


**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is filed for the Year: 2016
2. Exact Name of Registrant as Specified in its Charter: Philippine Bank of Communications
3. PBCom Tower, 6795 Ayala Avenue corner V.A. Rufino St., Makati City 1226  
Address of Principal Office Postal Code
4. SEC Identification Number: PW 686
5. (SEC Use Only)  
Industry Classification Code  

6. BIR Tax Identification Number: 000-263-340-000
7. (02) 830-7000  
Issuer's Telephone number, including area code
8. NA  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A. BOARD MATTERS</b>	4
1) BOARD OF DIRECTORS	
(a) Composition of the Board	4
(b) Directorship in Other Companies	5
(c) Shareholding in the Company	7
2) CHAIRMAN AND CEO	7
3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS	8
4) CHANGES IN THE BOARD OF DIRECTORS	9
5) ORIENTATION AND EDUCATION PROGRAM	15
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS</b>	18
1) POLICIES	18
2) DISSEMINATION OF CODE	20
3) COMPLIANCE WITH CODE	20
4) RELATED PARTY TRANSACTIONS	20
(a) Policies and Procedures	20
(b) Conflict of Interest	20
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS	21
6) ALTERNATIVE DISPUTE RESOLUTION	21
<b>C. BOARD MEETINGS &amp; ATTENDANCE</b>	21
1) SCHEDULE OF MEETINGS	21
2) DETAILS OF ATTENDANCE OF DIRECTORS	21
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS	22
4) ACCESS TO INFORMATION	22
5) EXTERNAL ADVICE	23
6) CHANGES IN EXISTING POLICIES	23
<b>D. REMUNERATION MATTERS</b>	23
1) REMUNERATION PROCESS	23
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS	24
3) AGGREGATE REMUNERATION	25
4) STOCK RIGHTS, OPTIONS AND WARRANTS	25
5) REMUNERATION OF MANAGEMENT	26
<b>E. BOARD COMMITTEES</b>	26
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES	26
2) COMMITTEE MEMBERS	31
3) CHANGES IN COMMITTEE MEMBERS	34
4) WORK DONE AND ISSUES ADDRESSED	34
5) COMMITTEE PROGRAM	35
<b>F. RISK MANAGEMENT SYSTEM</b>	35
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM2	35
2) RISK POLICY	36
3) CONTROL SYSTEM	38
<b>G. INTERNAL AUDIT AND CONTROL</b>	40
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM	40
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function	40
(b) Appointment/Removal of Internal Auditor	41
(c) Reporting Relationship with the Audit Committee	41

(d) Resignation, Re-assignment and Reasons	41
(e) Progress against Plans, Issues, Findings and Examination Trends	41
(f) Audit Control Policies and Procedures	42
(g) Mechanisms and Safeguards	42
<b>H. ROLE OF STAKEHOLDERS</b>	43
<b>I. DISCLOSURE AND TRANSPARENCY</b>	49
<b>J. RIGHTS OF STOCKHOLDERS</b>	51
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS	51
2) TREATMENT OF MINORITY STOCKHOLDERS	54
<b>K. INVESTORS RELATIONS PROGRAM</b>	55
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES</b>	56
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL</b>	56
<b>N. INTERNAL BREACHES AND SANCTIONS</b>	57

**A. BOARD MATTERS**

1) Board of Directors

Number of Directors per Articles of Incorporation	15
---	----

Actual number of Directors for the year	14
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Eric O. Recto	NED			7/26/11	6/14/16	ASM	5 years, 5 months.
Leonardo B. Dayao	NED			9/29/14	6/14/16	ASM	2 year, 3 months
Patricia May Siy	ED			5/27/15	6/14/16	ASM	1 year, 7 months
Carmen G. Huang	ED			4/29/15	6/14/16	ASM	1 year, 8 months
Ralph C. Nubla, Jr.	NED			3/24/82	6/14/16	ASM	34 years, 9 months
Bunsit Carlos G. Chung	NED			6/17/97	6/14/16	ASM	19 years, 6 months
Lucio L. Co	NED			9/29/14	6/14/16	ASM	2 years, 3 months
Susan P. Co	NED			9/29/14	6/14/16	ASM	2 years, 3 months
Gregorio T. Yu	NED			7/26/11	6/14/16	ASM	5 years, 5 months
David L. Balangue	ID			4/7/14	6/14/16 (2 yrs., 8mos)	ASM	2 years, 8 months
Jesus S. Jalandoni, Jr.	ID			1/28/13	6/14/16 (3 yrs., 11mos.)	ASM	3 years, 11 months
Levi B. Labra	ID			10/24/14	6/14/16 (2 yrs., 2mos.)	ASM	2 years, 2 months
Roberto Z. Lorayes	ID			10/24/14	6/14/16 (2 yrs., 2mos.,)	ASM	2 years, 2 months
Emmanuel Y. Mendoza	ID			12/19/14	6/14/16 (1 yr., 1mo)	ASM	2years, 1 month

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

The Bank recognizes that the most cogent proof of good governance is that which is visible to the eyes of its investors. The Board shall be committed to respect the following rights of the stockholders:

- a. Voting Right
- b. Pre-emptive Right
- c. Power of Inspection
- d. Right to Information
- e. Right to Dividends
- f. Appraisal Right

g. It shall be the duty of the Directors to promote shareholder rights, remove impediments to the exercise of the 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.

The Board shall commit at all times to fully disclose materials information dealings. It shall cause the filing of all required

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

information for the interest of the stakeholders. It shall accomplish annually the scorecard for Banks, the Securities and Exchange Commission (SEC) and The Philippine Stock Exchange, Inc. (PSE) on the scope, nature and extent of the actions of the Board to meet objectives of the Code of Corporate Governance.

The position of the bank director is position of trust. The 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, and the public at large. These constituencies or stakeholders have right to expect that the Bank is being run in a prudent and sound manner.

The Board of Directors is primarily responsible for approving and overseeing the implementation of Bank's strategic objectives, risk strategy, corporate governance and corporate values. It is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution. The Board of Directors should establish the Bank's vision and mission, strategic objectives, policies and procedures that will guide and direct the activities of the Bank and the means to attain the same as well as the mechanism for monitoring management's performance.

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

The Bank first conceptualized its vision and mission in 1996 after a visioning exercise among Senior Officers. In 2000, the Bank reviewed and revised its vision and mission and corporate values and most recently again in 2012 the Bank reviewed and revised its vision and mission as part of its re-launch and re-branding under its new management.

The Board formally adopted the PBCom Code of Ethics on 8 October 1997, the product of the visioning exercise. The Board approved the PBCom Code of Conduct on 27 November 2003 which embodies the implementing guidelines of the PBCom Code of Ethics. It was printed in handbook form & disseminated to all employees starting February 2004.

The new VMV (Vision, Mission & Values) was conceptualized by the Senior Management Team during the Bank's Strategic Planning held on September 8 to 10, 2016. Officially launched on January 30, 2017, PBCom's VMV focuses on Relationship Banking, emphasizing the Bank's role to be the leading and most trusted Financial Services Partner in the industry.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Eric O. Recto	ISM Communications Corporation	Executive, Chairman & CEO
Patricia May T. Siy	PBCom Finance Corporation	Non-Executive
	PBCom Insurance Security Agency, Inc.	Non-Executive, Chairman
Lucio L. Co	P.G. Holdings, Inc.	Executive, Chairman & President
Susan P. Co	P.G. Holdings, Inc.	Non-Executive
Bunsit Carlos G. Chung	PBCom Finance Corporation	Non- Executive
	Telengtan Brothers and Sons, Inc.	Non-Executive
Ralph C. Nubla, Jr.	PBCOM Finance Corporation	Non-Executive
Gregorio T. Yu	ISM Communications Corporation	Non-Executive, Independent Director

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Recto, Eric O.	Petron Corporation (PCOR)	Non-Executive
	ISM Communications Corporation (ISM)	Executive, Chairman & CEO
	Atok-Big Wedge, Co Inc. (AB)	Executive, Vice Chairman

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

Lucio L. Co	Puregold Price Club, Inc. (PGOLD)	Non-Executive, Chairman
	Cosco Capital, Inc.(COSCO)	Non-Executive, Chairman
	Da Vinci Capital Holdings, Inc. (DAVIN)	Executive, Chairman & President
Leonardo B. Dayao	Puregold Price Club, Inc.(PGOLD)	Non-Executive
	Cosco Capital, Inc.(COSCO)	Executive, President
Susan P. Co	Puregold Price Club, Inc. (PGOLD)	Non-Executive
	Cosco Capital, Inc. (COSCO)	Non-Executive, Vice Chairman
Gregorio T. Yu	I-remit Inc (I)	Independent Director
	ISM Communications Corporation (ISM)	Independent Director
	Vantage Equities, Inc (V)	Independent Director
	PAL Holdings Inc (PAL)	Independent Director
Levi B. Labra	Cosco Capital, Inc. (COSCO)	Non-Executive
Roberto Z. Lorayes	Vantage Equities, Inc (V)	Director
David L. Balangue	Roxas Holdings Inc. (ROX)	Independent Director
	Holcim Philippines, Inc. (HLCM)	Independent Director
Jesus S. Jalandoni, Jr.	Liberty Flour Mills (LFM)	Non-Executive

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Lucio L. Co	P.G. Holdings, Inc.	Chairman and President
Susan P. Co	P.G. Holdings, Inc.	Director
Chung, Carlos Bunsit G.	Telengtan Brothers and Sons, Inc.	Director

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

Yes for the CEO. The CEO is mandated to devote his/her full-time to the Bank.

For the other directors, there is no limit as to the number of directorships a director may have in other companies that he/she may hold simultaneously as long as he/she is able to attend to his obligations and the company/ies he/she is a director in is/are not direct competitor. Further, the director must be able to attend at least 60% of the board and/or board level committee meetings in a year. However, there is a guideline that an individual who is an independent director in more than five entities shall provide sufficient justification on his/her ability to effectively perform his/her duties.

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. Further, when a director is elected into new directorship, he must declare the same within thirty (30) days of said appointment.

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	<p>The Governance Committee shall decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance.</p> <p>An individual who is an independent director in more than five (5) entities shall provide sufficient justification on his/her ability to effectively perform his/her duties as provided by the rules and regulations of the SEC governing public and listed companies on the maximum number of companies of the conglomerate in which an individual can serve as an independent director shall apply to independent directors of all types of banks.</p>	None
<b>Non-Executive Director</b>	same above	same as above

<b>CEO</b>	The CEO is not allowed to hold any simultaneous position with other entities	Full time for the bank
------------	--	------------------------

(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Eric O. Recto	52,729,424	0	10.97%
Leonardo B. Dayao	3,701	0	0.00%
Carmen G. Huang	500	0	0.00%
Bunsit Carlos G. Chung	550,716	449,294 thru immediate members of the family of the same household	0.21%
Lucio L. Co	1	91,740,305 thru P.G. Holdings, Inc.	19.09%
Susan P. Co	1	91,648,565 thru P.G. Holdings, Inc.	19.07%
Ralph C. Nubla, Jr.	51,779,374	0	10.77%
Ridha D.M. Wirakusamah	10	0	0.00%
Gregorio T. Yu	1,432,692	0	0.30%
David L. Balangue	50	0	0.00%
Jesus S. Jalandoni, Jr.	10	0	0.00%
Levi B. Labra	100	0	0.00%
Roberto Z. Lorayes	500	0	0.00%
Emmanuel Y. Mendoza	100	0	0.00%

2) Chairman and CEO

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

Yes  No

Identify the Chairman and CEO:

Chairman of the Board	Eric O. Recto
CEO/President	Patricia May T. Siy

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<ul style="list-style-type: none"> <li>To provide leadership in the Board of Directors.</li> <li>To ensure that the board takes an informed decision</li> <li>To set the tone of good governance from the top</li> </ul>	<ul style="list-style-type: none"> <li>To set the tone of good governance from the top</li> <li>To oversee the day-to-day management of the bank</li> <li>To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountabilities and transparency</li> <li>To promote and strengthen check and balance system in the bank</li> </ul>
Accountabilities	<ul style="list-style-type: none"> <li>Ensure effective functioning of the board, including maintaining a relationship of trust with board members</li> <li>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</li> <li>Ensure that the meetings of the Board are held in accordance with the by-laws or as the chair may deem necessary;</li> <li>Supervise the preparation of the Agenda of the meeting in coordination with the Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that policies and procedures on governance as approved by the board of directors are consistently adopted across the bank</li> <li>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</li> <li>Direct and execute the policy of the Bank in consonance with the resolutions and directives of the Board of Directors or the stockholders, manage its operations and perform all the duties incidental to his officer;</li> <li>Submit reports to the Board on the Bank's activities, accomplishments, problems and propose solutions through the Chairman prior to the regular monthly meetings, or</li> </ul>

	Secretary, taking into consideration the suggestions of the CEO, Management and the Directors.	whenever required by the Chairman of the Board of Directors.
Deliverables	<ul style="list-style-type: none"> <li>Lead the Board of Directors in achieving its mandate of setting the overall direction of the organization and representing the interests of shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate strategy is being effectively implemented and that goals are being met.</li> <li>Bank is operating in safe and sound manner.</li> </ul>

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

The new policy on Management Succession Planning was approved by the Board on 28 October 2015. Segment/Group Heads are required to prepare and submit a new and updated succession chart every 1<sup>st</sup> half of January identifying at least two (2) understudies/successors to key management positions. All designated successors shall undergo comprehensive training particularly on leadership skills and enhancement of general/technical competencies.

The Board ensures that there is a qualified deputy assisting each senior officer in key management position. In addition to the deputy gaining valuable experience and training while assisting the position holder, that deputy is also qualified to take over in the event a vacancy occurs.

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

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes, the Bank's Corporate Governance Committee which is composed of four (4) members, two (2) of whom are independent directors conducts review and evaluation of the qualifications of all persons nominated to the board as well as those appointed to other positions requiring appointment by the Board of Directors. The Governance Committee also serves as the Company's Nomination Committee, Compensation and Remuneration Committee and Performance Evaluation Committee.

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

One of the qualifications of director is that he must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position, the following matters must be considered: 1) integrity/probity; 2) physical/mental fitness; 3) competence; 4) relevant education/financial literacy/training; and 5) diligence/and knowledge/experience.

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

	Executive	Non-Executive	Independent Director
Role	<ul style="list-style-type: none"> <li>To remain fit and proper for the position for the duration of his term;</li> <li>To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions;</li> <li>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;</li> <li>To devote time and attention necessary to properly discharge their duties and responsibilities;</li> <li>To act judiciously;</li> <li>To contribute significantly to the decision-making process of the Board;</li> <li>To exercise independent judgment;</li> <li>To have working knowledge of the statutory and regulatory requirements affecting the Bank; and</li> <li>To observe confidentiality.</li> <li>To observe the highest standards of ethical conduct and comply with all laws, rules and regulations to which they are subject.</li> </ul>	Same as the Executive Director	Same as the Executive Director
Accountabilities	<ul style="list-style-type: none"> <li>Ensure that Bank's strategic objectives and business plan shall implemented with clearly defined responsibilities and accountabilities and with established system for measuring performance against plans through regular monitoring and reviews with corrective actions taken as needed;</li> </ul>	Same	Same



	<ul style="list-style-type: none"> <li>• Establish and ensure compliance with sound written policies;</li> <li>• Responsible for the formulation and maintenance or written policies and procedures relating to the risk management throughout the Bank.</li> <li>• Ensure to appoint competent management team at times, monitor and assess the performance based on established performance standards that are consistent with the bank's strategic objectives and conduct regular review of bank's policies with management team;</li> <li>• Ensure to establish the tone of good governance from the top;</li> <li>• Ensure timely and effective actions on issues identified;</li> <li>• Ensure consistent adoption of corporate governance policies across the group structure.</li> </ul>		
Deliverables	<ul style="list-style-type: none"> <li>• Act in the interests of the Bank to the best of their ability and judgment, consistent with their responsibilities in achieving the overall direction of the organization and protecting the interest of its shareholders.</li> </ul>	same	same

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

The Bank follows the definition of "independent director" as prescribed by the BSP and SEC. All five (5) independent directors comply with the definition.

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

Yes, the Bank complies with the term limit of independent directors as prescribed by SEC Circular no. 9 series of 2011.

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

##### (a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Ridha Wirakusumah	Director	April 1, 2016	Statutory limit on nationality of directors

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<p>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.</p> <p>In compliance with the SEC SRC Rule 38, and as a matter of practice, the Bank has adopted the following rules in the nomination and election of Directors:</p> <ul style="list-style-type: none"> <li>• All nominations for directors and independent directors shall be submitted to the Nominations Committee through 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</li> </ul>	<ul style="list-style-type: none"> <li>• Must be at least twenty-five (25) years of age at the time of election or appointment;</li> <li>• He shall own at least one (1) share of the capital stock of the Bank, which share shall stand in his name in the books of the Bank;</li> <li>• He shall be at least a college graduate or have at least five (5) years in business;</li> <li>• He must have attended a special seminar on corporate governance for Board of Directors conducted or accredited by the BSP. Provided, that director must attend said seminar within a period of six (6) months from the date of election; and</li> <li>• He must be fit and proper for the position of a director of the Bank. In determining whether a person is fit and proper for the position of director, the following must be considered: <ul style="list-style-type: none"> <li>a. integrity/probity</li> <li>b. physical and mental fitness</li> </ul> </li> </ul>

	<p>upon the qualifications of the nominees.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• No individual shall be nominated as director or independent director unless he meets the minimum requirements/qualifications prescribed by the regulatory agencies/offices concerned of listed banks.</li> <li>• 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.</li> </ul>	<p>c. competence d. relevant education /financial literacy/training e. diligence/and knowledge/ experience</p> <ul style="list-style-type: none"> <li>• Member 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.</li> <li>• He should possess unquestionable credibility to make decisions objectively and resist undue influence.</li> </ul>
(ii) Non-Executive Directors	Same procedures are being observed in the election/appointment of Executive Directors.	Same criteria as the Executive Directors
(iii) Independent Directors	Same procedures are being observed in the election/appointment of Executive and Non-Executive Directors.	<ul style="list-style-type: none"> <li>• Must have all the qualifications of a Regular Director and in addition -</li> <li>• Is not or must not be an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;</li> <li>• Is not a director or officer of the related companies of the Bank's majority stockholder;</li> <li>• Is not a majority stockholder with shares of stock sufficient to elect a seat in the board of directors of the Bank, or in any of its related companies, or of its majority corporate shareholder;</li> <li>• Is not a relative within the fourth degree of consanguinity or affinity, legitimate, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board or any of its related companies;</li> <li>• Is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders; and</li> <li>• Is not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engaged in any transaction with the bank or with any of its related companies or 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 stockholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.</li> </ul>
<b>b. Re-appointment</b>		
(i) Executive Directors	Same as appointment, all director nominees were subject to the deliberations of the Governance Committee.	Same above

(ii) Non-Executive Directors	Same above	Same above
(iii) Independent Directors	Same above	Same above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<ul style="list-style-type: none"> <li>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 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 Monetary Board to disqualify a director/officer/employee from being elected/appointed as director/officer in any financial institution under the supervision of the BSP. Grounds for disqualification made known to the Bank, shall be reported to the appropriate supervising and examining department of the BSP within seventy-two (72) hours from knowledge thereof.</li> <li>The Board of Directors shall be immediately informed of cases of disqualification approved by the Monetary Board and 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 supervising and examining department the action taken by the Board on the director/officer involved.</li> <li>All cases of disqualification shall be elevated to the Monetary Board of the Bangko Sentral ng Pilipinas. 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.</li> </ul>	<p>Without prejudice to specific provision of law prescribing disqualifications for directors/ officers/employees, the following are disqualified from becoming directors:</p> <ul style="list-style-type: none"> <li>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 Corruption 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)</li> <li>Persons who have convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six years;</li> <li>Persons who have convicted by final judgment of a court sentencing them to serve a maximum of term of imprisonment of more than six years;</li> <li>Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</li> <li>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;</li> <li>Directors and officers of quasi-banks and trust entities found by the Monetary Board;</li> <li>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.</li> <li>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 executory.</li> </ul>
(ii) Non-Executive Directors	Disqualification procedures are the same as that of the Executive Directors.	Same as that of the Executive Directors.
(iii) Independent Directors	Disqualification procedures are the same as that of the Executive Directors.	Same as that of the Executive Directors.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<ul style="list-style-type: none"> <li>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 reporting the same to the BSP. While the Bank may conduct its own investigation and impose appropriate</li> </ul>	<p>Directors/officers/employees disqualified by the Monetary Board from holding a director position for a specific/ indefinite period of time. Included are:</p> <ul style="list-style-type: none"> <li>Persons who fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required</li> </ul>

	<p>sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/officer/employee from being elected/appointed as director/officer in any financial institution under the supervision of the BSP. Grounds for disqualification made known to the Bank, shall be reported to the appropriate supervising and examining department of the BSP within seventy-two (72) hours from knowledge thereof.</p> <ul style="list-style-type: none"> <li>• The Board of Directors shall be immediately informed of cases of disqualification approved by the Monetary Board and 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 supervising and examining department the action taken by the Board on the director/officer involved.</li> <li>• All cases of disqualification shall be elevated to the Monetary Board of the Bangko Sentral ng Pilipinas. 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.</li> </ul>	<p>pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. Disqualification shall be in effect as long as the refusal persists;</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Those who are delinquent in the payment of their obligation as defined hereunder:       <ol style="list-style-type: none"> <li>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 Section X306;</li> <li>2. Obligations shall include all borrowings from a bank obtained by:           <ol style="list-style-type: none"> <li>a. A Director or Officer for his account or as a representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;</li> <li>b. The spouse or child under the parental authority of the director or officer;</li> <li>c. any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</li> <li>d. 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</li> <li>e. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any group or persons mentioned in the foregoing items above</li> </ol> </li> </ol> </li> <li>• persons who have been 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. 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 more than 6 years' imprisonment but whose conviction has not yet become final and executory;</li> </ul>
--	--	---

		<ul style="list-style-type: none"> <li>• Directors and officers of closed banks pending their clearance by the Monetary Board;</li> <li>• 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 supervising and examining department of such director's election/re-election;</li> <li>• Directors who have failed to attend the special seminar for board of directors required; This qualification applies until the director had attended such seminar;</li> <li>• 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 justifiable reasons;</li> <li>• Directors under preventive suspension</li> <li>• 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 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/violation or after a lapse of five (5) years from the time of the complaint, which was the basis of the derogatory record, was initiated;</li> <li>• 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;</li> <li>• 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 suspension from office is imposed, regardless of whether the finding of the Monetary Board is final and executory; or pending appeal before the appellate court, unless execution or enforcement is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as fine is not fully paid.</li> </ul>
(ii) Non-Executive Directors	Same above	Same above
(iii) Independent Directors	Same above	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>e. Removal</b>		

(i) Executive Directors	Director/Officer elected or appointed who does not possess all the qualifications &/or has any disqualifications shall not be confirmed by the confirming authority provided under Confirmation of the election/appointments of directors and officers shall be removed from office even if he/she has assumed the position to which he/she was elected or appointed.	Non possession of qualifications
(ii) Non-Executive Directors	Same above	Same above
(iii) Independent Directors	Same above	Same above
<b>f. Re-instatement</b>		
(i) Executive Directors	Director/Officer, prior to assuming the position to which he/she was elected/appointed, must submit with appropriate supervising and examining department of BSP a verified statement that he/she has all the qualifications and none of the disqualifications.	Same criteria in selection/appointment
(ii) Non-Executive Directors	Same above	Same above
(iii) Independent Directors	Same above	Same above
<b>g. Suspension</b>		
(i) Executive Directors	All cases of disqualifications shall be elevated to the Monetary Board of the BSP. If after evaluation find grounds for disqualification, the Director/Officer so elected/appointed may be removed from office even he/she has assumed the position to which he/she was elected.	Non possession of qualifications
(ii) Non-Executive Directors	Same above	Same above
(iii) Independent Directors	Same above	Same above

**Note:** Since new management took over in **2014**, there have been no removals, re-instatements or suspensions of directors. All vacancies in the Board of Directors have been via voluntary resignations.

Voting Result of the last Annual General Meeting.

Voting Result of the last Annual General Meeting	
Name of Director	Votes Received
Eric O. Recto	Since there were only 14 nominees, the shareholders approved a motion to cast all the votes of all shareholders present equally among all the 14 nominees.
Leonardo B. Dayao	
Patricia May T. Siy	
Carmen G. Huang	
Bunsit Carlos G. Chung	
Ralph C. Nubla, Jr.	
Lucio L. Co	
Gregorio T. Yu	
Susan P. Co	
David L. Balangue	
Levi B. Labra	
Roberto Z. Loraves	
Jesus S. Jalandoni, Jr.	
Emmanuel Y. Mendoza	

6) Orientation and Education Program

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

New directors are required to attend a special seminar on corporate Governance for Board of Directors conducted or accredited by the Bangko Sentral ng Pilipinas (BSP). All key officers and members of the board are also required to attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by the Security and Exchange Commission. No new director/s joined the Bank in 2016.

The Corporate Governance Seminar (SEC required) organized by Center for Training and Development, Inc. held last March 4, 2016 covers the following topics:

- Updates in SEC Issuances
- Philippine Corporate Governance Blue Print 2016
- Governance Model, Enterprise Risk Management, Internal Audit & Financial Reporting
- Overview to the Proposed Corporation Code Whistleblowing Policy

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

Below table indicates the In-house and External training/courses which were attended by Directors and Senior Management for the past three (3) years – 2014 to 2016

Name	Training/Courses	Date	Training Partner
<b>Directors:</b>			
Eric O. Recto Leonardo B. Dayao Patricia May T. Siy Lucio L. Co Susan P. Co Gregorio T. Yu Bunsit Carlos G. Chung Carmen G. Huang Roberto Z. Lorayes David L. Balangue Emmanuel Y. Mendoza Levi B. Labra	Corporate Governance: Going Forward (SEC required)	Mar 4, 2016	Center for Training and Development, Inc.
Eric O. Recto Leonardo B. Dayao Patricia May T. Siy Lucio L. Co Susan P. Co Gregorio T. Yu Bunsit Carlos G. Chung Ralph C. Nubla, Jr. Carmen G. Huang Jesus S. Jalandoni, Jr. Roberto Z. Lorayes David L. Balangue Emmanuel Y. Mendoza Levi B. Labra	AML Updates and Refresher Course	Sept 30, 2015	Anti-Money Laundering Council (AMLC)
Eric O. Recto Leonardo B. Dayao Patricia May T. Siy Lucio L. Co Susan P. Co Gregorio T. Yu Bunsit Carlos G. Chung	Corporate Governance Seminar (SEC required)	June 22, 2015	Center for Training and Development, Inc.

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

Ralph C. Nubla, Jr. Carmen G. Huang Roberto Z. Lorayes Emmanuel Y. Mendoza Levi B. Labra			
Susan P. Co	Corporate Governance Seminar & Risk Management for Banks and Quasi Bank's (BSP required)	Mar 5-6, 2015	Ateneo De Manila – Center for Continuing Education
Leonardo B. Dayao Lucio L. Co Roberto Z. Lorayes Emmanuel Y. Mendoza Levi B. Labra	Corporate Governance Seminar (BSP required)	Feb 5-6, 2015	Bankers Institute of the Philippines, Inc. (BAIPHIL)
Carmen G. Huang	Economic Briefing for the Key Leaders of Co's Businesses	Jan 23, 2015	ING Bank
David L. Balangue	Corporate Governance Seminar (BSP required)	Sept 18-19, 2014	Bankers Institute of the Philippines, Inc. (BAIPHIL)
David L. Balangue	Corporate Governance Seminar (SEC Required)	June 26, 2014	Securities and Exchange Commissions
Eric O. Recto Bunsit Carlos G. Chung Ralph C. Nubla, Jr. Gregorio T. Yu Jesus S. Jalandoni, Jr.	Corporate Governance Seminar (SEC Required)	May 28, 2014	Risks, Opportunities, Assessment and Mgt. (ROAM) Inc.
David L. Balangue	Anti-Money Laundering Seminar	Feb 27, 2013	AMLC
<b>Officers:</b>			
Eriberto Luis S. Elizaga Arlene M. Datu Jorge Alfonso C. Melo Angelo Patrick F. Advincula Michael Stephen H. Lao	Corporate Governance: Going Forward (SEC required)	Mar 4, 2016	Corporate Governance: Going Forward (SEC required)
Irwin Joseph T. Tychuaco	2016 TOAP Annual Convention	Feb 26, 2016	Trust Officer Association of the Philippines (TOAP)
Jane Lim-Laragan	PBCOM Onboarding for New Employees (P-ONE)	Dec 16, 2016	PBCom
Jennie F. Lansang	PBCOM Onboarding for New Employees (P-ONE)	Nov 23, 2016	PBCom
Jeruel N. Lobien	ACL Class Onsite Training	Oct 26-29, 2016	ACL Services
Jennie F. Lansang	Phils. Financial Services Summit 2016	Nov 23, 2016	IDC Financial Insights
Irwin Joseph T. Tychuaco	Enhanced UITF Certification Program	Oct 8, 2016	Enhanced UITF Certification Program
Eriberto Luis S. Elizaga	Sustaining Development in a World of Policy Divergence	Sept 27, 2016	CFA institute and CFA Society
Expedito G. Garcia, Jr Daniel M. Yu Jennie F. Lansang Mina F. Martinez Evelyn D. Vinluan Jorge Alfonso C. Melo Irwin Joseph T. Tychuaco	Information Security Awareness	Aug 2016	PBCom
Expedito G. Garcia, Jr Daniel M. Yu Jennie F. Lansang Mina F. Martinez Evelyn D. Vinluan Jorge Alfonso C. Melo Irwin Joseph T. Tychuaco	Financial Consumer Protection	July 2016	PBCom
Jorge Alfonso C. Melo	PBCOM Onboarding for New Employees (P-ONE)	July 15, 2016	PBCom
Irwin Joseph T. Tychuaco	Forum on BSP Interest Rate Corridor System	Mar 18, 2016	TOAP



Mina F. Martinez	HRG Strategic Planning Session & Workshop	Feb 4, 2016	PBCom
Expedito G. Garcia, Jr Daniel M. Yu	Business Continuity Management	Feb 2016	PBCom
Expedito G. Garcia, Jr Jennie F. Lansang Evelyn D. Vinluan Irwin Joseph T. Tychuaco	Anti-Money Laundering	Dec 2015	PBCom
Arlene M. Datu Expedito G. Garcia, Jr Eriberto Luis S. Elizaga Jane Lim-Laragan Daniel M. Yu Mina F. Martinez Jeruel N. Lobien Angelo Patrick F. Advincula	AML Updates and Refresher Course	Sept 28, 2015	AMLC
Mina F. Martinez	Signature Verification Seminar (SIGVER)	July 31, 2015	PBCom - Credit Mgt Group
Mina F. Martinez	Achieving Harmony in the Workplace: Using Mediation as a Management Tool	Apr 24, 2015	National Center for Mediation, Inc.
Arlene M. Datu	A Time of Inspiration for PBCom Women	Feb 9, 2015	PBCom – Office of the President
Jane Lim-Laragan	Corporate Governance Seminar (BSP required)	Feb 5-6, 2015	Baiphil
Jane Lim-Laragan Lobien, Jeruel N Irwin Joseph T. Tychuaco	Economic Briefing for the Key Leaders of Co's Businesses	Jan 23, 2015	ING Bank
Lobien, Jeruel N	Corporate Governance Seminar (BSP required)	Sept 18-19, 2014	Bankers Institute of the Philippines, Inc. (BAIPHIL)
Irwin Joseph T. Tychuaco	Wealth Management Training	July 19, 2014	PBCom-TWVG
Belle Rosamond D. Justiniani	Sapphire Ticketing System User Training	July 10, 2014	H2 Consulting Services
Arlene M. Datu Evelyn D. Vinluan	Philippine Financial Reporting Standards (PFRS) Briefing	June 20, 2014	SGV & Co
Arlene M. Datu	Corporate Governance Seminar (SEC required)	May 28, 2014	ROAM
Irwin Joseph T. Tychuaco	Standardized UITF Training Program	April 26 - May 3, 2014	April 26 - May 3, 2014
Evelyn D. Vinluan	T24 Technical Walkthrough Session	Mar 31, 2014	PBCom-Branch Operations Group
Evelyn D. Vinluan	Meet and Greet (Risk Control and Compliance Officers)	Mar 24, 2014	PBCom – Compliance & RMG
Irwin Joseph T. Tychuaco	Signature Verification Seminar (SIGVER)	Feb 22, 2014	February 22, 2014
Evelyn D. Vinluan	T24 Training	Jan 16, 2014	PBCom

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

Name	Training Title	Date	Training Partner
<b>Directors:</b> Eric O. Recto Leonardo B. Dayao Patricia May T. Sly Carmen G. Huang Lucio L. Co Susan P. Co Roberto Z Lorayes. David L. Balangue Emmanuel Y. Mendoza Bunsit Carlos G. Chung Levi B. Labra Gregorio T. Yu  <b>Officers:</b> Eriberto Luis S. Elizaga Arlene M. Datu	Corporate Governance: Going Forward (SEC required)	Mar 4, 2016	Center for Training and Development, Inc.

Angelo Patrick F. Advincula Michael Stephen H. Lao Jorge Alfonso C. Melo			
---	--	--	--

**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company’s policies on the following business conduct or ethics affecting directors, senior management and employees:

PBCom Code of Ethics and Code of Conduct

The PBCom Code of Ethics embodies the corporate principles that serve to guide the conduct and behavior of Bank employees in every situation. As an institution imbued with public trust, the Bank requires a high level of integrity and professionalism among all employees. Our Code of Ethics prescribes the standards which must permeate all business dealings and relationships.

Through the Code of Ethics, the Bank has institutionalized the observance of its Core Corporate Values such as, Trust, Integrity, Professionalism, Loyalty and Excellence. The specific objectives of the Code of Ethics are to:

1. Promote a corporate culture of good governance and best practices.
2. Empower and protect employees by making them aware of the criteria/standards involved in carrying out their functions and in making decisions.
3. Standardize application of policies and regulations and corrective measures in case of deviations from expected behavior.

The Code of Ethics enforces the following fundamental policies of the Bank:

1. Putting the interests of the Bank above in situations where actual or potential conflict of interest exists. When such situation occurs, employees must put the Bank’s interests over and above other interests and ensure that employees’ personal interests do not conflict with the duties, which they must perform for the Bank, or with the duties, which the Bank performs for clients.
2. Probity in handling of confidential information, the disclosure or non-disclosure of such information is vital to the Bank’s well-being
3. Compliance with the law and with internal regulations challenging within the Bank, any values or policies that are inconsistent with these guidelines.
4. Provide quality customer service toward clients while protecting the legitimate interests of the Bank at all times.
5. Render services to customers on the basis of rational business criteria rather than on factors such as race, gender or religion.
6. Conduct personal, professional or business affairs in accordance with the highest moral standards so that there can be no opportunity for unfavorable reflections upon the Bank.

To ensure employees’ adherence to the Code of Ethics, the Bank formulated its implementing guidelines under the PBCom Code of Conduct. The Code of Conduct was discussed and adopted by the Labor Management Committee of the Bank consisting of representatives from the Human Resources Group and Union representatives to ensure support and commitment from all sectors in the Bank. The Code of Conduct serves as guidelines for the enforcement of the provisions of the Code of Ethics and prescribes the applicable sanctions in case of deviation thereof.

Any breach of the provisions of the Code may result in disciplinary action ranging from reprimand to termination of employment, depending on the gravity of the offense, after observance of due process of law. However, the spirit of implementation also gives more emphasis on positive motivation rather than punitive measures. Penalties are to be resorted to only when necessary and only to the extent required by the circumstances. Applications of sanctions are always guided by impartiality, open-mindedness, consistency, and fairness.

The Code of Ethics and the Code of Conduct are printed in handbook form and disseminated to all officers and staff. Adherence to the Code is the responsibility of each employee of the Bank and is a condition for continued employment. Employees of PBCom annually confirm their adherence to these guidelines.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The Bank’s Code of Ethics requires officers and employees to put the interests of the Bank above in situations where actual or potential conflict of interest exists. Directors/officers /employees must put the Bank’s interests over and above other interests and ensure that employees’ personal interests do not conflict with the duties, which they must perform for the Bank, or with the duties, which the Bank performs for clients. This covers the following	same	same

	<p>restrictions:</p> <ul style="list-style-type: none"> <li>• Personal transactions with clients.</li> <li>• Receiving gifts and gratuities from clients.</li> </ul>		
(b) Conduct of Business and Fair Dealings	<p>Employees are required to conduct business in accordance with the highest moral standards so that there can be no opportunity for unfavorable reflections upon the Bank as follows:</p> <p>In accordance with law, employees must:</p> <ul style="list-style-type: none"> <li>• Keep client information confidential</li> <li>• Provide quality customer service toward clients while protecting the legitimate interests of the Bank at all times.</li> <li>• Render services to customers on the basis of rational business criteria rather than on factors such as race, gender or religion.</li> </ul>	Same	same
(c) Receipt of gifts from third parties	<p>The Code of Ethics &amp; Conduct prohibits employees from receiving directly or indirectly from clients' gifts and gratuities, money or anything of value or any offer thereof in consideration of any act or service in relation to any Bank transaction. Examples:</p> <ul style="list-style-type: none"> <li>• Offering, soliciting or receiving anything of value to perform any act prejudicial to the Bank</li> <li>• Soliciting money, gifts, shares, benefits or favors from any person through the intercession of another as a condition for the performance of one's duty</li> <li>• Receiving gifts or gratuities in exchange for a favorable decision on Bank-related matters</li> </ul>	same	same
(d) Compliance with Laws & Regulations	<p>Employees are required to:</p> <ul style="list-style-type: none"> <li>• comply with law particularly on confidential client information,</li> <li>• comply with regulatory requirements to disclose and report specific information as mandated by the anti-money laundering law</li> <li>• Comply with the law and with internal regulations challenging within the Bank, any values or policies that are inconsistent with these guidelines</li> </ul>	same	same
(e) Respect for Trade Secrets/Use of Non-public Information	<p>Employees are mandated under the Code of Ethics to:</p> <ul style="list-style-type: none"> <li>• Apply probity in handling of confidential information, the disclosure or non-disclosure of such information is vital to the Bank's well-being.</li> <li>• Support good internal governance by prompt reporting of critical information within the Bank.</li> <li>• In accordance with law, keep client information confidential including the Bank's propriety rights to trade secrets.</li> <li>• Comply with regulatory requirements to disclose and report specific information as mandated by the anti-money laundering law.</li> </ul>	same	same
(f) Use of Company Funds, Assets and Information	<ul style="list-style-type: none"> <li>• Employees especially those having money and property accountability, are accountable for funds and assets issued to them.</li> <li>• Handling of confidential information and the disclosure or non-disclosure of such information are covered by specific policies of the Bank.</li> </ul>	Same	same
(g) Employment & Labor Laws & Policies	<ul style="list-style-type: none"> <li>• The Bank recognizes the right and prerogatives of employees under the Labor Code and applicable laws of the Philippines</li> <li>• Bank Employment Contracts, Policies, Rules &amp; Regulations, Code of Ethics, Code of Conduct &amp; other circulars are compliant with the provisions of the Labor Code.</li> </ul>	same	same
(h) Disciplinary action	<ul style="list-style-type: none"> <li>• The Bank enforces due process in handling administrative cases against employees who are found to have committed fraudulent acts and/or violated Bank policies, rules and regulations.</li> <li>• It aims to achieve impartiality in the handling of such cases and to ensure that due process is accorded to all parties concerned.</li> <li>• It supports the good corporate governance practices of the Bank and clearly delineates the responsibilities of the various units as well as defines the rights of employees being charged with administrative cases.</li> <li>• Any breach of the provisions of the Code may result in disciplinary action ranging from reprimand to termination of employment, depending on the gravity of the offense, after observance of due process of law.</li> </ul>	same	same
(i) Whistle Blower	<ul style="list-style-type: none"> <li>• The Bank requires employees to report any misfeasance/malfeasance, irregularities, fraud, violations of Bank policies, regulations of BSP and other</li> </ul>	same	same

	regulatory bodies and/or any provisions of the law to concerned Bank unit for proper action.		
(j) Conflict Resolution	<ul style="list-style-type: none"> <li>• Labor-management conflicts are resolved under the Labor-Management Committee or the Grievance Committee under the Collective Bargaining Agreement.</li> <li>• Customer complaints are addressed thru the quality assurance units of the Bank.</li> </ul>	same	same

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Officers and employees were furnished their own copy of the Code of Ethics and Code of Conduct.
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Human Resources Group of the Bank conduct lifestyle checking of officers and employees of the Bank as part of their core functions. The Bank also required directors and officer to disclose Outstanding Obligations and Equity Holdings annually.

Additionally, the Bank has in place policies on Whistle Blowing/Reporting of Crimes and Losses and Handling of Administrative Cases to support the monitoring of employees' compliance with the Code and implementation of sanctions as applicable.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>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.</p> <p>RPTs shall be disclosed, reviewed and approved in accordance with the policy consistent with the principles of transparency and fairness and in accordance with applicable law, rules and regulations.</p> <p>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</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

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

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.  
None

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	Not applicable
Name of Officer/s	Not applicable
Name of Significant Shareholders	Not applicable

(ii) Mechanism

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

Directors/Officers/Significant Shareholders
---

Company	Full disclosure through reports with regulatory agency
Group	Same above

5) Family, Commercial and Contractual Relations

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
P.G. Holdings, Inc.	Commercial/Business/Contractual	Mr. Lucio L. Co is the Chairman, President and shareholder of P.G. Holdings, Inc.
P.G. Holdings, Inc.	Commercial/Business/Contractual	Ms. Susan P. Co is a Director and shareholder of P.G. Holdings, Inc.
Telengtan Brothers and Sons, Inc. and Bunsit Carlos G. Chung	Commercial/Business/Contractual	Mr. Bunsit Carlos G. Chung is a director of Telengtan Brothers and Sons, Inc.

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

None

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Not applicable		

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

None

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Not applicable		

6) Alternative Dispute Resolution

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

None

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

**C. BOARD MEETINGS & ATTENDANCE**

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

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Eric O. Recto	7/26/11	13	10	100.00%
Vice Chairman	Leonardo B. Dayao	9/29/14	13	11	84.61%
Executive Director	Carmen G. Huang	4/29/15	13	13	100.00%
Member	Patricia May T. Siy	6/1/15	13	13	100.00%
Member	Bunsit Carlos G. Chung	6/17/97	13	12	92.31%
Member	Lucio L. Co	9/29/14	13	13	100.00%
Member	Susan P. Co	9/29/14	13	11	84.61%
Member	Ralph C. Nubla, Jr.	3/24/82	13	13	100.00%

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Member	Gregorio T. Yu	7/26/11	13	11	84.61%
Independent	David L. Balangue	4/7/14	13	11	84.61%
Independent	Jesus S. Jalandoni, Jr.	1/28/13	13	9	69.23%
Independent	Levi B. Labra	10/24/14	13	11	84.61%
Independent	Roberto Z. Lorayes	10/24/14	13	13	100.00%
Independent	Emmanuel Y. Mendoza	12/19/14	13	11	84.61%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None

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

No, quorum is not set at two-thirds (2/3) of the membership of the Board. Quorum is set as majority of the members of the Board (lowest integer greater than 50% of the members; or 8 out of 15). Except if a law/regulation require a higher vote requirement for a particular issue, a majority vote of the directors present (provided there is a quorum) shall suffice to approve a corporate act.

5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

Materials for the Board meeting are sent to the members of the Board at least three (3) days prior to the scheduled Board meeting.

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

Yes

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

Under the Bank's Manual on Corporate Governance the Duties and Responsibilities of the Corporate Secretary are as follows:

1. Furnish all the directors with a copy of the specific duties and responsibilities of the Board of Directors under Items "b" and "c" of Subsection X141.3 of the BSP within ten (10) banking days after election;
2. Require the directors to acknowledge receipt of the copies of such specific duties and responsibilities and shall certify that they fully understand the same;
3. Submit to the BSP copies of the acknowledgment and certification required in accordance with Appendix 6 of the manual of Regulations;
4. Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Bank;
5. As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice at least three days before every meeting;
6. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
7. Furnish a copy of the Bank's Compliance Policies and Procedures contained in the Manual on Corporate Governance and succeeding updates thereof to all incumbent and newly elected directors.
8. Attend all Board meetings and maintain record of the same;
9. Submit reportorial requirements to the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and The Philippine Stock Exchange, Inc. (PSE).

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

Yes, the Bank's incumbent Corporate Secretary is a member of the Philippine Bar and is a practicing lawyer.

(e) Committee Procedures

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

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

Yes

No

Committee	Details of the procedures
Executive	The regular schedule (weekly) of ExCom meetings has been set beforehand. ExCom Materials are distributed before the actual meetings
Audit Com	The Internal Audit Group distributes the agenda, audit and administrative reports to the members of the Audit Committee at least two (2) days before scheduled meetings.
Nomination *	Nomination of New Executives – Materials on the nominees are provided before the actual meeting
Remuneration *	Materials on Compensation are asked from the GovCom secretariat (HRG) and are provided before the actual meeting
Others (specify) Risk Oversight	Succeeding meeting's date already agreed and set at end of current meeting. Materials are provided days before the actual meeting. Directors can readily communicate with Enterprise Risk Management Group for other concerns

\*Nomination and Remuneration Committee are sub-committees of the Governance Committee

#### 6) External Advice

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

Procedures	Details
A director is free to procure any professional and external advice it may desire in order to assist in the discharge of his/her functions.	

#### 7) Change/s in existing policies

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

Existing Policies	Changes	Reason
Corporate Governance	<ul style="list-style-type: none"> <li>• Add the definition of Related Parties, Close Family Member, Multiple Board Seats and Internal Auditor</li> <li>• Rename Risk Management Committee to Risk Oversight Committee</li> <li>• Add Related Party Transactions Committee and RPT Com Charter</li> <li>• Additional role of independent oversight committees</li> <li>• Add term limit of Independent Director</li> <li>• Add selection/appointment/election, re-election process of director</li> <li>• Add qualification of and duties and responsibilities of Internal Auditor</li> <li>• Add Enterprise Risk Management and ICAAP Group Charter under Risk Oversight Charter</li> <li>• Add RPT Policy</li> <li>• Add Strategic Planning Handbook</li> <li>• Revise qualification of officer</li> </ul>	To incorporate requirements/revision of BSP circular 855, 857, 887, 889, 895 and SEC Advisory series 2016
Risk Management	<ul style="list-style-type: none"> <li>• Revised Policy on Market &amp; Liquidity Risk Management</li> <li>• Revisions in the Bank's Liquidity Contingency Funding Plan</li> <li>• Policy for Settlement Risk and Pre-Settlement Risk for Clients</li> <li>• Treasury Policy – Foreign Exchange (FX) Trading</li> <li>• Treasury New Policies: 1) Off-Premises and Off-Hours Trading 2. General Policy for Global Investments and Trading</li> <li>• PFRS9 Business Model Change</li> <li>• Revised Crisis Management Framework</li> </ul>	To further strengthen the enterprise risk management structure and effectively manage risk across all banking units.

### D. REMUNERATION MATTERS

#### 1) Remuneration Process

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

Under the Governance Committee, the Compensation and Remuneration Sub-Committee is tasked to assist the Board of Directors in overseeing the implementation of a program of salaries and benefits for directors and senior management that would attract the best talents to help the bank accomplish its objectives.

By periodically benchmarking with practices/offers of other leading financial institutions, the sub-committee shall monitor adequacy, effectiveness and consistency of compensation program vis-à-vis corporate philosophy and strategy.

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on the needs of the business to attract the best talents to help it accomplish its objective and guided by periodic benchmarking with practices/offers and other leading Financial Institution, Compensation and Remuneration Sub-Committee shall recommend and oversee implementation of program of salaries and benefits for Directors, CEO and Senior Management; Compensation and Remuneration Sub-Committee shall monitor adequacy, effectivity and consistency of compensation program vis-à-vis corporate philosophy and strategy. Note: Compensation and Remuneration is a sub- committee of the Governance Committee	same with CEO
(2) Variable remuneration	Same above	Same above
(3) Per diem allowance	NA	NA
(4) Bonus	Same above	Same above
(5) Stock Options and other financial instruments	Same above	Same above
(6) Others (specify) Profit Sharing	Same above	Same above

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	No Director, acting as such, shall receive any compensation, but a director may receive a reasonable "per diem" for every attendance at any meeting, regular or special, of the Board of Directors, for each day of session, in any amount as the Board of Directors may from time to time provide. However, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation thereof.	Compensation and Remuneration Sub-Committee shall recommend and oversee implementation of program of salaries and benefits for Directors, CEO and Senior Management;	A director may receive a reasonable "per diem" for every attendance at any meeting, regular or special, of the Board of Directors, for each day of session, in any amount as the Board of Directors may from time to time provide.
Non-Executive Directors	No Director, acting as such, shall receive any compensation, but a director may receive a reasonable "per diem" for every attendance at any meeting, regular or special, of the Board of Directors, for each day of session, in any amount as the Board of Directors may from time to time provide.	Same above	Same above



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

Under the Bank's By-Laws, stockholders are given the opportunity to approve the decision of total remuneration with regard to Director's fees, allowances, benefits-in-kind and other emoluments. There are no changes in the directors' remuneration package that requires stockholders' approval for the past three (3) years.

The compensation of Directors and Executive Officers for the last three years was disclosed in the Information Statement.

Remuneration Scheme	Date of Stockholders' Approval
Not Applicable	

### 3) Aggregate Remuneration **FINANCE**

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

The bank obtained an exception from SEC requirement of detailed compensation information.

The director's per Diem as of Dec 31, 2016 is Php1,834,750.00 and the total director's fee is P8,990,500.00

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration			
(b) Variable Remuneration			
(c) Per diem Allowance		Php 0.00	Php1,790,500.00
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Others : Director's fee		Php 1,200,000.00	Php 6,000,000.00
<b>Total</b>		Php 1,200,000.00	Php 7,790,500.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances			
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
<b>Total</b>			none

### 4) Stock Rights, Options and Warrants

#### (a) Board of Directors

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

The Bank has not declared any stock rights, options and warrants for the past three (3) years. However, during the Annual Shareholders meeting held on 28 March 2012 the stockholders ratified the adoption of a Stock Option Plan for directors, officers and employees subject to regulatory approval in line with the Bank's desire to be at par with its competitor in terms of providing incentives.

Director's Name	Number of Direct Option/Rights/	Number of Indirect Option/Rights/	Number of Equivalent Shares	Total % from Capital Stock
-----------------	---------------------------------	-----------------------------------	-----------------------------	----------------------------

	Warrants	Warrants		
Not Applicable				

(b) Amendments of Incentive Programs

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

None

Incentive Program	Amendments	Date of Stockholders' Approval
Not Applicable		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Luis Eriberto S. Elizaga., EVP (January –December 2016)	P47.025MM
Alan E. Atienza, SVP (January – December 2016)	
Luis Eriberto S. Elizaga., EVP (January –December 2016)	
Expedito G. Garcia, Jr., SVP (January – December 2016)	
Manuel Andres D. Goseco, EVP (January – December 2016)	
Salvador R. Serrano, SVP (February – December 2016)	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	1	6	0	Yes / By Laws	The Executive Committee shall have and exercise all the powers and authority of the Board, within the limits set forth, in overseeing bank operations in between monthly meetings of the entire Board. The Executive Committee shall focus in providing business development and financial policy directions	<ul style="list-style-type: none"> <li>Review of corporate financial status, policies and procedures and the approval/ recommendation for revisions thereto, including periodic registration and disclosure statements, publications.</li> <li>Review of specific business or operating plans (e.g. CAPEX, OPEX,) regarding significant</li> </ul>	The Executive Committee shall have the power to exercise functions and prerogatives of the Board of Directors during intervals between meetings of said Board except as to such matters as the Board may have specifically reserved for itself by appropriate resolution.

						<p>investments, acquisition or disposal of assets.</p> <ul style="list-style-type: none"> <li>• Authorization or approval, subject to limits imposed by the Board, to invest in or acquire another company, extend loans to corporations or individuals, enter or terminate partnership, joint venture or any other business dealing, sell or dispose acquired and/or fixed bank properties.</li> <li>• Evaluation and recommendation to the Board of policies and/or actions where the amount involved exceeded the limit imposed.</li> <li>• Approval of any and all major policy and strategic actions to be undertaken by management beyond the authorities established for management.</li> <li>• Such other functions that may be delegated by the Board to perform any and all functions including approval of credits and setting of authorization limits thereof.</li> </ul>	
Audit	0	1	2	yes	The function of the Committee is oversight.	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	The Committee will have full access to the Bank's books, records, facilities, and personnel. The Committee has the authority and available funding to perform or supervise special investigations, to engage outside experts, including legal and accounting experts, and to incur administrative expenses in connection with fulfilling its obligations. The Committee will have the sole authority to approve fees and related terms of engagements for outside experts.
Nomination	0	2	2	yes	Falls under the purview of the Bank's Governance	The Sub-Committee is in charge of reviewing and	The Sub-Committee oversees the selection and appointment

					<p>Committee.</p> <p>The Nomination Sub-Committee is tasked to assist the Board of Directors in defining and assessing Board membership criteria and in ensuring that a process that identifies and develops highly qualified individuals to take on key board committee positions when vacancies occur is in place.</p>	<p>recommending to the Board who of the directors should be assigned to what committee. The Sub-Committee also oversees the selection and appointment of key senior management officers, from the level of Senior Vice Presidents (SVP) and up as required by the Manual of Regulation.</p> <p>The Sub-Committee shall meet at least twice a year or as often as necessary or whenever a key vacancy occurs.</p> <p>The Sub-Committee shall prepare/ distribute minutes and make other regular reports to its mother committee which in turn shall prepare consolidated reports to the Board.</p> <p>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.</p>	<p>of key senior management officers, from the level of Senior Vice Presidents (SVP) and up as required by the Manual of Regulation.</p>
Remuneration	0	2	2	yes	<p>Falls under the purview of the Bank's Governance Committee.</p> <p>The Compensation and remuneration Sub-Committee is tasked to assist the Board of Directors by recommending an overseeing the implementation of a program of salaries and benefits for directors and senior management that would attract the best talents to help the bank accomplish its objectives.</p>	<p>By periodically benchmarking with practices/offers of other leading financial institutions, the sub-committee shall monitor adequacy, effectiveness and consistency of compensation program vis-à-vis corporate philosophy and strategy.</p>	<p>The Sub-Committee oversees the selection and appointment of key senior management officers, from the level of Senior Vice Presidents (SVP) and up as required by the Manual of Regulation.</p>
Others – Governance Committee	0	2	2	yes	<ul style="list-style-type: none"> <li>Assist the Board of Directors in fulfilling its corporate governance responsibilities.</li> <li>Review and evaluate the qualifications of all</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines.</li> </ul>	<p>The Committee oversee the overall Bank's corporate governance.</p> <p>The following sub-committees fall under the purview of the Governance Committee:</p>

				<p>persons nominated to the board as well as those nominated to other positions requiring appointment by the board of directors.</p> <ul style="list-style-type: none"> <li>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 Group.</li> </ul>	<ul style="list-style-type: none"> <li>Oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.</li> <li>Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation).</li> <li>Make recommendations to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Board Members and Senior Officers, and their remuneration commensurate with corporate and individual performance.</li> <li>Decide the manner by which the Board's performance may be evaluated and propose and objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.</li> <li>Develop and recommend amendments to the Articles of Incorporation and By-Laws as well as the set of guiding corporate governance principles,</li> </ul>	<ul style="list-style-type: none"> <li>Nomination Sub-committee</li> <li>Compensation and Remuneration Sub-Committee</li> <li>Performance Evaluation Sub-Committee</li> </ul>
--	--	--	--	--	---	---

						policies and best practices	
Others- Risk Oversight	1	3	2	Yes	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. It is a critical component for the safe and sound operation of the Bank and a key element in achieving PBCom's goals and objectives, optimizing growth and capital while minimizing losses to the Bank.	<ul style="list-style-type: none"> <li>• Review and recommend for approval by the BOD PBCom's written risk management program to identify, measure, monitor and control the following risks: <ul style="list-style-type: none"> <li>-Credit</li> <li>-Market</li> <li>-Interest Rate</li> <li>-Liquidity</li> <li>-Operational</li> <li>-Compliance</li> <li>-Strategic</li> <li>-Reputation</li> </ul> </li> <li>• Review reports on risk exposures, recommend necessary actions and communicate risk management plan to concerned segment/group to address or reduce the risks.</li> <li>• Report to the BOD 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.</li> <li>• Recommend a system of risk limits and authorities for approval by the BOD and any necessary changes to these limits and authorities.</li> <li>• Establish a monitoring system to ensure that limits set are observed and that immediate corrective actions are taken whenever limits are breached.</li> <li>• Evaluate the magnitude, direction and distribution of risk across the Bank and its subsidiary.</li> <li>• Ensure that business</li> </ul>	The Risk Oversight Committee was established by the Board of Directors to approve and oversee the processes used to identify, evaluate and manage risk across the Bank for all categories of Risk.

						units provide for ongoing review and validation of the adequacy and soundness of risk management policies and practices.	
Related Party Transactions	0	1	2	Yes	overall responsible 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	<ul style="list-style-type: none"> <li>• Create and promote a risk culture that requires and encourages the highest standards of ethical behavior by risk managers and risk-taking personnel.</li> </ul>	Review/vet/approve related party transactions
						<ul style="list-style-type: none"> <li>• Evaluate relationships to ensure Related Parties are identified and captured</li> <li>• Evaluate material RPTs</li> <li>• Ensure appropriate disclosure is made, and/or information is provided to regulators</li> <li>• Report to the board of directors on a regular basis, the status and aggregate exposures to Related Parties</li> <li>• Ensure that transactions with related parties are subject to periodic independent review or audit</li> <li>• Oversee the implementation of the RPT system</li> </ul>	

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Lucio L. Co	9/29/14	49	41	83.67%	2 yrs., 3 mos.
Member (NED)	Eric O. Recto (Vice Chairman)	7/26/11	49	38	77.55%	5 yrs & 5 mos.
Member (NED)	Leonardo B. Dayao (Vice Chairman)	11/17/2014	49	41	83.67%	2 yrs., 1 mo.
Member (ED)	Patricia May T. Siy	5/27/15	49	49	100.0%	1 yr, 7 mos
Member (NED)	Ralph C. Nubla, Jr.	4/7/14	49	44	89.79%	2 yrs. 8 mos.
Member (NED)	Bunsit Carlos G. Chung	4/7/14	49	44	89.79%	2yrs., 8 mos.
Member (ED)	Carmen G. Huang	4/29/15	49	47	95.92%	1 yr, 8 mos.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	Emmanuel Y. Mendoza	12/19/2014	13	13	100	2 yrs
Member (ID)	Levi B. Labra	10/24/2014	13	12	92	2 yrs & 2mos

Member (NED)	Bunsit Carlos G. Chung	07/26/2011	13	7	54	5 yrs & 5mos
--------------	------------------------	------------	----	---	----	--------------

Disclose the profile or qualifications of the Audit Committee members.

**Emmanuel Y. Mendoza**

He was elected Independent Director on December 19, 2014. He is the Managing Partner of Mendoza, Querido and Co. Mr. Mendoza started his career and spent 10 years with the Financial Services Group of the leading accounting firm in the Philippines, SyCip Gorres Velayo & Co. He was the Deputy Managing Partner of a local accounting firm and headed the Business Consulting and Tax Group for three years. He was also directly involved in banking operations, as First Vice President and Financial Controller of Global Business Bank. Mr. Mendoza also served as Global Business Bank’s Deputy Compliance Officer and Liaison Officer with the Bangko Sentral ng Pilipinas and was a member of the Bank’s Asset Liability Committee and the Operations and Compliance Committee.

Mr. Mendoza is a graduate of Bachelor in Business Administration in Accountancy from the University of the Philippines and took his Master in Management from the Asian Institute of Management. He is a Certified Public Accountant and is a member of the Philippine Institute of Certified Public Accountants (PICPA) and the Association of Certified Public Accountants in Public Practice (ACPAPP). He is also a member of the Bank Institute of the Philippines.

**Levi B. Labra**

He was elected Independent Director on October 24, 2014. Mr. Labra is a Director of Cosco Capital, Inc.. He was the former Director for Customer Business Development for the Asia Pacific Region of Procter and Gamble Distributions, Inc. He was with P & G for 35 years and involved himself in sales management, distributor operations, logistics, forecasting, among others. He is a graduate of San Carlos University with a Bachelor of Science in Business Administration.

**Bunsit Carlos G. Chung**

He was elected Director on June 17, 1997. He is President of Supima Holdings, Inc., and Director of Hambrecht & QUIST (Phils.), La Suerte Cigar & Cigarette Factory, Century Container Corporation, Bicutan Container Corporation, Tosen Foods Corporation and PBCom Finance Corporation. He is also a member of the Board of Trustees of Xavier School Inc., Mother Ignacia National Social Apostolate Center, Seng Guan Temple and Kim Siu Ching Family Association. Mr. Chung has a degree in Economics from De La Salle University as well as an MBA from the University of Southern California

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

1. The Committee has direct responsibility to select and appoint 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 remove 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, 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 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 may 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.
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 rise 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) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (NED)	Eric O. Recto	7/26/11	12	11	92	5 yrs & 5 mos
Member (ID)	David L. Balangue	05/26/14	12	11	92	2 yrs & 7 mos.
Chairman (ID)	Roberto Z. Loraves	12/18/14	12	11	92	2 yrs & 1 mo.
Member (NED)	Leonardo B. Dayao	12/18/14	12	12	100	2 yrs & 1 mo.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (NED)	Eric O. Recto	7/26/11	12	11	92	5 yrs & 5 mos
Member (ID)	David L. Balangue	05/26/14	12	11	92	2 yrs & 7 mos.
Chairman (ID)	Roberto Z. Loraves	12/18/14	12	11	92	2 yrs & 1 mo.
Member (NED)	Leonardo B. Dayao	12/18/14	12	12	100	2 yrs & 1 mo.

(e) Others (Specify)

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

1) Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (NED)	Eric O. Recto	7/26/11	12	11	92	5 yrs & 5 mos
Member (ID)	David L. Balangue	05/26/14	12	11	92	2 yrs & 7 mos.
Chairman (ID)	Roberto Z. Loraves	12/18/14	12	11	92	2 yrs & 1 mo.
Member (NED)	Leonardo B. Dayao	12/18/14	12	12	92	2 yrs & 1 mo.

2) Risk Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	David L. Balangue	4/7/14	13	12	92	2 yrs & 8 mos.
Member (ID)	Jesus S. Jalandoni Jr.	4/7/14	13	9	69	2 yrs & 8 mos.
Member (NED)	Bunsit Carlos G. Chung	6/9/2015	13	9	69	1 yr & 7 mos.
Member (ED)	Patricia May T. Siy	6/9/2015	13	13	100	1 yr & 7 mos.

3) Related Party Transaction Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	David L. Balangue	1/27/16	4	4	100	11 mos.
Member (ID)	Jesus S. Jalandoni Jr.	1/27/16	4	1	25	11 mos.
Member (NED)	Bunsit Carlos G. Chung	1/27/16	4	4	100	11 mos.

3) Changes in Committee Members

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

Name of Committee	Name	Reason
NONE		

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Audit	<ul style="list-style-type: none"> <li>Reviewed and approved the 2015 Audit Plan &amp; Budget and related status updates.</li> <li>Approved Audit Policy, Audit Charter and Core Audit Manual updates</li> <li>Assessed 2015 Audit Performance</li> </ul>	Oversight over the Audit Function
	<ul style="list-style-type: none"> <li>Reviewed and approved updates to the Audit Committee Charter</li> <li>Reviewed the 2015 Audited Financial Statements</li> <li>Reviewed the ongoing audit of the 2015 Financial Statements</li> <li>Performed 2015 Self-Assessment</li> <li>Reviewed the 2015 BSP Final Report of Examination</li> </ul>	Regulatory and/or leading practices
Governance	<ul style="list-style-type: none"> <li>Review and endorsed revision to the Compliance/Governance Manual</li> </ul>	Incorporate requirements of new/revised regulations
Risk Oversight	<ul style="list-style-type: none"> <li>Review the Bank's Risk Management Structure</li> <li>Oversee and confirm significant activities of the Enterprise Risk Management/ICAAP Group</li> <li>Review and Update of Policies and Procedures</li> <li>Analysis and confirmation of results of reviews or assessments made by ERMG and other units</li> </ul>	Align with regulatory &/or best practices
Related Party Transactions	<ul style="list-style-type: none"> <li>Review RPT framework</li> <li>Review/vetted related party transactions</li> </ul>	Oversight/effective control mechanism in managing exposure with related party

#### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Audit	Quality Assurance and Improvement Program for 2017	To validate the Audit Function's effectiveness in evaluating the Bank's governance, risk management and control processes.
Nomination *	Conduct evaluation of directors, board and board committees	To align with best practice
Remuneration *	Review benefits and salary of officer	To align with industry
Risk Oversight	Develop the appropriate tools, templates and guidelines in implementing on enhanced ERM process	Enterprise Risk Management (ERM)

\*Nomination and Remuneration is a sub-committee of the Governance Committee

#### F. RISK MANAGEMENT SYSTEM

##### 1) Disclose the following:

##### (a) Overall risk management philosophy of the company;

PBCom recognizes that enterprise risk management is fundamental for its safe and sound operation and sustainable growth. It ensures business success through balanced risk and reward, operational excellence and conformance to the highest ethical standards and regulatory requirements.

Enterprise Risk Management in the bank is aligned to its business objectives and strategies. It operates at all levels and in all units of the bank that continually manage risk in an environment fostered by an appropriate governance structure, a strong "control culture" and a proactive process of identification, understanding, assessment and mitigation of all its material risks.

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

Overseeing the bankwide implementation of the risk management process and ensuring compliance with defined risk

parameters is the Risk Oversight Committee (ROC). It is composed of members of the Board of Directors who possess adequate knowledge of the Bank's risk exposures. Directly reporting to the ROC is the Enterprise Risk Management Group (ERMG), a 43 distinct and independent unit in the bank whose responsibility is to enable the risk management process in the areas of Treasury, Credit, Operations, Trust and Information Security, and to develop and continually update the bank's risk management system.

The PBCOM Risk Oversight Committee charter mandates the review and revision of the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness. The charter also requires the ROC to assess the performance of the Chief Risk Officer (CRO) and the Enterprise Risk Management Group on an annual Basis.

ERMG received a composite rating of "Strong" in the latest (2015) Risk Oversight Committee assessment of ERMG's oversight of the management of risks inherent in the Bank's activities. A rating of "Strong" signifies that ERMG's mandate, organization structure, resources, methodologies and practices meet or exceed what is considered necessary, given the nature, scope, complexity and risk profile of the Bank and that it has consistently demonstrated highly effective performance, superior to generally accepted risk management practices

(c) Period covered by the review; 2016

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

The PBCOM Risk Oversight Committee charter mandates the review and revision of the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness. The charter also requires the ROC to assess the performance of the Chief Risk Officer (CRO) and the Risk Management Group on an annual basis.

PBCOM's Risk Management Function Assessment Survey is an annual evaluation made by the members of the Risk Oversight Committee (ROC) to assess the effectiveness with which the Enterprise Risk Management Group (ERMG) demonstrates its ability to support the Bank's risk mission of developing risk awareness and a risk/return consciousness in order to protect deposits, preserve capital and ensure adequate return on capital. The ROC rates the Group in the areas of carrying out its mandate, its organizational structure, resources, methodologies and practices; and the manner of reporting its assessments and recommendations.

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

## 2) Risk Policy

(a) Company

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

### Risk Assessment and Prioritization Policy

All units across the Bank should account for, quantify and assess the risks it takes through a risk assessment process at least annually. Each division or segment of the Bank shall update its Risk Profile when an emerging risk surfaces in conjunction with their business planning process; when there are new products, services or processes; and if new or emerging risks are identified. Hence, everyone has a responsibility to continually apply the risk management process when making business decisions and when conducting day-to-day management of the business.

### Objectives

The Risk Assessment and Prioritization Process aims to:

- Ensure that risks are understood;
- Ensure that each unit of the Bank fully identifies and effectively manages its risks that is consistent with the Banks's risk appetite;
- Have a complete list of assessed risks (i.e. risk universe) and related information and provide aid for informed decisions in strategic and operational objectives;
- Provide a standard approach and risk assessment criteria across the Bank in identifying and measuring risks;
- Monitor and review risk levels to ensure that risk exposure remain within an acceptable level.

The process involves a series of ratings using a numeric system with qualitative equivalents after identifying the risk events. In summary, the rating process for each negative event entails:

Risk Identification	1. Enumerating risk events and identifying their causes and consequences
Inherent Risk Level	2. Rating its Probability

	<ol style="list-style-type: none"> <li>3. Rating its Severity along its impact areas</li> <li>4. Using the highest severity impact rate as its Severity Rating</li> <li>5. Using the Probability and Severity ratings to get the Inherent Risk Level</li> <li>6. Identifying the qualitative value of the Inherent Risk Level and its matching quantitative value</li> </ol>
Existing control Level	7. Rating its Existing Control level
Residual Risk Level	<ol style="list-style-type: none"> <li>8. Using the Inherent Risk Level quantitative value and the Existing Control Level to get the Residual Risk</li> <li>9. Identifying the Residual Risk qualitative value</li> </ol>

Risk aggregation is a process of grouping correlated or similar identified negative events of all business units (i.e. an enterprise-wide scale), in order to obtain the Top Key Residual Risks of the Bank. It provides current risk information and an overall status of risks relevant to the management of the business, as of a certain cut-off date. Risk Names with High or Moderate Residual Risks items shall comprise the Top Key Residual Risks of the Bank.

The Top Key Residual Risks of the Bank are as follows:

Risk Exposure	Risk Management Policy	Objective
Operational Risk on: Errors in Transaction Processing	<p style="text-align: center;"><u>Action Plan</u></p> <ul style="list-style-type: none"> <li>• Adherence to policies &amp; procedures</li> <li>• Improve and standardize business processes including timely report generation</li> <li>• Communication of policy and process changes</li> <li>• Resolution of any reported system issues</li> <li>• Performance metrics for accuracy in processing</li> <li>• Enforce internal controls e.g. Maker-Checker</li> <li>• Training and refresher seminars</li> <li>• Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>	Risk Reduction
Operational Risk on: Deficiencies in Policies & Procedures	<ul style="list-style-type: none"> <li>• Policy updating &amp; enforcement for both procedure and products</li> <li>• Operational incident escalation process</li> <li>• Regular refresher training</li> <li>• Document Service Level Agreement for interdependencies between units.</li> <li>• Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>	Risk Avoidance and Risk Reduction
<u>Operational Risk on:</u> Potential losses from dependability or readiness of hardware, software or utilities to provide regular service or continuous operation in contingencies	<ul style="list-style-type: none"> <li>• Timely reporting of issues affecting systems coordination between units on resolution of system issues</li> <li>• Upgrade or replacement of systems</li> <li>• Periodic system maintenance</li> <li>• Ensure presence of Business Continuity Plan (BCP)</li> <li>• Update BCP for emerging risks</li> <li>• Data back-up</li> <li>• Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>	Risk Reduction
Operational Risk on: Non-conformance to other external regulations or ethical standards	<ul style="list-style-type: none"> <li>• Monitor new circulars or regulations</li> <li>• Ensure dissemination of regulatory policies and procedures</li> <li>• Trainings to secure updates on recent developments in regulations</li> <li>• Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>	Risk Reduction
<u>Operational Risk on:</u> Errors or deficiencies in processing of transactions on the validity, propriety or absence of authorizations	<ul style="list-style-type: none"> <li>• Improvement of Maker-Checker procedures</li> <li>• Monitor and regularize policy deviations</li> <li>• Embed controls in the system</li> <li>• Enhance or update system of limits and authorizations</li> <li>• Ensure compliance to existing procedures</li> <li>• Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>	Risk Reduction

(b) Group

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

None

Risk Exposure	Risk Management Policy	Objective

(c) Minority Shareholders

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

Risk to Minority Shareholders

3) Control System Set Up

(a) Company

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

Risk exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken) <u>Action Plan</u>
<u>Operational Risk on:</u> Deficiencies in Policies & Procedures	<ul style="list-style-type: none"> <li>Residual Risk Rating through Inherent Risk Rating and Control Assessment</li> <li>Reporting, recording and escalation through related Incident Reports, Loss Database, Operational Losses &amp; Key Risk Indicators Report, and Reports on Crimes and Losses</li> </ul>	<ul style="list-style-type: none"> <li>Policy updating &amp; enforcement for both procedure and products</li> <li>Operationalize incident escalation process</li> <li>Regular refresher training</li> <li>Document Service Level Agreements for interdependencies between units</li> <li>Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>
<u>Operational Risk on:</u> Errors in Transaction Processing	<ul style="list-style-type: none"> <li>Residual Risk Rating through Inherent Risk Rating and Control Assessment</li> <li>Reporting, recording and escalation through related Incident Reports, Loss Database, Operational Losses &amp; Key Risk Indicators Report, and Reports on Crimes and Losses</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to policies &amp; procedures</li> <li>Improve and standardize business processes including timely report generation</li> <li>Communication of policy and process changes</li> <li>Resolution of any reported system issue</li> <li>Performance metrics for accuracy in processing</li> <li>Enforce internal controls e.g. Maker-Checker</li> <li>Training and refresher seminars</li> <li>Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>
<u>Operational Risk on:</u> Non-conformance to other external regulations or ethical standards	<ul style="list-style-type: none"> <li>Residual Risk Rating through Inherent Risk Rating and Control Assessment</li> <li>Reporting, recording and escalation through related Incident Reports, Loss Database, Operational Losses &amp; Key Risk Indicators Report, and Reports on Crimes and Losses</li> </ul>	<ul style="list-style-type: none"> <li>Monitor new circulars or regulations</li> <li>Ensure dissemination of regulatory policies and procedures</li> <li>Trainings to secure updates on recent developments in regulations</li> <li>Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>
<u>Operational Risk on:</u> Potential losses from dependability or readiness of hardware, software or utilities to provide regular service or continuous operation in contingencies	<ul style="list-style-type: none"> <li>Residual Risk Rating through Inherent Risk Rating and Control Assessment</li> <li>Reporting, recording and escalation through related Incident Reports, Loss Database, Operational Losses &amp; Key Risk Indicators Report, Technology Risk Indicators Report and Reports on Crimes and Losses</li> </ul>	<ul style="list-style-type: none"> <li>Timely reporting of issues affective systems</li> <li>Coordination between units on resolution of system issues</li> <li>Upgrade or replacement of systems</li> <li>Periodic system maintenance</li> <li>Ensure presence of Business Continuity Plan(BCP)</li> <li>Update BCP for e.g. emerging risk</li> <li>Data back-up</li> <li>Reporting/Disclosure through: Incident Reports,</li> </ul>

		Monthly report of units on losses and risk indicators; Internal Audit Reports
<u>Operational Risk on:</u> Errors or deficiencies in processing of transactions on the validity, propriety or absence of authorizations	<ul style="list-style-type: none"> <li>Residual Risk Rating through Inherent Risk Rating and Control Assessment</li> <li>Reporting, recording and escalation through related Incident Reports, Loss Database, Operational Losses &amp; Key Risk Indicators Report, and Reports on Crimes and Losses</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of Maker-Checker procedures</li> <li>Monitor and regularize policy deviations</li> <li>Embed controls in the system</li> <li>Enhance or update system of limits and authorizations</li> <li>Ensure compliance to existing procedures</li> <li>Reporting/Disclosure through: Incident Reports, Monthly report of units on losses and risk indicators; Internal Audit Reports</li> </ul>

(b) Group

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

Not applicable

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

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors	Policy approval and accountability	Accountable for all risk-taking within the Bank; Establish and maintain a sound risk management system through: <ul style="list-style-type: none"> <li>Policy Structure &amp; Risk Management Framework</li> <li>Setting Limits</li> <li>Measuring Exposures</li> <li>Decision-making</li> <li>Implementation</li> <li>Oversight</li> </ul>
Risk Oversight Committee	Creation and oversight of corporate risk policy	<ul style="list-style-type: none"> <li>Review and recommend for approval of the Board: <ul style="list-style-type: none"> <li>Corporate policies and guidelines for risk measurement, management and, accurate and timely reporting.</li> <li>A system of risk limits</li> </ul> </li> <li>Evaluate risk magnitude, direction and distribution</li> <li>Ensure that business units provide for ongoing review and validation of the adequacy and soundness of policies and practices.</li> <li>Create and promote a risk culture</li> </ul>
Enterprise Risk Management Group	Review risk management policy	<ul style="list-style-type: none"> <li>Identify, analyze and measure risks</li> <li>Recommend control policies and procedures</li> <li>Establish standards to monitor and report compliance with limits.</li> <li>Analyze exposures and recommend limits and enhancements to the risk limit structure to the Risk Oversight Committee.</li> </ul>
Operations Committee	Policy-making and review for the Bank	Standardize operating procedures: <ul style="list-style-type: none"> <li>Establish policies &amp; procedures for uniform implementation</li> <li>Review processes and identify areas for improvement</li> <li>Require units to issue guidelines vis-à-vis their functions</li> </ul>
Trust Committee	Policy-making and review for the Trust Group	<ul style="list-style-type: none"> <li>The maintenance of necessary controls and measures to protect assets under his custody and held in trust or other fiduciary capacity</li> </ul>
Internal Audit Group	Validation of controls	<ul style="list-style-type: none"> <li>Periodic testing of adequacy and effectiveness of internal control system</li> </ul>
Compliance Group	<ul style="list-style-type: none"> <li>Disseminate information on new/amended/revise d circulars/laws/regulatio ns from different</li> </ul>	<ul style="list-style-type: none"> <li>Identify, assess, monitor compliance risk</li> <li>Identify at an early stage the risk associated with regulations which could harm the Bank's reputation, to avert such risk as far as possible and to guarantee the Bank's irreproachable business conduct</li> <li>Identify and mitigate business risks which may erode the franchise</li> </ul>

	regulatory agencies to all staff/officers and directors <ul style="list-style-type: none"> <li>Review bank's policy on Corporate Governance, Compliance and Anti-Money Laundering</li> </ul>	value of the bank <ul style="list-style-type: none"> <li>Provides assistance and support for compliance activities</li> <li>Report to senior management and the Board and/or Board Committees on any irregularities or breaches of laws, rules and standards</li> <li>Oversee overall compliance to laws and regulations, corporate governance and anti-money-laundering of the Bank</li> <li>Issue internal directives and ensure appropriate training of employees in areas of Compliance, Corporate Governance and Anti-Money Laundering</li> <li>Monitor developments for best practices in the banking industry and ensures that related Compliance Manual, Governance Manual and Money Laundering Prevention Program are updated accordingly</li> <li>Conduct independent validation of compliance testing plan</li> </ul>
--	--	--

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

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

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

Management is charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the Bank in a manner which provides the Board of Directors' reasonable assurance regarding the achievement of objectives. The Board approves the policy and likewise renders oversight on the effectiveness while management implements.

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

Such statement is found in the Bank's Annual Reports wherein the Audit Committee assists the Board of Directors in fulfilling its statutory and fiduciary responsibilities with respect to internal control among others.

(c) Period covered by the review;  
Annual.

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

1. Year-round.
2. Criteria for assessing the effectiveness of the internal control system.
  - Data and information published either internally or externally is accurate, reliable, and timely.
  - The actions of Directors, Officers, and Employees are in compliance with the Bank's policies, standards, plans and procedures, and all relevant laws and regulations.
  - The Bank's resources (including its people, systems, data/information bases, and customer goodwill) are adequately protected.
  - Resources are acquired economically and employed profitably; quality business processes and continuous improvement are emphasized.
  - The Bank's plans, programs, goals, and objectives are achieved.

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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



Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/ Auditing Firm	Reporting process
Internal Audit is an independent appraisal function that examines and evaluates bank activities as a service to management and the Board of Directors. The mission of Internal Audit is to support officers and staff of the bank in the effective discharge of their responsibilities. To this end, Internal Audit will furnish them with analyses, recommendations, counsel and information concerning the activities examined.	Internal Audit's coverage and service extends to all Business and operating units of the bank as well as to its subsidiaries.	In-house	Jeruel N. Lobien, MBA, CPA, CIA, CFSA	A written report is prepared and issued by the Chief Audit Executive following the conclusion of each audit engagement. Copies of the reports are provided to appropriate parties. Concerned management receiving the report is responsible for ensuring that progress is made toward correcting any unsatisfactory conditions. Internal Audit is responsible for determining whether the action taken is adequate to resolve the audit findings. If the action is not adequate, Internal Audit will inform Bank Management of the potential risk and exposure in allowing the unsatisfactory condition to continue.

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

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

- **Reporting Relationship.** The Internal Audit Group reports operationally to the Board's Audit Committee with a dotted line reporting to the President and Chief Executive Officer for administrative matters.
- **Access.** Yes. The Chief Audit Executive functionally reports directly to the Board's Audit Committee. The Internal Audit Group has the authority to audit all parts of the Bank and shall have full and complete access to any of the organization's records, physical properties, and personnel relevant to the performance of an audit. This authority is embodied in the Internal Audit Charter and the Bank's By-Laws.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Leonardo C. Laboy	Transferred to another institution
Janine Faye P. Delfin	Transferred to another institution

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

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

Progress Against Plans	The 2016 Plan was substantially met.
Issues <sup>6</sup>	There were no "Issues" pertaining to compliance matters during audit engagements that arose from adopting different interpretations as defined under this report.
Findings <sup>7</sup>	"Findings" were mostly composed of non-conformances manifesting certain lapses that generally points to operations risk.
Examination Trends	The audits generally point toward an emphasis on branches audit given certain operational performance deterioration compared to 2015.

<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

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

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

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

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Annual Planning	Implemented
Deviations to the Annual Plan	Implemented
Annual Planning – Monitoring System	Implemented
Engagement Planning	Implemented
Performing and Supervising the Engagement	Implemented
Communicating the Results	Implemented
Monitoring Progress	Implemented
Monitoring Outstanding Audit Exceptions	Implemented
Management’s Acceptance of Risk	Implemented
Understanding Business Risks, Internal Controls, and Governance Processes	Implemented
Working Papers	Implemented
Audit Rating System	Implemented
Audit Time and Project Management	Implemented
Code of Conduct in Fieldwork	Implemented
Measuring the Effectiveness of the Audit Process	Implemented
Review of the Audit Group	Implemented
Quality Assurance and Improvement Program	Defined.
Control Objectives and Guidelines for IS Audit	Implemented
Audit’s Role in the System Development Lifecycle	Implemented
Personnel	Implemented
Training and Professional Development	Implemented
Performance Evaluation	Implemented
Audit’s Role in the Business Continuity Plan	Defined and periodically tested.
Audit’s Role after a Disaster	Defined and periodically tested.

(g) Mechanism and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><b>Internal Audit.</b> The Audit Committee Charter provides that:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The Committee will establish and identify the reporting line of the Chief Auditor 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 Auditor, he shall be free from interference by outside parties.</li> </ul>			

<ul style="list-style-type: none"> <li>• The Committee will review recommendations of management with respect to the appointment, compensation, and replacement of the Chief Auditor prior to management's taking actions to hire, set compensation or replace the Chief Auditor.</li> </ul>			
<p>External Audit. The Audit Committee Charter provides that:</p> <ul style="list-style-type: none"> <li>• The Committee has direct responsibility to select and appoint the external auditors... 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.</li> <li>• The Committee shall appoint, dismiss and re-appoint external auditors based on fair and transparent criteria...</li> <li>• The Committee will ensure that the internal and external auditors act independently from each other...</li> <li>• 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....</li> <li>• 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...</li> <li>• 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...</li> <li>• 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.</li> </ul>			

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

Chairman, President & CEO and Chief Compliance Officer

#### H. ROLE OF STAKEHOLDERS

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

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	Employees must act fairly and in good faith towards clients while protecting the legitimate interest of the Bank.	Training on Service Fundamentals scheduled beginning April 2014 for all employees of the Bank
Supplier/contractor selection practice	The bank has a Policy on Supplier/Vendor Accreditation and Evaluation. Checklist of documents required for submission of prospective vendors/suppliers.	Site visit/inspection and evaluation is conducted to prospective Suppliers/Vendors. Checking /validation of documents submitted. Required to submit Non-Disclosure Agreement (NDA) before participation in bidding activities. Required to post bonds related to our orders, Conduct Suppliers Forum/Briefing every year after the conduct of evaluation for issuance of Certificate of Accreditation.
Environmentally friendly value-chain	none	
Community interaction	The Bank espouses being meaning and relevant to the communities where it is located and serves. The Bank also endeavors fulfill its corporate social responsibility by	The Cup of Joy program was launched in November 2016. Proceeds were donated to Children's Joy Foundation Inc. which aims to

	<b>Policy</b>	<b>Activities</b>
	reaching communities in most need of help that the Bank can provide & sustain.	provide the underprivileged children in the Philippines with various services including medical, psychological and educational support and emergency assistance to harness their potentials that are necessary for nation building
Anti-corruption programmes and procedures?	<p>Bank's Code of Ethics states that Employees of PBCOM should ensure that their interest do not conflict with the duties which they must perform for the Bank or the duties which the Bank performs for its clients.</p> <p>Employees should not transact business on behalf of the Bank, with organizations with which they are affiliated with and has direct or indirect financial interest including close friends or relatives.</p> <p>Employees shall also not be involved in the business of "lending and investing" as well as the buying and selling of foreign exchange. Such acts deprive the Bank of legitimate business and directly competing with the Bank's business.</p> <p>Employees may not receive gifts, free travel, out-of-the-ordinary entertainment, or anything else of value in exchange for a favorable decision on Bank-related matters.</p>	The Code of Ethics was re-circularized, and the PBCOM Orientation for New Employees included the ER 101 which included the discussion of the Bank's Code of Ethics and Code of Conduct.
Safeguarding creditors' rights	none	

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

Yes. There is a section in the company's website under Corporate Governance which talks about the Bank's Corporate Social Responsibility

3) Performance-enhancing mechanisms for employee participation.

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

The Bank maintains a healthcare plan under an HMO for every Bank employee and one nominated dependent. The plan provides out-patient and in-patient benefits in HMO accredited hospitals and clinic up to a maximum benefit limit of P200,000.00 per illness per year.

The Bank also complies with Labor Code requirement of providing a medical clinic with part-time physician and full-time nurse for offices with 200 or more employees. The medical clinic maintains and updates the medical records of all Bank employees under its health maintenance and wellness program.

The Bank's security program covers the safety and security of people, specifically, employees, customers, clients, and other stakeholders of the Bank. This includes the installation of electronic equipment, such as CCTV, card-activated door access system, biometric time recording systems, etc.

The bank also develops and maintains recreational and sports program to promote the physical fitness and development of all employees.

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

For the last 5 years, only 3 accidents involving slight injuries were recorded within Bank premises  
2009 – Slight injury to an employee when ATM glass door broke due to strong typhoon due to glass fragments  
2011 – Slight foot injury to an employee when her foot got stuck in the ATM glass door.  
2012 – Employee slipped in the stairwell and suffered facial injuries.

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

For 2016, below table indicates the In-house training programs which were conducted for PBCOM's employees arranged per training category.

<b>2016 IN-HOUSE TRAININGS</b>	
<b>TRAINING TITLE</b>	<b>DESCRIPTION</b>
<b><u>Mandatory</u></b>	
Signature Verification and Counterfeit Detection (SVCD) Seminar	SigVer & CoDe is a ten-hour module conducted by a certified in-house subject matter expert which aims to: <ul style="list-style-type: none"> <li>• Provide basic training and information to selected employees whose work requires an understanding of the basic principles of signature verification and counterfeit detection</li> <li>• Establish a pool of efficient verifiers familiar with signature comparison process and recognition of currency bills (foreign and local) who are able to detect possible fraudulent transactions involving fake signatures/ handwritings and currencies including the different kinds of forgery that may be encountered during regular official transactions</li> </ul>
Corporate Governance: Going Forward (SEC required)	The Corporate Governance Course for Directors is a mandatory requirement for all Directors of the Bank as part of their qualifying requirements of BSP & SEC. Senior Officers are also included as this is part of best practice to have Senior Officers aware of and instill Corporate Governance.
PBCOM Onboarding for New Employees (P-ONE)	<ul style="list-style-type: none"> <li>• To provide an in-depth orientation process that will help new hires understand and appreciate the banking industry and PBCOM - it's business, organizational structure, policies and procedures and other pertinent information they need to know to begin working in the Bank.</li> <li>• To assimilate PBCOM Vision, Mission and Values and align behaviors accordingly.</li> <li>• To provide new employees with knowledge and skills on the Bank's customer service, products and services, and regulatory courses.</li> </ul>
<b><u>Professional</u></b>	
Accounting for Non-Accountants	To provide the participants with the knowledge of accounting concepts and principles To enable them to understand the accounting cycle and to prepare and interpret or analyze the basic financial statements.
Business Communication Seminar	<ul style="list-style-type: none"> <li>• To enhance the business communication skills of the participants (oral and written)</li> <li>• To helps managers to perform all managerial functions and to achieve predetermined goals</li> <li>• To exchange information between employees of an organization.</li> <li>• To increase the efficiency of the employees of an organization by supplying information timely relating to the work.</li> </ul>
CCBG Credit Training	<ul style="list-style-type: none"> <li>• To provide a solid foundation in terms of principles to the participants to equip them with the appropriate tools for analysis</li> <li>• To provide the participants with real-world applications in the context of the requirements of PBCOM.</li> </ul>
Corporate & Commercial Banking Group RM Workshop	<ul style="list-style-type: none"> <li>• To equip participants with the appropriate Sales Tool Kit like trackers, monitoring reports and behavioural audit</li> </ul>
Effective Business Writing	This program aims to improve the business writing skills of participants through review of the basics such as grammar rules, tenses, etc., discussion of common concerns in English, the planning steps in writing, and the principles of effective writing, including the guidelines.
Effective Presentation Skills Seminar	<ul style="list-style-type: none"> <li>• To improve the presentation skills of the participants by providing them with the requisite techniques in preparing and conducting effective presentations</li> </ul>
<b><u>Technical</u></b>	
FMS Training	To equip participants to understand the following: T24 Methodology T24 core/basic codes T24 accounting entries Review posted balances – T24 / FMS Standardize use of Internal Account and PL
HRIS Workshop	For the participants to understand the HRIS requirements: Business Process Blueprinting Demo and system walkthrough FGD / Breakout sessions
PhilPost Presentation - Know Your Customer	To demonstrate the new features of the > Improved Postal ID – its security features and application processes
T24 Training	T24 Refresher course for the following topics: <ul style="list-style-type: none"> <li>• Correct sample of Unpaid Bill – Grace in Arrangement Overview sheet</li> <li>• Entries of MC Issuance transaction in Disbursements sheet and Additional Maintenance Activities (Change Product Activity For Arrangement, Change Term Activity For</li> </ul>

	Commitment, Change Activity For Principal-int, Update Activity For Settlement) in Maintenance sheet.
T24 Training (AA Loans)	T24 Refresher course on the following topics: Account creation, Disbursements, Payments, Pay off, Maintenance and Entries created for each transaction
Customer Value Matrix (CVM) Training	This is a four-hour course to be done via F2F/Classroom Training. It is aimed at orienting the Branch Officers with all the bank products they need to cross-sell to existing clients.
Consumer Loans Product Briefing and PL Releasing Process	To provide knowledge to employees on the different products and services, referral process and loans disbursement process of the Bank.
Check Image and Clearing System Implementation	Participants are expected to have a full grasp of what Check Image Clearing System is all about; understand the operating procedures, the process flows, and how to deal with dishonored item/s; share with co-employees and ultimately be able to respond to customer queries/concerns.
Branch Banking Group Sales Clinic	A seven-hour Product Refresher Course aimed in orienting the BMs with all the bank products they need to sell and cross-sell for revenue growth.
Branch Banking Group Sales Clinic: Part 2 (Metro Manila)	A 4.5-hour training program that discusses the PDCA Elements. It is aimed in orienting the BMs with the new sales tools/forms.
Branch Banking Segment Townhall	To discuss common audit findings To conduct a refresher training related to T24 system
Advance Property Appraisal - Training Cascade	To be equipped with the techniques in various types of property valuation
<b>Leadership</b>	
Millennial Leadership Development Program	<ul style="list-style-type: none"> <li>To learn more about the Millennials (Gen Y) as part of the workforce – their high energy, high expectations and constant need for growth – which can be a challenge for managers.</li> <li>To understand how managers can support the Millennials, how to leverage on their strengths, and how to lead them better.</li> </ul>
HRG Strategic Planning Session & Workshop	To help the Human Resources Group to improve its performance by ensuring that its members are working to the same goals and by continuously adjusting the direction of the group to the changing environment on the basis of results obtained.

For 2016, a total of 10,683 training hours were spent by the bank on its in-house training programs participated in by 1,705 employees.

2016 In-House Trainings	Total PAX	Total Training Hours	Segments/Groups
Accounting for Non-Accountants	50	388	Various segments/groups
Advance Property Appraisal - Training Cascade	5	15	Retail Banking Segment
Branch Banking Group Sales Clinic	22	176	Executive Office
Branch Banking Group Sales Clinic: Part 2 (Metro Manila)	51	178.5	Executive Office
Branch Banking Segment Townhall	378	2981.5	Various segments/groups
Business Communication Seminar	26	408	Various segments/groups
CCBG Credit Training	33	728	Corporate and Commercial Banking Group
Check Image and Clearing System Implementation	70	260	Branch Banking Group
Consumer Loans Product Briefing and PL Releasing Process	248	430	Branch Banking Group
Corporate & Commercial Banking Group RM Workshop	23	92	Branch Banking Group
Corporate Governance Seminar (SEC required)	19	76	Various segments/groups
Customer Value Matrix (CVM) Training	17	68	Executive Office
Effective Business Writing	28	392	Various segments/groups
Effective Presentation Skills Seminar	17	208	Various segments/groups
FMS Training	117	468	Branch Banking Group
HRG Strategic Planning Session & Workshop	25	164	Human Resources Group
HRIS Workshop	31	352	Various segments/groups
Millennial Leadership Development Program	29	43.5	Various segments/groups

2016 In-House Trainings	Total PAX	Total Training Hours	Segments/Groups
PBCOM Onboarding for New Employees (P-ONE)	30	392	Various segments/groups
PhilPost Presentation - Know Your Customer	18	63	Various segments/groups
Signature Verification and Counterfeit Detection (SVCD) Seminar	336	2422	Various segments/groups
T24 Training	99	113.5	Finance Group
T24 Training (AA Loans)	33	264	Various segments/groups
<b>TOTAL</b>	<b>1,705</b>	<b>10,683</b>	

For 2016, a total of 1,131 training hours were spent by the bank on its external training programs participated in by 124 Bank officers/employees.

2016 External Trainings	Total PAX	Total Training Hours	Segments/Groups
2016 ASEAN Corporate Governance Scorecards (ACGS) Workshop for Publicly-listed Companies (PLCs) - Updates / Refresher Session	2	6	Compliance Group
2016 TOAP Annual Convention	1	24	Trust and Wealth Management Group
21st ECOP MGM: Employment and Career Development Challenges and Opportunities + LGBT, HIV and PWD in the Organization	1	4	Human Resources Group
A Regulatory Prospective on Trust and Administration	5	80	Compliance Group Credit Risk Management Group Internal Audit Group Trust and Wealth Management Group
ABCOMP-AMLO 2nd Biennial AML Conference	2	32	Compliance Group
Advance Property Appraisal	2	16	Consumer Finance Group
Advanced Taxation Seminar	1	14	Finance Group
BSP Circular 706 AMLA Law, RA 10365 and the AML Risk Rating System	5	39	Compliance Group
BSP Supervisory Process and CAMELS Rating System	1	8	Credit Risk Management Group
Certificate Course in Strategic Compliance for the Banking Industry	1	64	Compliance Group
Certified Business Continuity Professional	1	32	Enterprise Risk Management Group
Check Image and Clearing System Implementation	58	232	Branch Banking Group
Compliance with Operational Risk Management Guidelines	3	22.5	Enterprise Risk Management Group Internal Audit Group
Corporate Governance Forum	1	6	Compliance Group
Cyber Security and Anti-Money Laundering Seminar	1	3	Compliance Group
Database Security and Auditing	1	16	Internal Audit Group
Defining Process Performance Indicators	1	8	Enterprise Risk Management Group
Developing Microsoft Sharepoint Server 2013 Core Solutions	2	80	Information Technology Group
Enhanced UITS Certification Program	2	24	Internal Audit Group Trust and Wealth Management Group
Forum on BSP Interest Rate Corridor System	1	2.5	Trust and Wealth Management Group
IT Risk Management, IT Risk rating System & IT regulatory Updates	1	8	Internal Audit Group
Mandatory Continuing Legal Education (MCLE)	9	265	Legal Services Group Human Resources Group
Meeting the Hiring Challenges during Economic Uncertainty in 2016	2	7	Human Resources Group
Miravite Learning Series	2	6	Finance Group Human Resources Group
Overview of Outsourcing Framework	1	8	Information Technology Group
Phils. Financial Services Summit 2016	4	24	Information Technology Group Transaction Banking and Customer Engagement Group
Planning and Deploying System Center 2012 Configuration Manager	1	24	Information Systems Group
Related Party Transactions	4	14	Compliance Group

2016 External Trainings	Total PAX	Total Training Hours	Segments/Groups
			Credit Risk Management Group
SEC-PSE Corporate Governance Forum	1	8	Compliance Group
Seminar on Repo Transactions	2	16	Legal Services Group Treasury Group
Seminar on Supervisory Expectations on the ICAAP	3	22.5	Credit Risk Management Group Enterprise Risk Management Group
Sustaining Development in a World of Policy Divergence	1	8	Corporate and Commercial Banking Group
Updated Guidelines on Sound Credit Risk Management	1	7.5	Compliance Group
<b>TOTAL</b>	<b>124</b>	<b>1,131</b>	

The combined Total Training Hours for In-house and External Training Programs is 11,814. Since the closing employee complement for 2016 is 1,132, the average total training hours per employee is 10.44 hours.

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

PBCom Compensation philosophy is grounded on 3 basic pillars: External Competitiveness, Internal Equity and Meritocracy. This is the means by which the company promotes excellence, fairness as well as attracts and retains talent. The company periodically undertakes a salary study comparing industry compensation with those of its employees. The salary structure is then set to guide salary administration. The company also administers a performance management system where performance is contracted, monitored and evaluated at the end of a semi-annual period. Overall performance of individuals versus performance contracts is the main basis of each one's eligibility to the merit increase and to what rates. In addition to this reward mechanism, different incentive programs are in place to reward and recognize contributions to the company: achievement of revenue goals, referral of clients, referral of employees and other measurable contributions to the company.

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

The Bank has an established policy requiring all Bank employees to report any and all instances of internal or external frauds and crimes as well as operational and fidelity losses arising from errors and negligence which may lead to losses for the Bank. Failure to report such incidents will be considered as a breach of duty which may lead to disciplinary action including suspension, dismissal, and prosecution of the officer/employee who is duty-bound to report. Covered by this reporting requirements are operational and/or fidelity losses regardless of whether these may have been paid or reimbursed by the officer/staff concerned.

1. All actual and/or potential losses arising from real or suspected fraudulent acts and crimes (whether consummated, frustrated or attempted) committed by any officer or employee of the bank or by third parties, regardless of amount, should be reported. Fraudulent acts shall refer to those acts intended to defraud, misappropriate assets of the Bank or circumvent regulations and internal policies. These shall include but shall not be limited to the following:

- a. External fraud, forgery, theft, robbery, check kiting, etc.
- b. Internal fraud such as embezzlement, padding of reimbursable expenses, unauthorized credit to personal account, lapping, temporary borrowing, etc.
- c. Forgery of checks and other posting media, such as withdrawal slips, credit memos, etc.
- d. Manipulation of internal records, such as attendance or other personnel records.

2. Also required to be reported are actual operational losses amounting to P5,000.00 and above (or its equivalent in foreign currency) arising from deviations from internal policies, unintentional processing errors, or negligence. These shall include but shall not be limited to the following:

- a. Tellers' / ATM shortages
- b. Double payment or misposting of remittance / loan proceeds to client's account which are no yet recovered by the Bank
- c. Loans/advances and other forms of habitual temporary credit accommodation extended to third parties without the corresponding authority.
- d. Other forms of continuing and/or regular arrangements with third parties which expose the Bank to possible losses (for example, the payment of funds based on verbal or invalid instructions even if subject to regularization after the fact).
- e. Failure to regularly apply and collect the stipulated rates of interest and commissions/fees.



f. Misfeasance or engagement in activities that directly compete with the Bank or conflict with the Bank's interest, such as:

- buying and selling of foreign currencies for personal benefit;
- acting as agent for insurance companies, customs/insurance/stock brokerages, bonded warehouses, etc.;
- receiving commissions or rebates, for one's personal account, on transactions of the bank (such as purchases, service contracts, etc.); and
- undertaking directly or indirectly lending activities to third parties.

3. Reports should be made immediately by the officer/staff upon discovery or knowledge of any potential or actual losses incurred. Delays in reporting should be avoided as this may result in a loss or increased loss to the Bank, facilitate cover-up and render investigation more difficult.

4. A drop box, with lock and key, was installed in the branches and Head Office for use by the employees in reporting suspected improprieties, malpractices or fraudulent activities. Should the reporting employee feel that the drop box might not be secure reporting method, the report may be filed directly in any form or in any manner to the Chairman of the Audit Committee. Chairman if the audit Committee shall contact appropriate unit to establish the necessary investigation team and procedures

5. The Bank has also a policy that aims to encourage and protect officers and staff in reporting possible improprieties or malpractices to persons or entities that have power to take corrective action. As such, retaliation for filing a good faith report is prohibited by the policy, and is cause for disciplinary action, up to and including termination. The guideline likewise discourages "witch-hunting" and filing of malicious and unwarranted or false information against another employee. Such actions shall be subjected to administrative sanctions pursuant to the Banks Manual of Personnel Policies and Procedures and the Code of Conduct.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
P.G. Holdings, Inc.	183,971,408	38.28%	Same as record owner
PCD Nominee Corporation	157,068,402	32.68%	various
Eric O. Recto	52,405,776	10.90%	Same as record owner
Ralph C. Nubla, Jr.	51,779,374	10.77	Same as record owner

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Not Applicable			
<b>TOTAL</b>			

At present, no senior officer/s of the Bank has any substantial interest direct or indirect of more than 5%.

### 2) Does the Annual Report disclose the following: (SEC Form 17A – Annual Report)

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

Those items not disclosed in the Annual Report (SEC 17A) are included in the SEC Form 17-C Manual on Corporate Governance and Annual Report - Audited Financial Statement.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip, Gorres, Velayo and Co. (2016)	P 3,284,006.88	P

4) Medium of Communication

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

As a listed company, the Bank submits required disclosures to PSE and SEC such as financial reports and other information relating to material corporate actions and transactions. The bank maintains its website and regularly updates the published information relevant to its business and financial performance.

The Bank also maintain a Public Relations Officer/Company to disseminate information to its target market and stakeholders through print media or internet regarding its latest products, programs or projects with emphasis on the current business direction and strategy.

5) Date of release of audited financial report:

The 2016 Audited Financial Statements were authorized for issue by the Board of Directors of the Bank on March 29, 2017.

6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Not applicable – no analyst & media briefings held
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

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

7) Disclosure of Related Party Transaction (RPT)

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. The Bank's transactions with related parties include key management personnel, affiliates (i.e. entities which are controlled, significantly influenced by or for which significant voting power is held by the Bank or key management personnel or their close family members and retirement plan for the benefit of the Bank's employee). These transactions are made in the ordinary course of business and on substantially same terms with that of other parties.

The Bank's related party transactions below are also presented and discussed in details in the Audited Financial Statements.

Related Party	Transaction with the Bank
Post-retirement Plan	Investment made in retirement plan is approved by the Bank's Retirement Board. Trust fee income from such service and total deposits maintained with the Bank in 2016 amounted P1.98 Million and P 60.01 Million, respectively while interest expenses paid by the Bank to the deposits was P0.7 Million.
Provident Fund	Outstanding deposit and interest paid by the Bank as of year-end was P37.85 Million and P0.57 Million, respectively while trust fees earned from such service amounted to P2.48 Million.
Key Management Personnel	Senior Management Team constitutes key management personnel for purposes of PAS 24. Short term benefits and post-employment benefits given to SMT in 2016 amounted to P174.87 Million

	and P7.85 Million, respectively. Year-end balance of deposits and interest expenses increased amounted to P10.19 Million and P0.02 Million respectively.
Affiliates	Year-end balance of deposits and interest expenses incurred by the Bank amounted P14.8 Million and P0.33 Million, respectively. Rental income earned for the year is P0.13 Million.
Subsidiaries	Year-end balance of deposits and interest expenses incurred by the Bank amounted P119.46 Million and P2.85 Million, respectively. Rental income earned for the year is P0.13 Million.
Significant Investors	Year-end balance of deposits and interest expenses incurred by the Bank amounted P2.6 Billion and P8.30 Million, respectively. Rental income and expenses during the year amounted to P1.82 Million and P17.65 Million.

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

The transactions with related parties are made in the ordinary course of business, under commercial terms and on an arm's length basis. For DOSRI Loans, the Bank adheres at all times the legal limits prescribed under current BSP regulations. Full disclosures of these transactions were made through reports with the appropriate regulatory agency. As of December 31, 2016, the bank is in compliance with such regulations.

#### J. RIGHTS OF STOCKHOLDERS

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

###### (a) Quorum

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

Quorum Required	No stockholders' meeting shall be competent to decide any matter or transact any business unless a majority of the outstanding capital stock is present or represented thereat, except in cases in which the law requires a larger quorum.
-----------------	--

###### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Voting is based on the number of shares held.
Description	Voting upon all questions at all meetings of the stockholders shall be by the number shares of stock and not per capita. In the election of Directors cumulative voting shall be allowed. A majority of the votes cast shall decide every question submitted to the shareholders at any meeting, except in cases where the law or the By-laws require the affirmative vote of a greater number.

###### (c) Stockholders' Rights

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

The Bank's Manual on Corporate Governance nor its By-laws does not provide any Stockholders' Rights concerning Annual/Special Stockholders' meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Not Applicable	

###### Dividends

Declaration Date	Record Date	Payment Date
Not Applicable		

###### (d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
Sending of notice of stockholders' meeting and information statement	Disclosures to the PSE and SEC; The information statement is mailed to the addresses of the stockholders' recorded in the books of the Corporation. They are given the option to contact the Bank, thru the Office of the Corporate Secretary.
Open Forum during the stockholders' meeting	During all stockholders' meeting, all stockholders present are given the right to object to or oppose to any proposed action to be voted upon. All stockholders present are also invited to ask questions to the board of directors and management during the meeting. All questions will be answered by the board and management.

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

The shareholders shall have appraisal right or right to dissent and demand payment of the fair value of their shares in the manner provided under section 82 of the Corporation Code of the Philippines

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

Yes. Notice to the Annual General Meeting is being circulated on the same date as the disclosure of the Record Date to the Philippine Stock Exchange.

- a. Date of sending out notices: March 31, 2016
- b. Date of the Annual Stockholders' Meeting: June 14, 2016

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

Shareholders are allowed to ask questions but only significant points are minuted.

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

Resolution	Approving	Dissenting	Abstaining
<ul style="list-style-type: none"> <li>• Approval of the Minutes of the ASM held on 9 June 2015</li> <li>• Annual Report of Management &amp; Approval of the Audited Financial Statements for 2015</li> <li>• Ratification of Acts of the Board of Directors &amp; Management Since the last Annual Meeting of the Shareholders</li> <li>• Election of Directors</li> <li>• Appointment of External Auditor</li> </ul>	Approved by all		

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
June 15, 2016

- (e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:  
None

Modifications	Reason for Modification
Not applicable	

- (f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance	
Annual	Eric O. Recto	June 14, 2016		12.84%		0.000%	
	Paticia May T. Siy			0.000%	1.000%	0.000%	
	Carmen G. Huang				0.000%	0.000%	0.00%
	Carlos Bunsit G. Chung				.1145%	0.000%	9.552%
	Ralph C. Nubla, Jr.				10.773%	9.437%	10.773%
	Gregorio T. Yu				0.298%	0.000%	0.298%
	Lucio L. Co				0.000%	0.000%	51.20%
	Levi B. Labra				0.000%	51.20%	0.000%
	Roberto Z. Loraves				0.000%	0.000%	0.000%
	Emmanuel Y. Mendoza				0.000%	0.000%	0.000%
	Angelo Patrick Advincola				0.000%	0.000%	0.000%
	Michael Stephen H. Lao				0.000%	0.000%	0.000%
	Manuel A. Goseco				0.000%	0.000%	0.000%
	Eriberto Luis S. Elizaga				0.000%	0.000%	0.000%
	Evelyn Vinluan				0.000%	0.000%	0.000%
	Victor Q. Lim				0.000%	0.000%	0.000%
	Salvador R. Serrano				0.000%	0.000%	0.000%
	Teresita S. Galvadores				0.000%	0.000%	0.000%
	Arlene M. Datu				0.000%	0.000%	0.000%
	Daniel M. Yu				0.000%	0.000%	0.000%
Jennie F. Lansang			0.000%	0.000%	0.000%		
Jorge Alfonso C. Melo			0.000%	0.000%	0.000%		
Expedito G. Garcia, Jr			0.000%	0.000%	0.000%		
Jane Lim-Laragan			0.000%	0.000%	0.000%		
Special	NA						

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, SGV & Co.

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

Yes

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	Stockholders may vote at all meeting either in person or by proxy duly given in writing and presented to the Secretary for inspection and record five (5) banking days prior to the opening of the said meeting.
Notary	No requirement to notarize.
Submission of Proxy	Proxy must be submitted to the office of the Corporate Secretary five (5) banking days prior to the opening of the said meeting.
Several Proxies	Allowed.
Validity of Proxy	Proxies are valid only for the meeting for which it was intended.
Proxies executed abroad	None
Invalidated Proxy	none
Validation of Proxy	Validation of Proxies is conducted five (5) banking days prior to the meeting.
Violation of Proxy	None

(h) Sending of Notices

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

Policies	Procedure
Notice of meeting, written or printed for regular or special meeting of the stockholders shall be prepared and send to each stockholders at his last address registered in the books of the Bank by registered mail, postage prepaid at least two (2) weeks before the date of meeting, provided however that if the registered address of the shareholder be outside the Philippines, notice may be waived in writing by stockholders.	Notice shall be send to each stockholders at his last address registered in the books of the Bank by registered mail, postage prepaid at least two (2) weeks before the date of meeting, provided however that if the registered address of the shareholder be outside the Philippines, notice may be waived in writing by stockholders.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	397 Shareholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 21, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 21, 2016
State whether CD format or hard copies were distributed	The Definitive Information Statement and Management Report and Other materials were distributed to the shareholders in CD format.
If yes, indicate whether requesting stockholders were provided hard copies	The Definitive Information Statement and Management Report and Other materials were distributed to the shareholders in CD format.

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

Each resolution to be taken up deals with only one item.	Yes (in the Information Statement)
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes (in the Information Statement)
The auditors to be appointed or re-appointed.	Yes (in the Information Statement)
An explanation of the dividend policy, if any dividend is to be declared.	Not applicable. No dividend declared
The amount payable for final dividends.	Not applicable. No dividend declared
Documents required for proxy vote.	No. The Bank does not solicit proxies.

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
Voting Right	<ul style="list-style-type: none"><li>Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code;</li><li>Cumulative voting shall be used in the election of directors; and</li><li>A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</li></ul>
Pre-emptive Right	<ul style="list-style-type: none"><li>The pre-emptive rights of shareholders are denied in the Articles of Incorporation.</li></ul>
Power of Inspection	<ul style="list-style-type: none"><li>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.</li></ul>
Right to Information	<ul style="list-style-type: none"><li>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</li></ul>

Policies	Implementation
	<p>of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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 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.</li> </ul>
Right to Dividends	<ul style="list-style-type: none"> <li>• Shareholders shall have the right to receive dividends subject to the discretion of the Board.</li> </ul>
Appraisal Right	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

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

Yes

#### K. INVESTORS RELATIONS PROGRAM

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

The Bank does not have an Investor Relation Officer. These functions are handled by the Bank's Corporate Information Officer and Corporate Communications Department.

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

None

	Details
(1) Objectives	
(2) Principles	
(3) Modes of Communications	
(4) Investors Relations Officer	

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

For 2016, the Bank did not enter into any such transactions. However, in the event that the Bank will consider entering into such transactions, it does the necessary due diligence for the project. Moreover, all such transactions shall be submitted to the Executive Committee of the Board of Directors, then to the full Board of Directors for approval.

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

None for 2016.

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

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

Initiative	Beneficiary
Cup of Joy, Fundraising program was launched in November 2016 which aims to provide the underprivileged children in the Philippines with various services including medical, psychological and educational support and emergency assistance to harness their potentials that are necessary for nation building.	Children’s Joy Foundation Inc.

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

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Director’s Evaluation of Board Performance - The director assigns 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.	<ul style="list-style-type: none"> <li>▪ Evaluation of the Board’s Qualitative Performance</li> <li>• Actual Director’s Attendance in Board/Board Committee meetings, Section E.2. of the Revised Code of Corporate Governance (SEC Memorandum Circular 6 of 2009) states that the “Board may also provide for the temporary disqualification of a director for any of the following reasons: x x x (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) months period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. x x x”</li> </ul>
Board Committees	<p>Board Committee’s Performance - The Director accomplishes 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 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 (Annex D-3) 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 data on attendance, the PBCom Corporate Secretary’s Office will provide the official records.</p> <p>Board Committee’s en banc evaluation - 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</p>	<ul style="list-style-type: none"> <li>• Evaluation of Board Committee’s Qualitative Performance</li> <li>• Actual Director’s Attendance in Board Committee meetings, Section E.2. of the Revised Code of Corporate Governance (SEC Memorandum Circular 6 of 2009) states that the “Board may also provide for the temporary disqualification of a director for any of the following reasons: x x x (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) months period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. x x x</li> </ul>



	Process	Criteria
	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 data on actual attendance, the PBCom Corporate Secretary's Office will provide the official records.	
Individual Directors	Director's Self-Assessment Questionnaire – Every director accomplishes a Performance Evaluation self-assessment questionnaire by going over each question carefully and assigning 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.	<ul style="list-style-type: none"> <li>• Evaluation of Director's Qualitative Performance – Maximum of 80 points.</li> <li>• On a Director's Attendance, Section E.2. of the Revised Code of Corporate Governance (SEC Memorandum Circular 6 of 2009) states that the "Board may also provide for the temporary disqualification of a director for any of the following reasons: x x x (ii) Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) months period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. x x x" – Maximum of 40 points.</li> </ul>
CEO/ President	<p>All efforts and energy of Bank's employees shall be aligned and maximized towards the achievement of Bank's corporate goals, therefore, quality performance of each individual employee at all levels in the organization is to be managed and recognized.</p> <p>In order to achieve this mission, the Bank utilize the Performance Management System to provide the company a systematic method of Planning, Monitoring and Evaluating the contribution and efficiency of its employees against expectations and work standards.</p> <p>The process involves Business Planning, Performance Planning/ Contracting, Performance Monitoring &amp; Coaching, Performance Assessment/ Appraisal and Performance Rewarding/ Recognizing</p>	<ul style="list-style-type: none"> <li>• Financial results - Deliver sustainable financial results with balanced risk</li> <li>• Franchise/Customer - Become the bank of choice in every market serve and most admired for customer care</li> <li>• People/Teamwork – Ensure the full engagement of Human Capital while working for One Bank, One team and for One Mission</li> <li>• Process/Risk/Compliance – Build a strong, reliable, creditable and compliant bank</li> </ul>

#### N. INTERNAL BREACHES AND SANCTIONS

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

Violations	Sanctions
<p>The seriousness of an act or omission is determined by combination of factors which include the subject matter of the act, the degree of malice intended and the actual harm, damage or loss arising from such act.</p> <p>Hence, all acts or omissions as a consequence of any breach of the provision of the Code of Conduct shall be categorized as: Minor Offense, Major Offense and Grave Offense</p>	<p>Written warning – a written reminder to the employee and advises him of the acceptable norms of behavior in relation to act or omission committed;</p> <p>Written reprimand – a documented censure to the employee for an established offense with stern warning that repetition of the same offense shall subject the offender to penalty of suspension;</p> <p>Suspension – a physical detachment from service and Bank premises for a determined period of time without salary and benefits for the duration of the suspension; and</p> <p>Dismissal – a dishonorable separation from the service in cases of dismissal, the employee automatically forfeits all benefits which would normally accrue to on retirement or separation for reason other than for cause.</p>

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

**SIGNATURES**



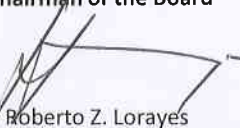
Eric O. Recto

**Chairman of the Board**



Patricia May T. Siy

**President and Chief Executive Officer**

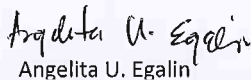
  
Roberto Z. Lorayes

**Independent Director**



David L. Balangue

**Independent Director**



Angelita U. Egalin

**Acting Compliance Officer**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of **11 APR 2017** 2017, affiant(s) exhibiting to me their TIN, as follows:

NAME/NO.	SSS/TIN No.
Eric O. Recto	108-730-891
Patricia May T. Siy	131-483-846
Roberto Z. Lorayes	110-129-867
David L. Balangue	123-304-967
Angelita U. Egalin	122-820-838

Doc No. 248  
Page No. 51  
Book No. 22  
Series of 2017

**NOTARY PUBLIC**  
**BUENAVENTURA U. MENDOZA**  
Notary Public  
Until December 31, 2018  
PTR No. 59-10014 Makati City - 1/03/17  
IBP No. 103-787 10-28-16 Roll No. 31206  
500-A Madrigal Bldg., Ayala Ave. Makati City