

RISK OVERSIGHT COMMITTEE CHARTER

I. PURPOSE

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

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

II. DUTIES AND RESPONSIBILITIES

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

1. *Oversee the risk management framework.* The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
2. *Oversee the adherence to risk appetite.* The committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.
3. *Oversee the risk management function.* The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Bank.

III. COMPOSITION AND CHAIRPERSON

A. Membership

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

3. The ROC's chairperson shall not be the chairperson of the Board of Directors, or any other board-level committee.
 4. The Secretary of the Committee shall be the Chief Risk Officer.
- B. Meeting Arrangements
1. The Committee shall meet every month and at such other times it deems necessary;
 2. A quorum shall constitute more than half the number of members of the Risk Oversight Committee;
 3. A resolution shall constitute the majority votes by committee members present during the meeting;
 4. The Risk Oversight Committee may invite other officers / personnel responsible for any matter related to the meeting agenda to provide representation in the meeting;
 5. The Secretary of the Risk Oversight Committee shall arrange the meeting schedule and prepare the agenda. The Secretary shall send out the meeting agenda, risk management reports, minutes of previous meeting, and other necessary documents to all committee members at least three working days before the scheduled ROC meeting for the members to review the necessary details.

IV. SPECIFIC DUTIES AND RESPONSIBILITIES

The Risk Oversight Committee has the responsibility to:

1. Review and recommend for approval by the Board of Directors PBCom's written risk management program to identify, measure, monitor and control the following risks:
 - Credit
 - Market
 - Interest Rate
 - Liquidity
 - Operational
 - Compliance
 - Strategic
 - Reputation
2. Review reports on risk exposures, recommend necessary actions and communicate risk management plan to concerned segment / group to address or reduce the risks;
3. Report regularly to the Board of Directors the Bank's overall risk exposure, actions taken to reduce the risks and recommend further action or plans as necessary;

4. Report to the Board of Directors significant matters concerning risk exposures of the Bank including any BSP examination findings on unsafe and unsound banking practices; and actions taken to manage those risks;
5. Oversee the system of limits to discretionary authority that the Board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached;
6. Develop and approve the bank's risk appetite framework including risk tolerance levels and monitoring system to ensure that limits set are observed and that immediate corrective actions are taken whenever limits are breached;
7. Evaluate the magnitude, direction and distribution of risks across the Bank and its subsidiaries and approve the bankwide risk profile;
8. Oversee the bank's risk and capital adequacy assessment process;
9. Approve and oversee the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations.
10. Evaluate and approve the bank's risk management system framework.
11. Create and promote a risk culture that requires and encourages the highest standards of ethical behavior by risk managers and risk-taking personnel.
12. Assess the performance of the Chief Risk Officer (CRO) and the risk management function on an annual basis.

V. ANNUAL EVALUATION

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