIONS ON MEMBERS OF THE COMMITTEE	1	Were the Committee members fully aware that their primary loyalty as members of this Committee is to the Bank, as a whole, an institution with several shareholders as well as other stakeholders?		
	2	Did the Committee members know that, as members of this Committee, their duty of loyalty to the Bank demands that they always act honestly, lawfully and in good faith, and avoid conflicts of interest?		

	3	Did they attend Committee meetings and related activities regularly?		
	4	Did they, as members of this Committee, observe confidentiality and the duty of proper and responsible disclosure?		
	5	Did they, as members of this Committee, draw the line between Committee and management responsibilities, not getting involved in management and operational issues, but exercising diligent oversight over, and regular monitoring of operations?		
	6	Did the President and other executive directors (i.e. directors with management responsibilities in the Bank) recognize the dual role they play, and that in the board, and its committees as directors, they are to express their views and make decisions with integrity and independence, including a degree of independence from their executive functions?		
Part III QUESTIONS ON COMMITTEE MEETINGS	1	Did the Committee meet regularly?		
Part IV ADDITIONAL QUESTIONS FOR SPECIFIC BOARD COMMITTEES (Answer only if question pertains to Committee where you are a member)	**Audit Committee**			
	1	Did the Board have a fully functioning Audit Committee composed majority of independent directors, including the Chairperson?		
	2	Did the internal auditor report directly to the Board/Board-level Committee?		
	3	Did the Audit Committee meet at least once a quarter?		
	4	Did the Directors go over audit reports with due care and attention, asking for actionable points that demand consideration and decisions by the Board?		
	5	Did the Committee insist on high quality standards of auditing and compliance?		
	6	*Did the Committee oversee the financial reporting framework?*		
	7	*Did the Committee monitor and evaluate the adequacy and effectiveness of the internal control system?*		
	8	*Did the Committee oversee the internal audit function?*		
	9	*Did the Committee oversee the external audit function?*		
	10	*Did the Committee oversee implementation of corrective actions?*		
	11	*Did the Committee investigate significant issues/concerns raised?*		

	12	*Did the Committee establish whistleblowing mechanism?*		
	Corporate Governance Committee			
	13	Did the Board have a fully functioning Governance Committee composed majority of independent directors, including the Chairperson?		
	14	Did the Governance Committee meet at least once a quarter?		
	15	*Did the Bank have a Governance Committee that oversee the nomination process for members of the board of directors and for positions appointed by the board of directors?*		
	16	Did the Manual on Corporate Governance clearly indicate the main responsibility of the Committee Chairman as being focused on the proper governance of the Bank through the Committee?		
	17	*Did the Committee oversee the continuing education program for the board of directors?*		
	18	*Did the Committee oversee the performance evaluation process?*		
	19	*Did the Committee oversee the design and operation of the remuneration and other incentives Policy.*		
	Risk Oversight Committee			
	20	*Did the Board have a fully functioning Risk Oversight Committee composed majority of independent directors, including the Chairperson?*		
	21	*Did the risk officer report directly to the Board/Board-level Committee?*		
	22	*Did the Risk Oversight Committee meet at least once a quarter?*		
	23	Did the Committee assess the risk of the portfolio the Bank carries?		
	24	Did the Committee oversee the risk management process, ensuring that operating officers generally stay within limits authorized for them? Were corrective reports and actions automatically triggered once those limits were breached?		
	25	*Did the Committee oversee the risk management framework?*		
	26	*Did the Committee oversee adherence to risk appetite?*		
	27	*Did the Committee oversee the risk management function?*		
	Related Party Transaction Committee			

	28	*Did the Board have a fully functioning Related Party Transaction Committee composed of at least three (3) members of the boards, two {2) of whom shall be independent directors, including the chairperson?*		
	29	*Did the Related Party Transaction Committee meet at least once a quarter?*		
	30	*Did the Committee evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties are captured*		
	31	*Did the Committee evaluate all material RPTs*		
	32	*Did the Committee ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures.*		
	33	*Did the Committee report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.*		
	34	*Did the Committee ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.*		
	35	*Did the Committee oversee the implementation of RPT policy/framework.*		
Part V. ACTUAL ATTENDANCE OF BOARD MEETINGS		For the subject period, I have physically attended and participated in the following: _____ out of a total _____ meetings of the _____ Committee		

We attest herewith that our Committee en banc has honestly and faithfully answered to the best of its collective knowledge all the questions/items in this self-evaluation of the _____ Committee of the PBCom Board of Directors for the period _____.

Date: _____

Name	Signature	Comments/Remarks

REVIEWED AND EVALUATED BY: GOVERNANCE COMMITTEE:

Name	Signature	Comments/Remarks

Evaluation of Board Committee Performance

PERFORMANCE EVALUATION	
Board Committee Performance	
BOARD COMMITTEE:	
NAME:	EVALUATION PERIOD: (MM/YYYY –MM/YYYY)

INSTRUCTIONS:

The Director will accomplish a separate evaluation form for each Committee he/she is a member.

*The director will go over each question carefully and assign a number from **1–10** (the lowest being **not observed** and the highest being **largely observed** to reflect his/her personal-assessment of the degree of the particular Committee's compliance with the following corporate governance mechanisms. After the director's assessment, the Chairman will evaluate each individual Committee member's assessment. The Compliance Management Group will then compile/tabulate the individual member's respective assessments as evaluated by the Chairman and submit summary/ tabulation to the committee en banc. The committee will then evaluate its own performance by separately accomplishing a similar form and using said summary/tabulation as basis. The committee's en banc evaluation will then be submitted to the Governance Committee for review prior to submission to the Board of Directors for notation/ confirmation.*

For attendance (Part V), the Committee's Secretariat / records keeper shall provide the official records for the same.

			DIRECTOR	COMMITTEE CHAIRPERSON
Part I QUESTIONS ON THE COMMITTEE THE BOARD	1	Did the Committee encourage accurate and timely disclosure on all material matters pertaining to the Bank?		
	2	Did the Committee regularly monitor corporate performance against the strategic and business plans, and against annual financial objectives and operating plans/targets?		
	3	Did the Committee have a performance evaluation system in place? Did it work in a manner that includes evaluation of Committee performance itself?		
	4	Did the Committee include independent directors as members to carry out various critical responsibilities?		
	5	Was the Committee committed to have a working Board of Directors whose size and composition would be conducive to active participation of all members?		
Part II QUESTIONS ON MEMBERS OF THE COMMITTEE	1	Was I fully aware that my primary loyalty as a member of the Committee is to the Bank, as a whole, an institution with several shareholders as well as other stakeholders?		
	2	Was I fully aware that as a member of this Committee my duty of loyalty to the Bank demands that I always act honestly, lawfully and in good faith, and avoid conflicts of interest?		

	3	Did I attend Committee meetings and related activities regularly?		
	4	Did I, as a member of this Committee, observe confidentiality and the duty of proper and responsible disclosure?		
	5	Did I as a member of this Committee, draw the line between Committee and management responsibilities, not getting involved in management and operational issues, but exercising diligent oversight over, and regular monitoring of operations?		
	6	Did the President and other executive directors (i.e. directors with management responsibilities in the bank) recognize the dual role they play, and that in the board, and its committees as directors, they are to express their views and make decisions with integrity and independence, including a degree of independence from their executive functions?		
Part III QUESTIONS ON COMMITTEE MEETINGS	1	Did the Committee meet regularly?		
Part IV ADDITIONAL QUESTIONS FOR SPECIFIC BOARD COMMITTEES (Answer only if question pertains to Committee where you are a member)	**Audit Committee**			
	1	Did the Board have a fully functioning Audit Committee composed majority of independent directors, including the Chairperson?		
	2	Did the internal auditor report directly to the Board/Board-level Committee?		
	3	Did the Audit Committee meet at least once a quarter?		
	4	Did the Directors go over audit reports with due care and attention, asking for actionable points that demand consideration and decisions by the Board?		
	5	Did the Committee insist on high quality standards of auditing and compliance?		
	6	*Did the Committee oversee the financial reporting framework?*		
	7	*Did the Committee monitor and evaluate the adequacy and effectiveness of the internal control system?*		
	8	*Did the Committee oversee the internal audit function?*		
	9	*Did the Committee oversee the external audit function?*		
	10	*Did the Committee oversee implementation of corrective actions?*		
	11	*Did the Committee investigate significant issues/concerns raised?*		

	12	*Did the Committee establish whistleblowing mechanism?*		
	Corporate Governance Committee			
	13	Did the Board have a fully functioning Governance Committee composed majority of independent directors, including the Chairperson?		
	14	Did the Governance Committee meet at least once a quarter?		
	15	*Did the Bank have a Governance Committee that oversee the nomination process for members of the board of directors and for positions appointed by the board of directors?*		
	16	Did the Manual on Corporate Governance clearly indicate the main responsibility of the Committee Chairman as being focused on the proper governance of the Bank through the Committee?		
	17	*Did the Committee oversee the continuing education program for the board of directors?*		
	18	*Did the Committee oversee the performance evaluation process?*		
	19	*Did the Committee oversee the design and operation of the remuneration and other incentives Policy.*		
	Risk Oversight Committee			
	20	*Did the Board have a fully functioning Risk Oversight Committee composed majority of independent directors, including the Chairperson?*		
	21	*Did the risk officer report directly to the Board/Board-level Committee?*		
	22	*Did the Risk Oversight Committee meet at least once a quarter?*		
	23	Did the Committee assess the risk of the portfolio the Bank carries?		
	24	Did the Committee oversee the risk management process, ensuring that operating officers generally stay within limits authorized for them? Were corrective reports and actions automatically triggered once those limits were breached?		
	25	*Did the Committee oversee the risk management framework?*		
	26	*Did the Committee oversee adherence to risk appetite?*		
	27	*Did the Committee oversee the risk management function?*		
	Related Party Transaction Committee			

	28	*Did the Board have a fully functioning Related Party Transaction Committee composed of at least three (3) members of the boards, two {2) of whom shall be independent directors, including the chairperson?*		
	29	*Did the Related Party Transaction Committee meet at least once a quarter?*		
	30	*Did the Committee evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties are captured*		
	31	*Did the Committee evaluate all material RPTs*		
	32	*Did the Committee ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures.*		
	33	*Did the Committee report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.*		
	34	*Did the Committee ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.*		
	35	*Did the Committee oversee the implementation of RPT policy/framework.*		
Part V. ACTUAL ATTENDANCE OF BOARD MEETINGS		For the subject period, I have physically attended and participated in the following: _____ out of a total _____ meetings of the _____ Committee		

I attest herewith that I have honestly and faithfully answered to the best of my personal knowledge all the questions/items in this evaluation of the _____ Committee of the PBCom's Board of Directors for the period _____.

Director Name & Signature: _____

Date: _____

REVIEWED AND EVALUATED BY: GOVERNANCE COMMITTEE:

Name	Signature	Comments/Remarks

Evaluation of Management Committee Performance

PERFORMANCE EVALUATION	
Committee Member Performance	
MANAGEMENT COMMITTEE;	
NAME:	EVALUATION PERIOD: (MM/YYYY –MM/YYYY)

INSTRUCTIONS:
*The member will accomplish a separate evaluation form for each Committee he/she is a member of. The member will go over each question carefully and assign a number from **1 to 10** (the lowest being **not observed/always disagree** and the highest being **always observed/always agree** to reflect his/her personal assessment of the Committee's and his/her degree of compliance with the established corporate governance mechanisms. After the member's assessment, the Chairperson will evaluate each individual / member's assessment.*

The Governance Committee (GovCom) will tabulate the assessment made by the Chairperson for each member and submit the same as en banc assessment of the committee. The en banc assessment shall be reviewed by the GOVCOM prior to submission to the Board of Directors of notation / confirmation.

For attendance (Part III), the Committee's Secretariat / records keeper shall provide the official records for the same.

			DIRECTOR	COMMITTEE CHAIRPERSON
Part I COMMITTEE *"1" - not observed* *"10" - always observed*	1	The Committee encourages accurate and timely disclosure on all material matters pertaining to its scope / duties and responsibilities.		
	2	The Committee regularly monitors its performance against the strategic and business plans, and against annual financial/operational targets.		
	3	The Committee screens/assesses the contributions of its members to its sworn duties and responsibilities.		
Part II MEMBERS *"1" - always disagree* *"10" - always agree*	4	I am aware that my primary loyalty as a member of the Committee is to the Bank, and not to the Committee and other related interests.		
	5	I act honestly, lawfully and in good faith, avoiding conflicts of interest at all costs.		
	6	I participate in activities related to the Committee's duties and responsibilities (aside from attending meetings).		
	7	I observe confidentiality and responsible disclosure on information provided to me as a Committee member.		
	8	I cascade relevant courses of action to my functional area based on information disclosed to me as a Committee member.		
	9	I express my view and make decisions with independence from my functional role as Group / Segment Head.		
Part III	11	The Committee meet regularly.		

MEETING				
Part IV. ACTUAL ATTENDANCE	**12**	I have physically attended and participated in the following: _____ out of a total _____ meetings of the _____ Committee		

I attest herewith that I have honestly and faithfully answered to the best of my personal knowledge all the questions/items in this Management-Level Committee Evaluation Sheet.

Concurred by:	**Evaluated by:**	**Comments/Remarks**
MEMBER *Signature over Printed Name*	**CHAIRPERSON** *Signature over Printed Name*	

REVIEWED AND EVALUATED BY: GOVERNANCE COMMITTEE:

Name	**Signature**	**Comments/Remarks**

Rationale

Inputs should be obtained from the members of the Governance Committee (GovCom), Audit Committee (AuditCom), Risk Oversight Committee (ROC) as part of the evaluation of Independent Control Function's (Compliance, Audit, Risk) and the Head of Control Function's (Chief Compliance Officer, Chief Audit Executive, Chief Risk Officer) effectiveness in maintaining an effective relationship with the Board Committee and the basis for initiatives to enhance the function's value to the Bank.

Performance Assessment Policy

The respective Board Committees will assess the performance of the Independent Control function and the Head of Control Function once a year. This will allow the Board Committee members to periodically evaluate the credibility and effectiveness of the function and its leadership. Additional expectations from or guidance to the Control Function should be considered to assist the Group in further improving its services to the Board Committee.

Performance Assessment Process

The first half of the assessment will cover the performance of the Control Function and the Head over 16 issues/areas that include knowledge and skills, tools used, effectiveness of the annual risk assessment, quality of communications and the overall value to the Bank, among other measures. The other half will cover an assessment of the importance of each of the 16 issues/areas to the members of the Board Committee. The assessment will have the following degrees of performance.

Performance on Issue			Importance of Issue	
1	Needs Improvement		1	Low
2	Below Average		2	Below Average
3	Average		3	Average
4	Good		4	High
5	Excellent		5	Very High

The assessment process will start with the distribution of forms (Exhibit A) at the beginning of each year to the members of the Board Committee. The results will be consolidated and reported back to the Board Committee for discussion and confirmation in its subsequent meetings.

Factors of the Evaluation Process

There are specific factors that will be considered in the Annual Performance Evaluation. These are listed in detail on Exhibit B.

Exhibit B

FACTORS CONSIDERED IN THE ANNUAL PERFORMANCE EVALUATION

1. Ability to recognize and report compliance, internal control and risk issues.
2. Ability to follow up on, resolve and close compliance, internal control and risk issues.
3. Participation in improving the business performance of the Bank.
4. Ability to gain the respect of management.
5. Responsiveness to fulfill requests for assistance.
6. Overall professionalism and conduct.
7. Industry knowledge.
8. Utilization of new and progressive compliance, audit and risk techniques.
9. Ability to integrate technology in the compliance, audit and risk process to improve efficiency.
10. Ability to listen and respond appropriately.
11. Ability to gain your respect and that of the other Board Committee members.
12. Clarity of materials and presentation at Board Committee and Board meetings.
13. Effectiveness of annual risk assessment.
14. Quality and effectiveness of reporting tools.
15. Overall value to the Bank.
16. Quality of communications between the Head of Control Function (Chief Compliance Officer, Chief Audit Executive & Chief Risk Officer) and you outside of the formal reporting process.

INTRODUCTION

PBCOM has business relationships with certain related parties. Transactions with such parties should be made in the ordinary course of business and on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions must not involve more than the normal risk of collectability or present other unfavorable conditions.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

It is the policy of the Bank that Related Party Transactions (RPT) between the Bank and Related Parties are identified and subjected to review and approval to ensure that they are at arm's length, the terms are fair and they will inure to the best interest of the Bank and its depositors, creditors, fiduciary client, and other stakeholders.

RPTs shall be disclosed, reviewed and approved in accordance with this policy consistent with the principles of transparency and fairness and in accordance with applicable law, rules and regulations. The policy requires that any transaction with related parties is made on terms equivalent to those that prevail in an arm's length transaction.

The Bank and its subsidiaries or affiliates shall enter into any RPT solely in the ordinary course of business and on ordinary commercial terms subject to appropriate corporate approvals and actions of the Bank. In addition, the Bank shall exercise appropriate oversight and implement control systems for managing potential exposures brought about by RPTs as these may lead to abuses that are disadvantageous to the Bank and its depositors, creditors and other stakeholders.

PURPOSE

This policy sets out the related guidelines on the review and approval requirements for RPTs. It aims to:

Avoid conflicts of interest and comply with regulatory and good governance practices.

- Establish an appropriate RPT review and approval process.

CONFLICT OF INTEREST

The Board of Directors, Officers & Stockholders shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors & Officers with interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.

GENERAL PRINCIPLES

The Bank shall at all times observe and adhere with the provisions of all relevant laws, rules and regulations, as may be applicable in the review and approval of RPTs.

The Bank shall at all times observe, uphold and respect the rights of its shareholders, minority and majority alike.

This policy shall be without prejudice to the provisions of all relevant policies of the Bank which shall be observed and shall apply to the fullest extent possible.

All materials RPTs shall be subject to review/vetting by the RPT Com. RPT materiality threshold/approving limits will have prior approval of the Board.

The Bank shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and on an aggregate basis. It shall monitor exposures to Related Parties on an ongoing basis to ensure compliance with the Bank's policy and external regulations.

With respect to Loans & Other Credit Accomodations to DOSRI, the regulations in Section X326 to X328 of the MORB & Credit Policy no. 25 shall be strictly observed. For this purpose, the said provisions of the MORB & Credit Policy are hereby made an integral part of this policy.

DEFINITION OF TERMS

Related Parties

Related Parties shall cover the following:

- Directors, Officers & Stockholders of the Bank
- Related Interest (RI)

For the purpose of this policy, Related Interest are the following:

- Spouse or relative within the 1st degree of consanguinity or affinity, or relative by legal adoption, of a Director, Officer or Substantial Stockholder of the Bank.

- Partnership of which a Director, Senior Officer or Substantial Stockholder of the Bank or his spouse or relative within the 1st degree relative by consanguinity or affinity, or relative by legal adoption, is a General Partner.

- Directorship, Shareholdings (at least 20% of the subscribed capital of such corporation) & Officership with other companies/corporation of the Director,

Senior Officer, Substantial Stockholder of the Bank or his spouse or relative within the 1st degree relative by consanguinity or affinity, or relative by legal adoption.

These shall include the spouse, parent, parent-in-law, child, son-/daughter-in-law.

- Close family members are persons related to the following within the second degree of consanguinity or affinity, legitimate or common-law:
  - Directors
  - Seniors Officers (SVP & up and segment/group heads reporting functionally/administratively to the President)
  - Substantial stockholders

  These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparent-in-law and grandchild-in-law.

- Subsidiaries & affiliates of the Bank
- Any party that the bank exerts direct/indirect over, or that exerts direct/indirect control over the bank
- Subsidiaries, affiliates and special purpose entities of the party the bank exerts direct/indirect over, or that exerts direct/indirect over the bank
- Corresponding persons in affiliated companies
- Any person/juridical entity whose interest may pose potential conflict with interest of the bank.

Related Parties shall also include direct or indirect linkages to the Bank as follows:

1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
2) Interlocking directorship or officership, except in cases involving independent directors or directors holding nominal share in the borrowing corporation;
3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

Related company

Related company shall refer to another company which is:
(1) Its parent or holding company;
(2) Its subsidiary or affiliate; or
(3) A corporation where a Bank or its majority stockholder own such number of shares that will allow/enable such person or group to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner.

Majority stockholder/ Shareholder

A person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of a Bank.

Subsidiary

Corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

Affiliate

Entity linked directly or indirectly to a bank by means of:

- Ownership, control or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;
- Interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;
- Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity;
- Management contract or any arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or
- Permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.

Affiliated companies

Are the following:
1. Corporate Related Interest
2. Subsidiaries & Affiliates of the Bank
3. Any party that exerts direct/indirect control over or that exerts direct/indirect control over the bank
4. Subsidiaries, affiliates and special purpose entities (SPEs) of no. 3

Stockholders

Any stockholder of record in the books of the Bank, acting personally or through an attorney-in-fact, or any other person duly authorized by him. Stockholder shall also refer to a juridical person such as corporation, association or firm.

Substantial stockholder

A person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

Related Party Transactions (RPTs)

Transactions or dealings with Related Parties of the Bank, including Trust & Wealth Management Group, regardless of whether or not a price is charged. These shall include, but not limited to the following transactions both on-and off-balance sheet, and regardless of which side of the transaction/deal the bank is acting:

- On- and off-balance sheet credit exposures, claims and write-offs;
- Investments and/or subscription for debt/equity issuances;
- Consulting, professional, agency and other service arrangements/contracts;
- Purchase and sales of assets, including transfer of technology and intangible items;
- Construction arrangements/contracts;
- Lease arrangements/contracts;
- Trading and derivative transactions;
- Borrowings, commitments, fund transfers and guarantees;
- Sale, purchase or supply of any goods or materials; and
- Establishment of joint venture entities

RPTs are not only transactions entered into with the related parties but also outstanding transactions that were entered into with unrelated party that subsequently becomes a related party.

Control

Control of an enterprise exist when there is:

- Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
- Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
- Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
- Any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20% or more of a class of voting securities of a company.

Two (2) Concepts of Control:

1. Conclusive Presumption of Control

- Power over more than 50% of the voting rights by virtue of an agreement with other stockholders; or
- Power to govern the financial and operating policies of the Bank under a statute or an agreement; or
- Power to appoint or remove the majority of the Board members; or
- Power to cast votes at Board meetings; or
- Any other similar arrangement

2. Rebuttable Presumption of Control
- Direct/Indirect ownership of 20% or more of a class of voting shares. Note: 20% is based on Basel III documents.

If conclusive presumption of control exist, it is automatic that the party is a Related Party however if rebuttable presumption of control exist and it's not rebutted then control exist therefore its Related Party. If rebutted then control does not exit however it will be still subject to review as it may fall under other RPT subgroups.

The following are the requisites for the Bank which chooses to disclaim or rebut the presumption of control:

1. Provide facts sufficient to show that there is no control.
2. Submit a written commitment stating the following:
   a) shares owned or held are exclusively for investment purposes;
   b) Bank-stockholder will not serve on the Board nor nominate any candidate to the Board or otherwise seek Board representation;
   c) Bank-stockholder will have limited contacts with management that are customary for interested shareholders;
   d) Bank-stockholder will engage only in normal and customary transactions with the enterprise; and
   e) Bank will not pledge the shares acquired to secure a loan with any institution.

DUTIES AND RESPONSIBILITIES

Board of Directors

The Bank's Board of Directors has the overall responsibility in ensuring that transactions with Related Parties are handled in sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect all stakeholders. The Board shall:

- Set an example in terms of compliance with supervisory expectations (e.g., disclosure of related parties, disclosure of financial interest in transactions)

- Adopt an overarching policy on handling RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted at an arm's length basis, and that no stakeholder is unduly disadvantaged.

- Constitute RPT Committee, composed of at least three (3) members, two (2) of whom shall be independent directors, including the Chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Internal Auditor or Compliance Officer may sit as resource persons.

- Approve material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.

  All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

- Delegate to appropriate board committee (Excom/TrustCom/RPTCom) the approval of non-material RPTs, subject to confirmation by the Board. This shall, however, **exclude DOSRI transactions, which are required to be approved by the Board.** All decision under the delegated authority must be properly recorded in the minutes of the committee meetings.

- Establish effective RPT Risk Management System
- Maintain adequate capital vis-à-vis exposure to related parties. The material risks arising from RPT's shall be considered in the capital planning process.
- Oversee the policies and procedures for whistleblowing.

Related Party Transactions Committee (RPTCom)

Shall assist the Board in fulfilling its corporate governance responsibility related to the safety and soundness of the Bank's financial transaction/s with Related Parties and ensures that such are conducted in arm's length terms and conditions. Refer to RPTCom Charter (Annex A)

Senior Management

Implement appropriate controls to effectively manage and monitor on an on-going basis to ensure compliance with internal policy and BSP's regulations.

Director and Officer

A Director and Officer shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank in order to identify, manage and prevent potential or actual conflicts of interest that may arise.

In addition, they shall be required to disclose material facts about the nature of the transaction, including whether the terms and conditions of the proposed RPT are at arm's length and in the best interest of the Bank and its stakeholders. They shall disclose all material information regarding the terms, business purpose, benefits and other details of each new, existing or proposed RPT for review and approval. They shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank.

Officer shall submit to the Human Resources Group upon election/appointment and on an annual basis thereafter, an information/data on their family relationship and holdings and/or connections with any firm, partnership or corporation (Annex C). The information/data will be the basis of the RPT database.

Proponent Units

The Proponent Units shall identify persons and companies that are considered the Related Parties.

The Proponent Units/concerned units shall review, prepare & submit to Compliance Management Group a monthly report of RPTs (Refer to Annex D for the report template).

Internal Audit Group

The Internal Audit Group shall conduct a periodic formal review, at least once a year, of the effectiveness of the Bank's system and internal controls governing RPTs to assess consistency with the Board-approved policies and procedures and perform periodic post verification of RPTs to ensure that the approved terms and conditions are properly and correctly implemented.

The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee and RPT Committee.

Compliance Management Group

The Compliance Management Group shall ensure that the Bank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties.

Shall ensure that the RPT policy is kept updated and is properly implemented throughout the Bank.

Shall aid in the review and identify any potential RPTs that would require review & vetting by the RPTCom.

Shall consolidate bank-wide RPTs and submit quarterly report to the RPTCom who is responsible for reporting the same to the Board.

Shall maintain an inventory of persons and companies that are considered the Related Parties and periodically review and update such inventory of Related Parties to capture organizational and structural changes in the Bank and its related parties.

Enterprise Risk Management Group

Establishes an effective Risk Management system that identify, measure, monitor & control risk arising from RPTs.

PROCEDURES

Identification

The Proponent Unit shall be responsible in determining and indicating in the approval media (Annex B) whether the Bank's counterparty is deemed to be Related Party as defined in this policy. The details of any transaction with a Related Party shall be submitted to the RPTCom Secretariat for vetting, review and approval depending on the amount of the transactions/years of contract/materially threshold.

The Proponent Units shall also identify outstanding RPTs that were entered into with an unrelated party that subsequently become a Related Party.

Criteria/ Standards for Review & Vetting

RPTCom shall take into account, among other factors deemed appropriate, whether the terms of the RPT are no less favorable than terms generally available to an unrelated/unaffiliated third party under the same or similar circumstances i.e. arm's length.

It shall consider all relevant facts and surrounding circumstances available, and shall take into account the following:

a. The nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is indeed an RPT or not.
b. The Related Party's relationship to the Bank, the extent of its interest in the transaction and the nature of the Bank's participation.
c. The basic terms of the transaction, material facts of the proposed RPT, including single transaction or aggregate monetary value of such RPTs.

d. The benefits to the Bank of the proposed RPT, the business purpose, rationale and timing of the transaction.
e. The availability of other sources of comparable or alternative products or services including prices, if available. Any compelling business reasons for the Bank to enter into the RPT should be determined.
f. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances and would apply on the same basis if the RPT did not involve a Related Party.
g. Impact to a Director's independence or whether the RPT would present a conflict of interest, actual or apparent, for the Related Party taking into account the size of the transaction, their overall financial position and any other factor the RPT Approving Authority deems relevant.
h. Presence of a bidding process and the results thereof or of the valuation methodology used or alternative approaches in valuing the transaction.
i. A description of any provision or limitation that may be imposed as a result of entering into the transaction as well as any potential risk issue that may arise as a result of or in connection with the transaction.
j. Any other relevant or material information regarding the transaction.

Guidelines in Ensuring Arm's Length Transactions

In order to ensure that RPTs are <u>at arm's length basis</u> it is conducted in the <u>regular course of business</u> and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such Related Parties than similar transactions with non-related parties <u>under similar circumstances</u> (fair terms), the Bank shall implement a price discovery system to determine a fair price for

RPTs and are engaged into at terms that promote the best interest of the Bank and its stakeholders. This shall include but not limited:

a. Acquiring the services of an external expert (e.g. appraisers)
b. Opening the transaction to a bidding process
c. Publication of available properties for sale.

Additional factors to consider but not limited in determining whether a transaction has been conducted on an arm's length basis:

1. Validate the terms of the overall transaction to those of any comparable transaction on an arm's length basis.
2. Check any options available to the Bank.
3. Check if any external expert advice has been received by the Bank (including any professional or expert advice from appropriately qualified advisers).
4. Validate the terms of the proposed transaction, if it's fair to the Bank and on the same basis that would apply to the transaction of non-related party.
5. Verify the business reasons for the Bank to enter into the proposed transaction
6. Ensure that the proposed transaction does not prejudice the independence of the relevant director.
7. Ensure that the transaction has no implications to the Bank's financial position and performance.
8. Validate the nature and content of the bargaining process, look for any unique or unusual terms/content.

Materiality Threshold Limits

The materiality threshold for both individual and aggregate transactions, subject to annual review are:

- more than five (5) years contract/agreement; or
- amount more than fifty million (Php50 million) or its equivalent.

Approval

All material Related Party Transactions (RPT) requires prior approval of the Board of Directors after vetting by the RPTCom. RPT that fall below the materiality threshold shall only require confirmation by the Board.

The Board delegates the approval of RPT that fall below the materiality threshold to the Excom/RPTCom, subject to confirmation of the Board.

Threshold	Endorsed by:	Vetted by:	Approved by:	Confirmed by:
Php5M & below or its equivalent 3yrs & below contract/agreement	Group/Segment Head	TrustCom/ ExCom		RPT/Board
> Php5M – Php50M or its equivalent > 3yrs – 5yrs contract/ agreement	TrustCom/ ExCom	RPTCom		Board
> Php50M or its equivalent >5yrs contract/ agreement	TrustCom/ Excom	RPTCom	Board	SH

DOSRI transaction regardless of amount, are still subject for approval by the Board of Directors.

Approval of contracts/agreements should be prior the execution.

For credit related exposure, credit proposal/establishment of credit lines as well as renewal of credit lines are subject to approval by the ExCom/RPTCom/Board depending on the total amount of credit lines/credit proposals and above approval authority.

Renewal and material changes in the terms and condition of the RPT shall also be approved by the ExCom/RPTCom/Board.

Any member of the Board who has a potential interest in the transaction shall abstain from the deliberation and approval of any RPT.

Exclusions and Exemptions

Transactions concerning deposit operations, regular trade transactions involving purchases and sales of debt securities traded in an active market and those granted under BSP-approved fringe benefit are excluded from the materiality threshold requirements and reporting requirements to BSP.

In additional, the following transactions shall not be deemed RPTs for purposes of this policy:

a. Compensation of Directors, Officers and Key Management Personnel.
b. Transactions with similar terms available to all employees in general.
c. Banking, finance or insurance-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business.
d. Share transactions such as dividends, repurchase and rights offerings, available to all shareholders on a pro-rata ownership basis.
e. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

Transactions that were entered into with an unrelated party that subsequently becomes related party may be excluded from the limits and approval process in this policy. However, any alterations to terms & conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of this policy.

The prospective treatment should, however be without prejudice to actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

Disclosures and regulatory reporting

The Bank shall comply with the disclosure and regulatory reporting requirement of the BSP as prescribed in X147.2 of the MORB.

The RPTs shall also be disclosed in the Bank's financial statements/Annual Report and other applicable filings in accordance with the relevant rules and issuances of the Securities and Exchange Commission (SEC) and other regulatory bodies.

REPORTING QUESTIONABLE RPTS

All employees who have knowledge of any violation of this policy shall report the same to the Audit Committee. Guidelines under Section 22.04 on the Reporting Suspected Improprieties, Malpractices or Fraudulent Activities, shall be observed.

SANCTIONS

Non-compliance with provisions of this policy shall result in the invalidation of the contract involved in the RPT where applicable.

The Management Disciplinary Committee (MDC) shall have the authority to investigate violations of this policy involving Bank personnel with a rank of Senior Manager and below who have been remiss in their duties in handling RPTs. The Governance Committee shall have the authority to investigate violations of this policy involving Bank personnel with a rank of Assistant Vice-President and up, including Directors.

Said committees, in addition to their mandated functions herein, shall recommend measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Bank arising from abusive or fraudulent RPTs including sanctions.

REVIEW OF THE POLICY

The Audit Committee shall review the provisions of this policy on an annual basis or whenever related regulations emerge and will recommend amendments to the Board of Directors, as it deems appropriate.