



**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>The Board’s Governance Responsibilities</b>			
<p><b>Principle 1:</b> The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.</p>			
<b>Recommendation 1.1</b>			
<p>1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company’s industry/ sector.</p>	Compliant	<p><b><u>Francis T. Lee (Filipino, 69 years old)</u></b></p> <p>Mr. Francis T. Lee was appointed Chairman of the Board on 26 July 2010 and last re-elected as Director on 26 May 2017. He was appointed Chief Operating Officer (COO) on 01 September 2011 before he held the Chairmanship position.</p>	
<p>2. Board has an appropriate mix of competence and expertise.</p>		<p>Active in the community, he served as President of the AMY Foundation – the CSR of the Yao Group of Companies, from 08 December 2003 up to 08 December 2013.</p>	
<p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p>		<p>A career banker for more than 30 years, Mr. Lee started his banking career with Pacific Bank where he gained much experience and knowledge. His career progressed as he held a number of executive positions from Senior Manager rising to Senior Vice President at the Metrobank Group from 1988 to 2000 before he joined PBB.</p> <p>His expertise and trainings include Philippine Institute of Banking in 1969; Corporate Governance &amp; Risk Management for Bank’s Board of Directors at the Development Finance Institute in 2002; Team Building Workshop in 2004 at PBB; Risk Awareness Seminar in 2009 at the Pacific Management Forum; and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2012 and in 2016; Corporate Governance Seminar for Board of Directors in 2014, 2015 and 22 December 2016; and Seminar on Data Privacy Act in 2017.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>Mr. Lee studied Bachelor of Arts in Business Administration in Manuel L. Quezon University.</p> <hr/> <p><b><u>Jeffrey S. Yao (Filipino, 49 years old)</u></b></p> <p>Mr. Jeffrey S. Yao was appointed to the Board in 1999 and last re-elected as Director in 26 May 2017. On 01 April 2016, he assumed the position of Vice-Chairman.</p> <p>He is currently a member of the Board of Directors of Zemar Development Inc., Mazy’s Capital, Inc. ARC Refreshments Corp., AMY Holdings, Inc., Semexco Marketing Corp., Asiwade Refreshments Corp., and ARC Holdings, Inc. He also holds executive positions for Zest-O Corporation as Chief Executive Officer, President of Bev-Pack, Inc., Vice President of Macay Holdings, Inc., Onnea Holdings, Inc. and Downtown Realty Dev’t Corp; and Corporate Secretary of Mega Asia Bottling Corporation.</p> <p>Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995.</p> <p>He completed trainings in Basic of Trust at the Trust Institute of the Philippines in 2002, Corporate Governance &amp; Risk Management for Bank’s Board of Directors at the Development Finance Institute in 2002, and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; Distinguished Corporate Governance Speaker Series on 24 August 2015 and Corporate Governance Seminar in 2014 and 22 December 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) and Seminar on Data Privacy Act in 2017.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>Mr. Yao graduated from Ateneo De Manila University with a degree in Bachelor of Science in Management Engineering.</p> <hr/> <p><b><u>Rolando R. Avante (Filipino, 59 years old)</u></b></p> <p>Mr. Rolando R. Avante was appointed to the Board on 02 November 2011 as President and Chief Executive Officer since 02 November 2011.</p> <p>Because of his strong background in treasury management, PBB has become one of the largest, fastest-growing and most respected savings banks. PBB was listed at The Philippine Stocks Exchange last February of 2013.</p> <p>Mr. Avante, a banking industry veteran with more than three decades of experience, is guiding Philippine Business Bank through brand resurgence. His banking career includes Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President &amp; Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Funds Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President &amp; Treasurer at China Trust (Phils.) Commercial Bank Corp. from 1999 to 2009; Executive Vice President &amp; Treasurer at Sterling Bank of Asia from 2009 to 2011.</p> <p>He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999 and elected the same position at ACI Philippines in 2011.</p> <p>His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset &amp; Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX &amp; SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutsche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar conducted by the Bangko Sentral ng Pilipinas in 2012, 2014 and 2016; CEO Business Forum in 2012 at Punong Bayan &amp; Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce &amp; Industry; Annual Investment Outlook in 2013 at ANZ Private Bank; Philippine Investment Summit in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on 10 December 2015 and Corporate Governance Forum on 22 November 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) and Seminar on Data Privacy Act in 2017.</p> <p>Mr. Avante graduated from De La Salle University (DLSU) with a degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units, also from DLSU.</p> <hr style="width: 20%; margin: 10px auto;"/> <p><b><u>Danilo A. Alcoceba (Filipino, 66 years old)</u></b></p> <p>Mr. Danilo A. Alcoceba served as President and CEO of PBB from February 2008 to August 2011.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>His banking career includes Assistant Corplan Head at Solid Bank from (August 1974 to July 1975); Branch Head at Bancom Development Bank (December 1977 to February 1979) Assistant Vice President at Traders Royal Bank (July 1979 to January 1983); First Vice President/Treasury Division at Boston Bank of the Philippines (January 1983 to December 1988); Senior Vice President/Treasury Head at China Banking Corporation (January 1989 to August 2004); Consultant at SM Investment Corporation (May 2005 to June 2007); Senior Vice President and Treasurer at SM Prime Holdings (July 2007 to October 2007); and as Adviser to the Board at China Banking Corporation (May 2005 to October 2007).</p> <p>His expertise and trainings include Investment Banking in 1975; Foreign Exchange in 1978; General Management in 1980; International Trade in 1985; Fixed Income Trading in 1995; Risk Management in 2002; Corporate Governance in 2002, 2004 and 2016; Financial Derivatives also in 2002 and 2004; Risk Awareness in 2009 and Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas on 11 November 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) and Seminar on Data Privacy Act in 2017.</p> <p>Mr. Alcosoba holds a Masters in Business Administration degree from the University of the Philippines (1976) and also took up Industrial Economics at Center for Research and Communication (1971-1973). He graduated from University of San Carlos with a degree in Bachelor of Science in Commerce in 1971.</p> <hr/> <p><b><u>Roberto A. Aendido (Filipino, 70 years old)</u></b></p> <p>Mr. Roberto A. Aendido was appointed to the Board on 26 May 2006 and last re-elected as Director on 26 May 2017.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>He is a seasoned investment banker and a recognized expert in the field with over 30 years of investment banking and consulting experience in the Philippines and in the ASEAN region.</p> <p>Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres&amp;Velayo, the largest accounting and consulting group in the Philippines. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980-1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982-1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and GunungAgung Group of Indonesia, from 1983-1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment &amp; Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings &amp; Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President of AAHDC and Executive Vice Chairman of AAIC.</p> <p>Currently, Mr. Atendido is also a member of the Board of Directors of Paxys Inc., PICOP Resources, Inc., Gyant Food Corporation, Macay Holdings, Inc., and Pharmarex, Inc., Services, Inc. Asian Alliance Holdings &amp; Development Corp. He is also Vice Chairman and Director of Sinag Energy Philippines, Inc., (since 2008), and Asian Alliance Investment Corp.; Chairman and President of Myka Advisory &amp; Consulting Services, Inc. (since 2010).</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>He also held directorships at the Philippine Stock Exchange (2005-2009), Securities Clearing Corporation (2006-2010), Export &amp; Import Bank as an Independent Director (2006-2012), Marcventures Holdings, Inc. (2010-2013), Carac-An Development Corp. as Chairman from 2010-2013, Beneficial Life Insurance Corp. from 2008-2014.</p> <p>He had equipped himself with trainings in Corporate Governance &amp; Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2003; Risk Management and Basel 2 Seminar at the Export &amp; Industry Bank in 2007. He attended the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; 2015 Distinguished Corporate Governance Speaker Series on 24 August, 15 September, and 6 November 2015; and Corporate Governance Forum on 22 November 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) in 2017.</p> <p>Mr. Atendido is a graduate of the Asian Institute of Management with a Master in Business Management Degree in 1973. He completed his Bachelor of Science in Management Engineering from Ateneo de Manila University.</p> <p>Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nationwide Christian community where he served as Chairman from 2009-2011.</p> <hr/> <p><b><u>Paterno H. Dizon (Filipino, 79 years old)</u></b></p> <p>Mr. Paterno H. Dizon was appointed an Independent Director to the Board on April 2006 and last re-elected as an Independent Director on 26 May 2017.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>He had previously served as President to the following institutions: Science Park of the Phil. Inc., Cebu Light Industrial Park, Inc., and RFM Science Park of the Philippines from 1997 to 2003.</p> <p>Mr. Dizon held directorships at Hermosa Ecozone Development Corp. from 1997 to 2003; Export &amp; Industry Bank from 1994 to 2006; and EIB Securities from 2004 to 2006.</p> <p>He served on the board of Phil. Export-Import Credit Agency from 2010 to 2012. He was elected as Chairman of the Phil. Exporters' Confederation Inc. since 1990 up to the present. He has been the President and CEO of Holy Cross College of Pampanga since 2012.</p> <p>His expertise includes trainings in Financial Management at SGV in 1974, Money and Banking from Ateneo De Manila University in 1959, Corporate Governance &amp; Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, Risk Awareness Seminar at the Pacific Management Forum in 2009, and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; ASEAN Corporate Governance Conferences and Awards 2016 on 14 November 2015; Distinguished Corporate Governance Speaker Series on 24 August 2015; and the 3rd Annual SEC-PSE Corporate Governance Forum on 22 November 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) and Seminar on Data Privacy Act in 2017.</p> <p>Mr. Dizon holds a Bachelor of Science in Economics from Ateneo De Manila University and a Master in Business Administration degree from the University of the Philippines.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p><b><u>Honorio O. Reyes- Lao (Filipino, 73 years old)</u></b></p> <p>Mr. Honorio O. Reyes-Lao was appointed to the Board on 30 April 2010 and last re-elected as Director on 26 May 2017.</p> <p>A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking and credit management, where he started his banking career at China Banking Corporation in 1973 to 2004. He was appointed as Senior Management Consultant in 2005 to 2006 at East West Banking Corporation.</p> <p>His expertise was sought by Antel Group of Companies, as Consultant, in 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009.</p> <p>Currently, he is an independent director at the DMCI Holding Corporation, DMCI Project Development, Inc. and Semirara Mining and Power Corporation. He is also the Chairman of Space 2 Place, Inc. and a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004.</p> <p>His background and trainings include Overall Banking Operations at the Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; and the AMLA Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; ASEAN Corporate Governance Conference and Awards 2016 on 14 November 2015; Distinguished Corporate Governance Speaker Series on 24 August, 15 September, 06 November 2015 and SEC Corporate Governance Forum on 3 August 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) and Seminar on Data Privacy Act in 2017.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>Mr. Lao holds a post-graduate degree, Masters in Business Management, from Asian Institute of Management and he graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from De La Salle University.</p> <hr/> <p><b><u>Benjamin R. Sta. Catalina, Jr. (Filipino, 70 years old)</u></b></p> <p>Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on July 2012 and last re-elected as Independent Director on 26 May 2017. He first assumed his independent directorship at PBB in 2003 to 2005.</p> <p>During his early professional years, Mr. Sta. Catalina, Jr. was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President &amp; Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and then handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed to General Manager and handled the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina, Jr. was appointed Vice President and Chief of Staff of the Global Finance Marketing, and then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.</p> <p>In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>In addition to holding a number of executive positions, he underwent trainings including Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 at the Boston Consulting Group. In 1987 he has attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina, Jr. attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, Marketing Financing Ideas to Issuers at Citibank Training Center.</p> <p>Most recent, he attended the Corporate Governance &amp; Risk Management for Bank’s Board of Directors at the Development Finance Institute in 2003, and the Anti-Money Laundering Act Seminar in 2014, Distinguished Corporate Governance Speaker Series on 24 August 2015, Distinguished Corporate Governance Speaker Series 2 on 15 September 2015 and Corporate Governance Forum on 22 December 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) and Seminar on Data Privacy Act in 2017.</p> <p>Mr. Sta. Catalina, Jr. is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from Ateneo De Manila University.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p><b><u>Amador T. Vallejos, Jr. (Filipino, 71 years old)</u></b></p> <p>Mr. Amador T. Vallejos, Jr. was appointed to the Board on 27 May 1997 and last re-elected as Director on 26 May 2017.</p> <p>Currently the General Manager of AMCHEM, he is also the Chairman of King of Travel and President of SMI Development Company.</p> <p>He held directorships at the Philippine Association of Food Technology in 1988, Philippine Chamber of Food Manufacturer in 1989; and the Philippine Article Numbering Council in 1992.</p> <p>He is also a member of the Professional Risk Managers International Association (PRMIA) since 2009.</p> <p>From 1974 to 1976 he held the Marketing Manager position at Rockgas and transferred to Edward Keller Ltd. as the Department Manager from 1976 to 1984.</p> <p>His expertise and trainings include BAI Conference and Seminars on Technology in Banking taken in 1998 and 1999 both in BAI, USA; Corporate Governance &amp; Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; Corporate Governance Seminar for Board of Directors in November 2014; Updated Guidelines on Sound Credit Risk Management on 7 August 2015 and Annual SEC-PSE Corporate Governance Forum on 22 November 2016.</p> <p>Mr. Vallejos graduated from Ateneo De Manila University with a degree in Bachelor of Arts in Economics.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p><b><u>Leticia M. Yao (Filipino, 64 years old)</u></b></p> <p>Dra. Leticia M. Yao was appointed to the Board in 2009 and last re-elected as Director on 26 May 2017.</p> <p>A well-respected figure in the healthcare industry, Dra. Yao was appointed as a Consultant at the United Doctors Medical Center (UDMC) and at the Providence Hospital, Inc. She is also a director at Mega Asia Bottling Corporation, Zest-O Corporation, Uni-Ipel Industries, Inc., Harman Foods Phils., Inc. and Solmac Marketing, Inc.</p> <p>She preceded along trainings for Corporate Governance &amp; Risk Management for Bank’s Board of Directors at the Development Finance Institute in 2002 and further taken the Risk Awareness Seminar at the Pacific Management Forum in 2009. She attended the AMLA Seminar conducted by the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series on August 24, 2015 and Corporate Governance Seminar for Board of Directors on December 10, 2015 to hone her skills as Director of PBB.</p> <p>Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine also from the University of Sto. Tomas.</p>	

**Recommendation 1.2**

<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Compliant</p>	<table border="1"> <thead> <tr> <th data-bbox="821 1192 1228 1230">Director’s Name</th> <th data-bbox="1228 1192 1602 1230">Type</th> </tr> </thead> <tbody> <tr> <td data-bbox="821 1230 1228 1268">Francis T. Lee</td> <td data-bbox="1228 1230 1602 1268">Non-Executive Director</td> </tr> <tr> <td data-bbox="821 1268 1228 1305">Jeffrey S. Yao</td> <td data-bbox="1228 1268 1602 1305">Non-Executive Director</td> </tr> <tr> <td data-bbox="821 1305 1228 1343">Rolando R. Avante</td> <td data-bbox="1228 1305 1602 1343">Executive Director</td> </tr> <tr> <td data-bbox="821 1343 1228 1380">Danilo A. Alcosoba</td> <td data-bbox="1228 1343 1602 1380">Non-Executive Director</td> </tr> <tr> <td data-bbox="821 1380 1228 1417">Roberto A. Atendido</td> <td data-bbox="1228 1380 1602 1417">Non-Executive Director</td> </tr> <tr> <td data-bbox="821 1417 1228 1446">Paterno H. Dizon</td> <td data-bbox="1228 1417 1602 1446">Independent Director</td> </tr> </tbody> </table>	Director’s Name	Type	Francis T. Lee	Non-Executive Director	Jeffrey S. Yao	Non-Executive Director	Rolando R. Avante	Executive Director	Danilo A. Alcosoba	Non-Executive Director	Roberto A. Atendido	Non-Executive Director	Paterno H. Dizon	Independent Director	
Director’s Name	Type																
Francis T. Lee	Non-Executive Director																
Jeffrey S. Yao	Non-Executive Director																
Rolando R. Avante	Executive Director																
Danilo A. Alcosoba	Non-Executive Director																
Roberto A. Atendido	Non-Executive Director																
Paterno H. Dizon	Independent Director																

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information				Explanation																					
		Honorio O. Reyes-Lao		Non-Executive Director																							
		Benjamin R. Sta. Catalina, Jr.		Independent Director																							
		Amador T. Vallejos, Jr.		Non-Executive Director																							
		Leticia M. Yao		Non-Executive Director																							
<b>Recommendation 1.3</b>																											
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	Compliant	See items X on page 10 and item P on page 64 of the Board Charter and Manual on Corporate Governance and Compliance Program respectively.																									
2. Company has an orientation program for first time directors.		<table border="1"> <thead> <tr> <th data-bbox="793 667 1003 740">Name of Seminar</th> <th data-bbox="1003 667 1182 740">Date Conducted</th> <th data-bbox="1182 667 1297 740">No. of Hours</th> <th data-bbox="1297 667 1633 740">Topics Covered</th> </tr> </thead> <tbody> <tr> <td data-bbox="793 740 1003 1138" rowspan="5">International Financial Reporting Standards (IFRS 9)</td> <td data-bbox="1003 740 1182 1138" rowspan="5">15 June 2017</td> <td data-bbox="1182 740 1297 1138" rowspan="5">8 hrs.</td> <td data-bbox="1297 740 1633 805">Financial Instruments Overview</td> </tr> <tr> <td data-bbox="1297 805 1633 902">Financial Assets: Classification and Subsequent Measurements</td> </tr> <tr> <td data-bbox="1297 902 1633 967">Financial Assets: Reclassification</td> </tr> <tr> <td data-bbox="1297 967 1633 1065">Financial Liabilities: Classification and Measurement</td> </tr> <tr> <td data-bbox="1297 1065 1633 1130">Embedded Derivatives</td> </tr> <tr> <td data-bbox="1297 1130 1633 1138">Impairment</td> </tr> <tr> <td data-bbox="793 1138 1003 1373" rowspan="4">Seminar on Data Privacy Act</td> <td data-bbox="1003 1138 1182 1373" rowspan="4">8 Nov. 2017</td> <td data-bbox="1182 1138 1297 1373" rowspan="4">2.5 hrs.</td> <td data-bbox="1297 1138 1633 1203">The Need for Data Protection</td> </tr> <tr> <td data-bbox="1297 1203 1633 1268">The Data Privacy Act of 2012 (RA10173)</td> </tr> <tr> <td data-bbox="1297 1268 1633 1333">The 5 Pillars of Compliance</td> </tr> <tr> <td data-bbox="1297 1333 1633 1373">What Now, and How can ePLDT help?</td> </tr> </tbody> </table>					Name of Seminar	Date Conducted	No. of Hours	Topics Covered	International Financial Reporting Standards (IFRS 9)	15 June 2017	8 hrs.	Financial Instruments Overview	Financial Assets: Classification and Subsequent Measurements	Financial Assets: Reclassification	Financial Liabilities: Classification and Measurement	Embedded Derivatives	Impairment	Seminar on Data Privacy Act	8 Nov. 2017	2.5 hrs.	The Need for Data Protection	The Data Privacy Act of 2012 (RA10173)	The 5 Pillars of Compliance	What Now, and How can ePLDT help?	
Name of Seminar		Date Conducted	No. of Hours	Topics Covered																							
International Financial Reporting Standards (IFRS 9)	15 June 2017	8 hrs.	Financial Instruments Overview																								
			Financial Assets: Classification and Subsequent Measurements																								
			Financial Assets: Reclassification																								
			Financial Liabilities: Classification and Measurement																								
			Embedded Derivatives																								
Impairment																											
Seminar on Data Privacy Act	8 Nov. 2017	2.5 hrs.	The Need for Data Protection																								
			The Data Privacy Act of 2012 (RA10173)																								
			The 5 Pillars of Compliance																								
			What Now, and How can ePLDT help?																								
3. Company has relevant annual continuing training for all directors.																											

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation																						
Recommendation 1.4																									
1. Board has a policy on board diversity.	Compliant	<p>See E.2.a.i last paragraph on page 17 of the Manual on Corporate Governance and Compliance Program.</p> <table border="1" data-bbox="879 443 1520 849"> <thead> <tr> <th>Director's Name</th> <th>Gender</th> </tr> </thead> <tbody> <tr> <td>Francis T. Lee</td> <td>Male</td> </tr> <tr> <td>Jeffrey S. Yao</td> <td>Male</td> </tr> <tr> <td>Rolando R. Avante</td> <td>Male</td> </tr> <tr> <td>Danilo A. Alcoseba</td> <td>Male</td> </tr> <tr> <td>Roberto A. Atendido</td> <td>Male</td> </tr> <tr> <td>Paterno H. Dizon</td> <td>Male</td> </tr> <tr> <td>Honorio O. Reyes-Lao</td> <td>Male</td> </tr> <tr> <td>Benjamin R. Sta. Catalina, Jr.</td> <td>Male</td> </tr> <tr> <td>Amador T. Vallejos, Jr.</td> <td>Male</td> </tr> <tr> <td>Leticia M. Yao</td> <td>Female</td> </tr> </tbody> </table>	Director's Name	Gender	Francis T. Lee	Male	Jeffrey S. Yao	Male	Rolando R. Avante	Male	Danilo A. Alcoseba	Male	Roberto A. Atendido	Male	Paterno H. Dizon	Male	Honorio O. Reyes-Lao	Male	Benjamin R. Sta. Catalina, Jr.	Male	Amador T. Vallejos, Jr.	Male	Leticia M. Yao	Female	
Director's Name	Gender																								
Francis T. Lee	Male																								
Jeffrey S. Yao	Male																								
Rolando R. Avante	Male																								
Danilo A. Alcoseba	Male																								
Roberto A. Atendido	Male																								
Paterno H. Dizon	Male																								
Honorio O. Reyes-Lao	Male																								
Benjamin R. Sta. Catalina, Jr.	Male																								
Amador T. Vallejos, Jr.	Male																								
Leticia M. Yao	Female																								
Recommendation 1.5																									
<p>1. Board is assisted by a Corporate Secretary.</p> <p>2. Corporate Secretary is a separate individual from the Compliance Officer.</p> <p>3. Corporate Secretary is not a member of the Board of Directors.</p>	Compliant	<p>Atty. Roberto S. Santos is the Bank's Corporate Secretary with a rank of Vice President. He was a Senior Assistant Vice President at Security Bank Corporation from 1996 to 2001. He also held an Assistant Manager position at Traders Royal Bank.</p> <p>His expertise and training includes Seminar on Data Privacy Act and Best Practice in Corporate Housekeeping in 2017, Corporate Governance Seminar, AMLA for Board of Directors and Senior Officers, Revised ISBP on LC Transactions, and Do's and Don'ts in Hiring and Firing Endo Workers 2016, Corporate Governance Seminar for Directors and Senior Officers, Mandatory Continuing Legal Education, A Guide to Mergers and Acquisitions for Banks and Updated Guidelines on Sound Credit Risk Management in 2015. Corporate Governance Seminar for Directors &amp; Senior Officers and AMLA Seminar for Board of Directors</p>																							

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>and Senior Officers in 2014 and 2012, Risk Awareness Seminar in 2012, Corporate Governance Seminar in 2011 and Mandatory Continuing Legal Education (MCLE) in 2009.</p> <p>Atty. Santos is a graduate of Bachelor of Arts from the University of the East and took up Bachelor of Laws in the same university</p> <p>The Corporate Secretary is the custodian of and maintains corporate books and record and the recorder of the Bank’s formal actions and transactions. He is primarily responsible to the bank and its shareholders, and has, among others, the following duties and responsibilities:</p> <ul style="list-style-type: none"> <li>(a) Assists the Board and the board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings and the annual board calendar and assisting the chairs of the Board and its committees to set agendas for those meetings;</li> <li>(b) Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the bank;</li> <li>(c) Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the bank, and advises the Board and the chairperson all relevant issues as they arise;</li> <li>(d) Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees, and the Board and its stakeholders, including shareholders;</li> <li>(e) Advises on the establishment of board committees and their terms of reference;</li> </ul>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation												
		(f) Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decision on matters that require their approval; (g) Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so; (h) Performs required administrative functions; (i) Oversees the drafting of the by-laws and ensures that they conform with regulatory requirement; and (j) Performs such other duties and responsibilities as may be provided by the SEC.													
4. Corporate Secretary attends training/s on corporate governance.	Compliant	Trainings on Corporate Governance: <table border="1" data-bbox="810 870 1614 1162"> <thead> <tr> <th data-bbox="810 870 1339 911">Nature/Title</th> <th data-bbox="1339 870 1614 911">Date Taken</th> </tr> </thead> <tbody> <tr> <td data-bbox="810 911 1339 946">Best Practices in Corporate Housekeeping</td> <td data-bbox="1339 911 1614 946">11-12 May2017</td> </tr> <tr> <td data-bbox="810 946 1339 982">Corporate Governance Seminar</td> <td data-bbox="1339 946 1614 982">22 December 2016</td> </tr> <tr> <td data-bbox="810 982 1339 1052">Corporate Governance Seminar for Directors &amp; Senior Officers</td> <td data-bbox="1339 982 1614 1052">10 December 2015</td> </tr> <tr> <td data-bbox="810 1052 1339 1122">Corporate Governance Seminar for Directors &amp; Senior Officers</td> <td data-bbox="1339 1052 1614 1122">23 December 2014</td> </tr> <tr> <td data-bbox="810 1122 1339 1162">Corporate Governance Seminar</td> <td data-bbox="1339 1122 1614 1162">3 September 2011</td> </tr> </tbody> </table>	Nature/Title	Date Taken	Best Practices in Corporate Housekeeping	11-12 May2017	Corporate Governance Seminar	22 December 2016	Corporate Governance Seminar for Directors & Senior Officers	10 December 2015	Corporate Governance Seminar for Directors & Senior Officers	23 December 2014	Corporate Governance Seminar	3 September 2011	
Nature/Title	Date Taken														
Best Practices in Corporate Housekeeping	11-12 May2017														
Corporate Governance Seminar	22 December 2016														
Corporate Governance Seminar for Directors & Senior Officers	10 December 2015														
Corporate Governance Seminar for Directors & Senior Officers	23 December 2014														
Corporate Governance Seminar	3 September 2011														
Optional: Recommendation 1.5															
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Non-compliant	Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting.	The requirement was complied only in 2018.												

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	Compliant	Mr. Agustin E. Dingle, Jr. is a graduate of Pamantasan ng Lungsod ng Maynila (PLM) with a degree in BSBA Accounting. He also took up Bachelor of Laws at Manuel L. Quezon University.	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.		He is a seasoned banker with 38 years' experience with a rank of First Vice President (FVP). He attended the following seminars/trainings: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Final Workshop for the Money Laundering/Terrorism Financing (ML/TF) National Risk Assessment (NRA), AMLA Seminar for Senior Officers, Compliance Beyond Borders-Gearing up for the ASEAN Integration, Best Practices in Credit Risk Ratings for Banks, Updated Guidelines on Sound Credit Risk Management, Money Laundering & Terrorist Financing (ML/TF) National Risk Assessment (NRA) Initial Workshop, Enterprise-Wide Risk Management, 2014 ASEAN Corporate Governance Scorecard (ACGS) Workshop for Publicly Listed Companies (PLCs), The Anti-Money Laundering Act of 2001 (as amended) RA 10365, AMLA Risk Rating System and Updates on Circular 706, FATCA – A Path to Cost-Effective and Efficient Compliance Seminar, 7th Biennial Workshop on Strengthening Governance, Risk and Compliance, Seminar Updates on ARRS and RA 10365, 8th Annual Corporate Governance Workshop 2011, Risk Analysis and Management, IFRS-Based Financial Analysis, Internal Credit Risk Ratings and Measurement, Treasury Operations, International Accounting Standards 32 and 39, Compliance: Moving Forward Workshop, Basics of Money Market Introduction to Foreign Exchange, Corporate Governance and Risk Management Program for Bank Directors and Senior Management, Deposit Profitability Analysis, Derivative Transactions.	
3. Compliance Officer is not a member of the board.			

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>He shall perform the following duties:</p> <ul style="list-style-type: none"> <li>i. Ensures that the compliance system is designed to specifically identify and mitigate compliance/business risks, which may erode the franchise value of the bank.</li> <li>ii. Ensures that the compliance function shall have formal status within the Bank, which shall be established by a charter duly approved by the Board of Directors that defines the compliance function’s standing, authority and independence, and addresses the following issues: <ul style="list-style-type: none"> <li>(1) Measures to ensure the independence of the compliance function from the business activities of the bank;</li> <li>(2) The organizational structure and responsibilities of the unit or department administering the compliance program;</li> <li>(3) The relationship of the Compliance Office with other functions or units of the organization, including the delineation of responsibilities and lines of cooperation;</li> <li>(4) The right of the Compliance Office to obtain access to information necessary to carry out its responsibilities;</li> <li>(5) The right of the Compliance Office to conduct investigations of possible breaches of the compliance policy;</li> <li>(6) The formal reporting relationships of the Compliance Office to Senior Management, the Board of Directors, and the appropriate board-level Committee; and</li> <li>(7) The rights of the Compliance Office direct access to the Board of Directors and to the appropriate Committee level Committee.</li> </ul> </li> <li>iii. Is tasked in managing the implementation of the Corporate Governance and Compliance Program of the Bank, with the following specific duties and responsibilities:</li> </ul>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<ul style="list-style-type: none"> <li>(1) Ensures proper on-boarding of new directors (i.e., orientation on the bank’s business, charter, articles of incorporation and by-laws, among others);</li> <li>(2) Monitors, reviews, evaluates and ensures the compliance by the Bank, its officers and directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;</li> <li>(3) Reports the matter to the Corporate Governance/Nomination Committee if violations are found and recommends the imposition of appropriate disciplinary action;</li> <li>(4) Ensures the integrity and accuracy of all documentary submission to regulators;</li> <li>(5) Appears before the SEC when summoned in relation to compliance with this Code;</li> <li>(6) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;</li> <li>(7) Identifies possible areas of compliance issues and works towards the resolution of the same;</li> <li>(8) Ensures the attendance of board members and key officers to relevant trainings;</li> <li>(9) Performs such other duties and responsibilities as may be provided by the SEC;</li> <li>(10) Manages the implementation, and periodic revision, of the Corporate Governance and Compliance Program; and</li> <li>(11) Develops and recommends policies and programs to the Board of Directors, through the Corporate Governance Committee, which will encourage officers and employees to report suspected fraud and other improprieties without fear of retaliation.</li> </ul>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation												
4. Compliance Officer attends training/s on corporate governance.	Compliant	Trainings on Corporate Governance: <table border="1" data-bbox="844 370 1575 730"> <thead> <tr> <th data-bbox="852 376 1314 409">Nature/Title</th> <th data-bbox="1323 376 1566 409">Date Taken</th> </tr> </thead> <tbody> <tr> <td data-bbox="852 415 1314 448">Corporate Governance Seminar</td> <td data-bbox="1323 415 1566 448">22 December 2016</td> </tr> <tr> <td data-bbox="852 454 1314 503">Corporate Governance Seminar for Directors &amp; Senior Officers</td> <td data-bbox="1323 454 1566 503">10 December 2015</td> </tr> <tr> <td data-bbox="852 509 1314 607">Compliance Beyond Borders - Gearing up for the ASEAN Integration (8th ABCOMP Biennial Workshop)</td> <td data-bbox="1323 509 1566 607">16-18 July 2015</td> </tr> <tr> <td data-bbox="852 613 1314 678">Corporate Governance Seminar for Directors &amp; Senior Officers</td> <td data-bbox="1323 613 1566 678">23 December 2014</td> </tr> <tr> <td data-bbox="852 685 1314 734">7<sup>th</sup> Biennial Workshop on Strengthening Governance, Risk and Compliance</td> <td data-bbox="1323 685 1566 734">12-13 July 2013</td> </tr> </tbody> </table>	Nature/Title	Date Taken	Corporate Governance Seminar	22 December 2016	Corporate Governance Seminar for Directors & Senior Officers	10 December 2015	Compliance Beyond Borders - Gearing up for the ASEAN Integration (8th ABCOMP Biennial Workshop)	16-18 July 2015	Corporate Governance Seminar for Directors & Senior Officers	23 December 2014	7 <sup>th</sup> Biennial Workshop on Strengthening Governance, Risk and Compliance	12-13 July 2013	
Nature/Title	Date Taken														
Corporate Governance Seminar	22 December 2016														
Corporate Governance Seminar for Directors & Senior Officers	10 December 2015														
Compliance Beyond Borders - Gearing up for the ASEAN Integration (8th ABCOMP Biennial Workshop)	16-18 July 2015														
Corporate Governance Seminar for Directors & Senior Officers	23 December 2014														
7 <sup>th</sup> Biennial Workshop on Strengthening Governance, Risk and Compliance	12-13 July 2013														

**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company’s articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care and in the best interest of the company.	Compliant	see Annex A	
---	-----------	-------------	--

**Recommendation 2.2**

1. Board oversees the development, review and approval of the company’s business objectives and strategy.	Compliant	see Annex B	
2. Board oversees and monitors the implementation of the company’s business objectives and strategy.			

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	Compliant	<a href="http://pbb.com.ph/mission_and_vision.htm">http://pbb.com.ph/mission_and_vision.htm</a>  Review of the vision, mission and core values is being conducted yearly.	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	Compliant	The Board of Directors has general responsibilities of: (1) approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values; (2) monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the institution.	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	Compliant	PBB's Chairman of the Board is Mr. Francis T. Lee. see recommendation 1.1 for his qualifications.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	Policy on Succession Planning has been approved by the BOD in 2013. A yearly update on the succession is reported through the Corporate Governance Committee.	
2. Board adopts a policy on the retirement for directors and key officers.		The Succession Planning is established (1) To ensure unhampered operations of the Bank; (2) To ensure continuity in management of its corporate affairs/operations; and (3) To avoid strategic risk resulting from a sudden vacancy of key and critical positions in the Bank.  The retirement policy of the Bank is being implemented with the approval of EXCOM and Retirement Committee.	
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	Compliant	Annual performance management systems and its guidelines are being presented to the Board of Directors during the Board meeting, likewise the equivalent performance merit increase for each performance.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
2. Board adopts a policy specifying the relationship between remuneration and performance.		Compensation and Benefits packages are benchmarked with the industry, and reviewed based on the internal standards of the bank in terms of reasonability and affordability vis-à-vis bank performance.	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.			
<b>Optional: Recommendation 2.5</b>			
1. Board approves the remuneration of senior executives	Compliant	Annual performance management systems and its guidelines are being presented to the Board of Directors during the Board meeting, likewise the equivalent performance merit increase of Senior Executives for approval and confirmation.	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	Compliant	<p>The Bank's Performance Management System ensure the development of the Bank's performance standards and measures, feedback system and performance monitoring, recognition mechanism and developmental plans which in turn would support employee development, give due recognition to deserving employees and in order to support the achievement of business strategies and objectives; drive competency development and promote a performance driven and improvement culture within the Bank.</p> <p>This policy of the bank on performance management was also established to provide the specific standards in employee's performance evaluation.</p>	
<b>Recommendation 2.6</b>			
1. Board has a formal and transparent board nomination and election policy.	Compliant	The Nomination/ Corporate Governance Committee pre-screens and short-lists all candidates nominated to become members of the BOD in accordance with the qualifications and disqualifications provisions of the Bank's Manual on Corporate Governance and Compliance Program.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.		The Nomination/ Corporate Governance Committee conducts annual evaluation of the performance of all directors. The results in this annual activity is the basis of the Committee in coming up with the list of nominees to be submitted to the Corporate Secretary for possible re-appointment/re-election to the Board as director during the stockholders meeting.	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.			
4. Board nomination and election policy includes how the board shortlists candidates.			
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.			
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.			
<b>Optional: Recommendation 2.6</b>			
1. Company uses professional search firms or other external sources of candidates (such as director database set up by director or shareholder bodies) when searching for candidates to the board of directors.	Compliant	Candidate for the Board of Directors position is being sourced out through referral of the members of the Board of Directors and Senior Management.	The Bank will increase the number of Independent Directors in 2018, which formal appointment shall be confirmed during the 2018 Annual Stockholders' Meeting.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Recommendation 2.7</b>			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/RPT20Policy.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/RPT20Policy.pdf</a>	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.			
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.			
<b>Supplement to Recommendations 2.7</b>			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs	Compliant	<p>A threshold amount, as approved by the Board, is prescribed for each type of transaction with each related party or group of related parties. An RPT that crossed the applicable threshold amount shall be considered material RPT and shall be subject to materiality threshold requirements, i.e., evaluation and approval by RPT Committee and BOD, respectively, and reporting to the BSP.</p> <p>The following transactions shall not be deemed related party transactions and shall therefore be excluded from materiality thresholds requirement and reporting to the BSP.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation										
within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.		i. Transactions concerning deposit operations; ii. Regular trade transactions involving purchases and sales of debt securities traded in an active market; iii. Transactions allowed/granted under BSP-approved fringe benefit programs; and iv. Executive Officer and Director compensation arrangements.											
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	Non-compliant	Provide information on voting system, if any.	The provision will be incorporated in the amendment of the Manual on Corporate Governance and Compliance Program/RPT Policy.										
<b>Recommendation 2.8</b>													
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive)	Compliant	See E.2.a.iv (3) on page 19 of the Manual on Corporate Governance and Compliance Program  The Management Team appointed: <table border="1" data-bbox="795 980 1635 1167"> <thead> <tr> <th>Name</th> <th>Position</th> </tr> </thead> <tbody> <tr> <td>Rolando R. Avante</td> <td>President and CEO</td> </tr> <tr> <td>Agustin E. Dingle, Jr.</td> <td>Chief Compliance Officer</td> </tr> <tr> <td>Belinda C. Rodriguez</td> <td>Chief Risk Officer</td> </tr> <tr> <td>Laurence R. Rapanut</td> <td>Chief Audit Executive/Internal Auditor</td> </tr> </tbody> </table>	Name	Position	Rolando R. Avante	President and CEO	Agustin E. Dingle, Jr.	Chief Compliance Officer	Belinda C. Rodriguez	Chief Risk Officer	Laurence R. Rapanut	Chief Audit Executive/Internal Auditor	
Name	Position												
Rolando R. Avante	President and CEO												
Agustin E. Dingle, Jr.	Chief Compliance Officer												
Belinda C. Rodriguez	Chief Risk Officer												
Laurence R. Rapanut	Chief Audit Executive/Internal Auditor												
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Compliant	All Group Heads reporting to Board Level Committee are being rated by each member of the committee i.e. Chief Risk Officer is rated by Risk Committee, Chief Compliance Officer and Internal Auditor is rated by the Audit Committee and Chief Trust Officer is rated by Trust Committee. HRG will average the rating to get their final performance rating.											

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Recommendation 2.9</b>			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Compliant	Bank's performance standards and measures, feedback system and performance monitoring, recognition mechanism and developmental plans which in turn would support employee development, give due recognition to deserving employees and in order to support the achievement of business strategies and objectives; drive competency development and promote a performance-driven and improvement culture within the Bank.  This policy on performance management system is established to provide the specific standards in employee's performance evaluation. This policy covers the employee's performance evaluation for permanency and the annual performance appraisal.	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.			
<b>Recommendation 2.10</b>			
1. Board oversees that an appropriate internal control system is in place.	Compliant	See E.2.a.v on page 25 of the Manual on Corporate Governance and Compliance Program	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management members and shareholders.			
3. Board approves the Internal Audit Charter.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf</a>	
<b>Recommendation 2.11</b>			
1. Board oversees that the company has in place a sound enterprise risk management	Compliant	See E.2.a.ix(f) – (1) on page 41 of the Manual on Corporate Governance and Compliance Program	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<p>(ERM) framework to effectively identify, monitor, assess and manage key business risk.</p> <p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>		see Annex C	
<b>Recommendation 2.12</b>			
<p>1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.</p> <p>2. Board Charter serves as a guide to the directors in the performance of their functions.</p> <p>3. Board Charter is publicly available and posted on the company's website.</p>	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Board%20of%20Director's%20Charter%20%20Philippine%20Business%20Bank.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Board%20of%20Director's%20Charter%20%20Philippine%20Business%20Bank.pdf</a>	
<b>Additional Recommendation to Principle 2</b>			
<p>1. Board has a clear insider trading policy.</p>	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/Insider%20Trading%20Policy%20(for%20PBB%20Website).pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/Insider%20Trading%20Policy%20(for%20PBB%20Website).pdf</a>	
<b>Optional: Principle 2</b>			
<p>1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the</p>	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/RPT%20Policy.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/RPT%20Policy.pdf</a>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation								
transaction is conducted at arm's length basis and at market rates.  2. Company discloses the types of decision requiring board of directors' approval.											
<p><b>Principle 3:</b> Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be considered in a publicity available Committee Charter.</p>											
<p><b>Recommendation 3.1</b></p>											
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	See E.2.a.ix on page 34 of the Manual on Corporate Governance and Compliance Program									
<p><b>Recommendation 3.2</b></p>											
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	See E.2.a.ix.(b) on page 36 of the Manual on Corporate Governance and Compliance Program.  The committee is responsible for the appointment, fees, and replacement of external auditor. It reviews and approves the engagement contract and ensures that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators [see item (4) on page 37 of the Corporate Governance Manual].									
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	Compliant	See recommendation 1.1 for their qualifications  <table border="1" data-bbox="810 1312 1623 1453"> <thead> <tr> <th data-bbox="810 1312 1314 1349">Director's Name</th> <th data-bbox="1314 1312 1623 1349">Type</th> </tr> </thead> <tbody> <tr> <td data-bbox="810 1349 1314 1385">Benjamin R. Sta. Catalina, Jr. – Chairman</td> <td data-bbox="1314 1349 1623 1385">Independent Director</td> </tr> <tr> <td data-bbox="810 1385 1314 1421">Paterno H. Dizon – Member</td> <td data-bbox="1314 1385 1623 1421">Independent Director</td> </tr> <tr> <td data-bbox="810 1421 1314 1453">Danilo A. Alcosoba – Member</td> <td data-bbox="1314 1421 1623 1453">Non-Executive Director</td> </tr> </tbody> </table>	Director's Name	Type	Benjamin R. Sta. Catalina, Jr. – Chairman	Independent Director	Paterno H. Dizon – Member	Independent Director	Danilo A. Alcosoba – Member	Non-Executive Director	
Director's Name	Type										
Benjamin R. Sta. Catalina, Jr. – Chairman	Independent Director										
Paterno H. Dizon – Member	Independent Director										
Danilo A. Alcosoba – Member	Non-Executive Director										

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information		Explanation
		Roberto A. Atendido – Member	Non-Executive Director	
		Amador T. Vallejos, Jr. - Member	Non-Executive Director	
		Jeffrey S. Yao – Member	Non-Executive Director	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	See recommendation 1.1 for their qualifications		
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/PBB_BoardCommitteeMembers.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/PBB_BoardCommitteeMembers.pdf</a>		
<b>Supplement to Recommendation 3.2</b>				
1. Audit Committee approves all non-audit services conducted by the external auditor.	Compliant	<p>The Bank has not engaged any non-audit services from the external auditor, Punongbayan &amp; Araullo. This was confirmed by our external auditor in its letter and meeting with the Audit Committee on February 21, 2018.</p> <p>Attached as Annex D is the report of the Punongbayan &amp; Araullo under Section 5 of the Audit Result for Philippine Business Bank, Inc. (for the year ended December 31, 2017) which states “P&amp;A has not been engaged by the Bank for any non-audit services during the year.”</p> <p>The said SEC’s recommendation/ provision is included in the revised Audit Committee Charter approved by the Audit Committee on May 9, 2018 and confirmed by the Board of Directors on May 16, 2018. (see Annex E).</p>		
2. Audit Committee conducts regular meetings and dialogues with the external	Compliant	The Bank’s Audit Committee has conducted regular meetings and dialogues with the external audit team without anyone from the management present on October 11, 2017 and February 21, 2018.		

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
audit team without anyone from management present.		<p>Attached as proof are following:</p> <p>1) Notices of Meeting dated October 6, 2017 and February 15, 2018 for the scheduled Audit Committee meetings held on October 11, 2017 and February 21, 2018, respectively. (see Annexes F-G);</p> <p>2) P&amp;A’s letter to the Bank’s Audit Committee dated October 11, 2017 on their discussion pertaining to their Audit Plan for PBB for the year ending December 31, 2017; and February 21, 2018 on the Audit Results for PBB (see Annex H-I, respectively).</p>	
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.	Compliant	<p>The Audit Committee met monthly or twelve (12) times during the year. This is provided under the previous (under page 4) and revised Audit Committee Charter (under page 6) which states that “The Committee will meet once every month or as often as necessary to fulfill its duties and responsibilities”</p> <p>Attached as Annex J and Annex E is a copy of the previous and revised Audit Committee Charter.</p>	
2. Audit Committee approves the appointment and removal of the internal auditor.	Compliant	<p>This is provided under item #12 of the previous approved Audit Committee Charter, which provides that, “Review the appointment, performance and replacement of the Chief Internal Auditor or contracted internal auditors, if applicable” and under item 21 of the revised Audit Committee Charter which states that the Audit Committee “Approve the appointment and removal of the Chief Internal Auditor and key internal auditors or contracted internal auditors, if applicable.”</p> <p>Attached as Annex J and Annex E are copy of the Audit Committee Charters.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation												
<b>Recommendation 3.3</b>															
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	<p>See item D on page 11 of the Manual on Corporate Governance and Compliance Program.</p> <p>The committee reviews and evaluates the qualifications of all persons nominated to the board of directors as well as those nominated to other positions requiring appointment by the board of directors.</p> <p>The committee recommends to the board of directors matters pertaining to the assignment to board committees, as well as succession plan for the members of the board of directors and senior management.</p>													
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Compliant	See recommendation 1.1 for their qualifications													
3. Chairman of the Corporate Governance Committee is an independent director.		<table border="1" data-bbox="795 748 1623 964"> <thead> <tr> <th data-bbox="795 748 1299 781">Director's Name</th> <th data-bbox="1299 748 1623 781">Type</th> </tr> </thead> <tbody> <tr> <td data-bbox="795 781 1299 813">Paterno H. Dizon – Chairman</td> <td data-bbox="1299 781 1623 813">Independent Director</td> </tr> <tr> <td data-bbox="795 813 1299 846">Danilo A. Alcosoba – Member</td> <td data-bbox="1299 813 1623 846">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 846 1299 878">Roberto A. Atendido – Member</td> <td data-bbox="1299 846 1623 878">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 878 1299 911">Benjamin R. Sta. Catalina, Jr. – Member</td> <td data-bbox="1299 878 1623 911">Independent Director</td> </tr> <tr> <td data-bbox="795 911 1299 964">Amador T. Vallejos, Jr. - Member</td> <td data-bbox="1299 911 1623 964">Non-Executive Director</td> </tr> </tbody> </table>	Director's Name	Type	Paterno H. Dizon – Chairman	Independent Director	Danilo A. Alcosoba – Member	Non-Executive Director	Roberto A. Atendido – Member	Non-Executive Director	Benjamin R. Sta. Catalina, Jr. – Member	Independent Director	Amador T. Vallejos, Jr. - Member	Non-Executive Director	
Director's Name	Type														
Paterno H. Dizon – Chairman	Independent Director														
Danilo A. Alcosoba – Member	Non-Executive Director														
Roberto A. Atendido – Member	Non-Executive Director														
Benjamin R. Sta. Catalina, Jr. – Member	Independent Director														
Amador T. Vallejos, Jr. - Member	Non-Executive Director														
<b>Optional: Recommendation 3.3</b>															
1. Corporate Governance Committee meet at least twice (2x) during the year.	Compliant	The Corporate Governance Committee had six (6) regular meetings and four (4) special meetings for the year 2017.													
<b>Recommendation 3.4</b>															
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	See E.2.a.ix (f) on page 41 of the Manual on Corporate Governance and Compliance Program.													

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation																
2. BROC is composed of at least three (3) members, the majority of whom should be independent directors, including the Chairman.	Compliant	see recommendation 1.1 for their qualifications. <table border="1" data-bbox="795 370 1612 654"> <thead> <tr> <th data-bbox="795 370 1287 407">Director's Name</th> <th data-bbox="1287 370 1612 407">Type</th> </tr> </thead> <tbody> <tr> <td data-bbox="795 407 1287 444">Amador T. Vallejos, Jr. - Chairman</td> <td data-bbox="1287 407 1612 444">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 444 1287 482">Jeffrey S. Yao – Member</td> <td data-bbox="1287 444 1612 482">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 482 1287 519">Paterno H. Dizon – Member</td> <td data-bbox="1287 482 1612 519">Independent Director</td> </tr> <tr> <td data-bbox="795 519 1287 557">Danilo A. Alcosoba – Member</td> <td data-bbox="1287 519 1612 557">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 557 1287 594">Roberto A. Atendido – Member</td> <td data-bbox="1287 557 1612 594">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 594 1287 631">Benjamin R. Sta. Catalina, Jr. – Member</td> <td data-bbox="1287 594 1612 631">Independent Director</td> </tr> <tr> <td data-bbox="795 631 1287 654">Honorio O. Reyes-Lao – Member</td> <td data-bbox="1287 631 1612 654">Non-Executive Director</td> </tr> </tbody> </table>	Director's Name	Type	Amador T. Vallejos, Jr. - Chairman	Non-Executive Director	Jeffrey S. Yao – Member	Non-Executive Director	Paterno H. Dizon – Member	Independent Director	Danilo A. Alcosoba – Member	Non-Executive Director	Roberto A. Atendido – Member	Non-Executive Director	Benjamin R. Sta. Catalina, Jr. – Member	Independent Director	Honorio O. Reyes-Lao – Member	Non-Executive Director	
Director's Name	Type																		
Amador T. Vallejos, Jr. - Chairman	Non-Executive Director																		
Jeffrey S. Yao – Member	Non-Executive Director																		
Paterno H. Dizon – Member	Independent Director																		
Danilo A. Alcosoba – Member	Non-Executive Director																		
Roberto A. Atendido – Member	Non-Executive Director																		
Benjamin R. Sta. Catalina, Jr. – Member	Independent Director																		
Honorio O. Reyes-Lao – Member	Non-Executive Director																		
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/PBB_BoardCommitteeMembers.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/PBB BoardCommitteeMembers.pdf</a>																	
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	see recommendation 1.1 for their qualifications																	
<b>Recommendation 3.5</b>																			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Compliant	See E.2.a.ix(c) on page 38 of the Manual Corporate Governance and Compliance Program.																	
2. RPT Committee is composed of at least three (3) non-executive directors, two (2) of whom should be independent, including the Chairman.	Compliant	<table border="1" data-bbox="795 1198 1612 1450"> <thead> <tr> <th data-bbox="795 1198 1287 1235">Director's Name</th> <th data-bbox="1287 1198 1612 1235">Type</th> </tr> </thead> <tbody> <tr> <td data-bbox="795 1235 1287 1273">Paterno H. Dizon – Chairman</td> <td data-bbox="1287 1235 1612 1273">Independent Director</td> </tr> <tr> <td data-bbox="795 1273 1287 1310">Danilo A. Alcosoba – Member</td> <td data-bbox="1287 1273 1612 1310">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 1310 1287 1347">Roberto A. Atendido – Member</td> <td data-bbox="1287 1310 1612 1347">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 1347 1287 1385">Honorio O. Reyes-Lao – Member</td> <td data-bbox="1287 1347 1612 1385">Non-Executive Director</td> </tr> <tr> <td data-bbox="795 1385 1287 1422">Benjamin R. Sta. Catalina, Jr. – Member</td> <td data-bbox="1287 1385 1612 1422">Independent Director</td> </tr> <tr> <td data-bbox="795 1422 1287 1450">Amador T. Vallejos, Jr. - Member</td> <td data-bbox="1287 1422 1612 1450">Non-Executive Director</td> </tr> </tbody> </table>	Director's Name	Type	Paterno H. Dizon – Chairman	Independent Director	Danilo A. Alcosoba – Member	Non-Executive Director	Roberto A. Atendido – Member	Non-Executive Director	Honorio O. Reyes-Lao – Member	Non-Executive Director	Benjamin R. Sta. Catalina, Jr. – Member	Independent Director	Amador T. Vallejos, Jr. - Member	Non-Executive Director			
Director's Name	Type																		
Paterno H. Dizon – Chairman	Independent Director																		
Danilo A. Alcosoba – Member	Non-Executive Director																		
Roberto A. Atendido – Member	Non-Executive Director																		
Honorio O. Reyes-Lao – Member	Non-Executive Director																		
Benjamin R. Sta. Catalina, Jr. – Member	Independent Director																		
Amador T. Vallejos, Jr. - Member	Non-Executive Director																		

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation																
Recommendation 3.6																			
<p>1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.</p>	Compliant	<p>Board Committee Charters:</p> <table border="1" data-bbox="795 407 1635 1211"> <thead> <tr> <th data-bbox="795 407 974 443">Committee</th> <th data-bbox="974 407 1635 443">Link</th> </tr> </thead> <tbody> <tr> <td data-bbox="795 443 974 553">Audit</td> <td data-bbox="974 443 1635 553"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf</a></td> </tr> <tr> <td data-bbox="795 553 974 664">Corporate Governance</td> <td data-bbox="974 553 1635 664"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_CorporateGovernanceCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_CorporateGovernanceCommitteeCharter.pdf</a></td> </tr> <tr> <td data-bbox="795 664 974 774">Executive</td> <td data-bbox="974 664 1635 774"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ExecutiveCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ExecutiveCommitteeCharter.pdf</a></td> </tr> <tr> <td data-bbox="795 774 974 885">Manpower</td> <td data-bbox="974 774 1635 885"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ManpowerCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ManpowerCommitteeCharter.pdf</a></td> </tr> <tr> <td data-bbox="795 885 974 995">Related Party Transactions</td> <td data-bbox="974 885 1635 995"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RelatedPartyTransactionCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RelatedPartyTransactionCommitteeCharter.pdf</a></td> </tr> <tr> <td data-bbox="795 995 974 1105">Risk Oversight</td> <td data-bbox="974 995 1635 1105"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RiskOversightCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RiskOversightCommitteeCharter.pdf</a></td> </tr> <tr> <td data-bbox="795 1105 974 1211">Trust</td> <td data-bbox="974 1105 1635 1211"><a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_TrustCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_TrustCommitteeCharter.pdf</a></td> </tr> </tbody> </table>	Committee	Link	Audit	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf</a>	Corporate Governance	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_CorporateGovernanceCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_CorporateGovernanceCommitteeCharter.pdf</a>	Executive	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ExecutiveCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ExecutiveCommitteeCharter.pdf</a>	Manpower	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ManpowerCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ManpowerCommitteeCharter.pdf</a>	Related Party Transactions	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RelatedPartyTransactionCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RelatedPartyTransactionCommitteeCharter.pdf</a>	Risk Oversight	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RiskOversightCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RiskOversightCommitteeCharter.pdf</a>	Trust	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_TrustCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_TrustCommitteeCharter.pdf</a>	
Committee		Link																	
Audit		<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_AuditCommitteeCharter.pdf</a>																	
Corporate Governance		<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_CorporateGovernanceCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_CorporateGovernanceCommitteeCharter.pdf</a>																	
Executive		<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ExecutiveCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ExecutiveCommitteeCharter.pdf</a>																	
Manpower		<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ManpowerCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_ManpowerCommitteeCharter.pdf</a>																	
Related Party Transactions		<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RelatedPartyTransactionCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RelatedPartyTransactionCommitteeCharter.pdf</a>																	
Risk Oversight		<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RiskOversightCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_RiskOversightCommitteeCharter.pdf</a>																	
Trust	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_TrustCommitteeCharter.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/BOC/Committee%20Charters/PBB_TrustCommitteeCharter.pdf</a>																		
<p>2. Committee Charters provide standards for evaluating the performance of the Committees.</p>																			
<p>3. Committee Charters were fully disclosed on the company's website.</p>	Compliant	See links on items no. 1 & 2 under recommendation 3.6 above																	

**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation															
Recommendation 4.1																		
1. The Directors attend and actively participate in all meetings of the Board Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	Conduct of Meeting – “xxx... Members of the Board of Directors should attend regular or special meetings of the Board in person. In view of modern technology, however, conduct of the Board meetings through videoconferencing or teleconferencing shall be allowed.”  Source: Section 7, Article III of PBB Corporate By-Laws (as amended in 2012).																
2. The directors review meeting materials for all Board and Committee meetings.	Compliant	The materials for the regular/special board and board-level Committees meetings are forwarded to each member in either/both soft and hard copies at least three (3) days before the scheduled meeting for their careful perusal.																
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	see Annex A																
Recommendation 4.2																		
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management’s proposals/views, and oversee the long-term strategy of the company.	Compliant	See E.2.a.vi.(4) – (b) on page 28 of the Manual on Corporate Governance and Compliance Program.  <table border="1" data-bbox="793 1125 1623 1455"> <thead> <tr> <th data-bbox="793 1125 999 1320">Director’s Name</th> <th data-bbox="999 1125 1346 1320">Corporate Name of the Group Company</th> <th data-bbox="1346 1125 1623 1320">Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</th> </tr> </thead> <tbody> <tr> <td data-bbox="793 1320 999 1352">Jeffrey S. Yao</td> <td data-bbox="999 1320 1346 1352">Zest-O Corporation</td> <td data-bbox="1346 1320 1623 1352">Executive</td> </tr> <tr> <td data-bbox="793 1352 999 1385"></td> <td data-bbox="999 1352 1346 1385">Zemar Development, Inc.</td> <td data-bbox="1346 1352 1623 1385">Non-Executive</td> </tr> <tr> <td data-bbox="793 1385 999 1417"></td> <td data-bbox="999 1385 1346 1417">Macay Holdings, Inc.</td> <td data-bbox="1346 1385 1623 1417">Executive</td> </tr> <tr> <td data-bbox="793 1417 999 1446"></td> <td data-bbox="999 1417 1346 1446">Onnea Holdings, Inc.</td> <td data-bbox="1346 1417 1623 1446">Executive</td> </tr> </tbody> </table>	Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.	Jeffrey S. Yao	Zest-O Corporation	Executive		Zemar Development, Inc.	Non-Executive		Macay Holdings, Inc.	Executive		Onnea Holdings, Inc.	Executive	
Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.																
Jeffrey S. Yao	Zest-O Corporation	Executive																
	Zemar Development, Inc.	Non-Executive																
	Macay Holdings, Inc.	Executive																
	Onnea Holdings, Inc.	Executive																

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information		Explanation	
			Mazy's Capital, Inc	Executive	
			ARC Refreshments Corp.	Executive	
			Mega Asia Bottling Corp.	Executive	
			Downtown Realty Dev't Corp.	Executive	
			AMY Holdings, Inc.	Non-Executive	
			Semexco Mktg. Corp.	Non-Executive	
			Bev-Pack, Inc.	Executive	
			Asiawide Refreshments Corp.	Non-Executive	
			ARC Holdings, Inc.	Executive	
		Leticia M. Yao	Mega Asia Bottling Corp.	Non-Executive	
			Zest-O Corporation	Non-Executive	
			Uni-Ipel Industries, Inc.	Non-Executive	
			Harman Foods Phils, Inc.	Non-Executive	
			Solmac Marketing, Inc.	Non-Executive	
		Roberto A. Atendido	Gyant Food Corporation	Non-Executive	
			Macay Holdings, Inc.	Non-Executive	
			Pharmarex, Inc.	Non-Executive	
			Myka Advisory & Consultancy Services, Inc.	Executive	
			Sinag Energy Phils, Inc.	Non-Executive	
			Paper Industries Corp. of the Phils.	Non-Executive	
			Paxys, Inc.	Non-Executive	
			Asian Alliance Investment Corp.	Non-Executive	
			Asian Alliance Holdings & Development Corp.	Executive	
		Amador T. Vallejos, Jr.	Amchem Mktg, Inc.	Executive	
			SMI Development Corporation	Executive	
			King of Travel	Non-Executive	
		Paterno H. Dizon	VC Securities Corporation	Non-Executive	
			Holy Cross College	Executive	
			Phil. Exporters' Confederation, Inc.	Non-Executive	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information		Explanation						
<b>Recommendation 4.3</b>										
1. The directors notify the company's board before accepting a directorship in another company.	Non-compliant	Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.		None is explicitly provided in the Bank's Manual on Corporate Governance and Compliance Program. Will provide for the said policy in the proposed amendments.						
<b>Optional: Principle 4</b>										
1. Company does not have any executive directors who serve in more than two (2) boards of listed companies outside of the group.	Compliant	No existing Executive Director of the Bank is also a Director of a publicly-listed company.								
2. Company schedules board of directors' meetings before the start of the financial year.	Compliant	Monthly schedule of the Board of Directors' Meeting is set on a monthly basis per its corporate by-laws. (Section 4, Article III of PBB Corporate By-Laws)								
3. Board of directors meet at least six times during the year.	Compliant	The Board had 14 meetings conducted (12 regular and 2 special); Reference: Minutes of the Meeting of the BOD Meetings for 2017.								
4. Company requires as minimum quorum of at least 2/3 for board decisions.	Compliant	At least a majority of the total number of directors is the quorum requirement and at least a majority of those present where there is a quorum shall be required to approve a matter requiring board approval. (Section 6, Article III of PBB's Corporate By-Laws, as amended)								
<b>Principle 5:</b> The board should endeavor to exercise an objective and independent judgment on all corporate affairs										
<b>Recommendation 5.1</b>										
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board whichever is higher.	Non-compliant	<table border="1"> <thead> <tr> <th data-bbox="787 1291 1241 1317">Director's Name</th> <th data-bbox="1241 1291 1564 1317">Type</th> </tr> </thead> <tbody> <tr> <td data-bbox="787 1317 1241 1349">Paterno H. Dizon</td> <td data-bbox="1241 1317 1564 1349">Independent Director</td> </tr> <tr> <td data-bbox="787 1349 1241 1382">Benjamin R. Sta. Catalina, Jr.</td> <td data-bbox="1241 1349 1564 1382">Independent Director</td> </tr> </tbody> </table>		Director's Name	Type	Paterno H. Dizon	Independent Director	Benjamin R. Sta. Catalina, Jr.	Independent Director	The Bank shall be electing an additional two (2) Independent Directors in the coming Annual Stockholders' Meeting.
		Director's Name	Type							
		Paterno H. Dizon	Independent Director							
Benjamin R. Sta. Catalina, Jr.	Independent Director									

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information			Explanation									
<b>Recommendation 5.2</b>														
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Compliant	E, 2, a, vi, (2) – Page 30-31; Revised Manual on Corporate Governance and Compliance Program  Article III, Section 1(a) PBB’s Corporate By-Laws, as amended. (see Annex K)												
<b>Supplement to Recommendation 5.2</b>														
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors’ ability to vote independently.	Compliant	Investors Rights and Protection - Shareholders’ Benefits1, F – Page 61-63; Revised Manual on Corporate Governance and Compliance Program												
<b>Recommendation 5.3</b>														
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012)	Compliant	<table border="1"> <thead> <tr> <th data-bbox="814 781 1150 852">Director’s Name</th> <th data-bbox="1159 781 1318 852">No. of years served as director</th> <th data-bbox="1327 781 1633 852">No. of years served as ID (from 2 Jan. 2012)</th> </tr> </thead> <tbody> <tr> <td data-bbox="814 865 1150 889">Paterno H. Dizon</td> <td data-bbox="1159 865 1318 889">11</td> <td data-bbox="1327 865 1633 889">5</td> </tr> <tr> <td data-bbox="814 896 1150 920">Benjamin R. Sta. Catalina, Jr.</td> <td data-bbox="1159 896 1318 920">5</td> <td data-bbox="1327 896 1633 920">5</td> </tr> </tbody> </table>			Director’s Name	No. of years served as director	No. of years served as ID (from 2 Jan. 2012)	Paterno H. Dizon	11	5	Benjamin R. Sta. Catalina, Jr.	5	5	
		Director’s Name	No. of years served as director	No. of years served as ID (from 2 Jan. 2012)										
		Paterno H. Dizon	11	5										
Benjamin R. Sta. Catalina, Jr.	5	5												
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Compliant	An independent director of a bank may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same bank, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.												
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders’ approval during annual shareholders’ meeting.	Compliant	E, 2, a, vi, (2) – Page 30-31; Revised Manual on Corporate Governance and Compliance Program												

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information		Explanation						
<b>Recommendation 5.4</b>										
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	<table border="1"> <thead> <tr> <th data-bbox="806 337 1060 370">Name</th> <th data-bbox="1060 337 1604 370">Position</th> </tr> </thead> <tbody> <tr> <td data-bbox="806 370 1060 402">Francis T. Lee</td> <td data-bbox="1060 370 1604 402">Chairman of the Board</td> </tr> <tr> <td data-bbox="806 402 1060 435">Rolando R. Avante</td> <td data-bbox="1060 402 1604 435">President and Chief Executive Officer (CEO)</td> </tr> </tbody> </table>		Name	Position	Francis T. Lee	Chairman of the Board	Rolando R. Avante	President and Chief Executive Officer (CEO)	
Name	Position									
Francis T. Lee	Chairman of the Board									
Rolando R. Avante	President and Chief Executive Officer (CEO)									
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	See E.2.a.xi(a)& E.2.a.xi(c) on pages 44 & 45 for the Chairman of the Board and Chief Executive Officer (CEO), respectively of the Manual on Corporate Governance and Compliance Program.								
<b>Recommendation 5.5</b>										
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	Compliant	The Chairman, who is also a non-executive director, is not holding the position of the CEO. Hence, the aforesaid requirement of appointing a Lead Independent Director is not applicable.								
<b>Recommendation 5.6</b>										
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	Compliant	see Annex L								
<b>Recommendation 5.7</b>										
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Compliant	The NEDs have separate meeting with the external auditor and heads of the internal audit, compliance, and risk functions which was held on 23 August 2017 at Café Via Mare, Power Plant Mall, Rockwell Center, Makati City. See attached minutes of the meeting (Annex M).								

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
2. The meetings are chaired by the lead independent director.			
<b>Optional: Principle 5</b>			
1. None of the directors is a former CEO of the company in the past 2 years.	Compliant	Mr. Rolando R. Avante was elected as President and CEO of the Bank in 2 November 2011.	
<b>Principle 6:</b> The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
<b>Recommendation 6.1</b>			
1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	see Annex N	
2. The Chairman conducts a self-assessment of his performance.			
3. The individual members conduct a self-assessment of their performance.			
4. Each committee conducts a self-assessment of its performance.			
5. Every three years, the assessment are supported by an external facilitator	Non-compliant	Identify the external facilitator and provide proof of use of an external facilitator.	The Bank is yet to identify an external facilitator.
<b>Recommendation 6.2</b>			
1. Board has in place a system that provides at the minimum, criteria and process to determine the performance of the Board, individual directors	Compliant	The Board of Directors shall regularly review the structure, size and composition of the board of directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
and committees. 2. The system allows for a feedback mechanism from the shareholders.		be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the on-going improvement efforts of the board of directors.	
<b>Principle 7:</b> Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Others/Code%20of%20Business%20Conduct%20and%20Ethics/PBB_CodeofConductandEthics.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Others/Code%20of%20Business%20Conduct%20and%20Ethics/PBB_CodeofConductandEthics.pdf</a>	
2. The Code is properly disseminated to the Board, senior management and employees.	Compliant	The Revised Code of Conduct has been circularized by the Bank's Systems & Methods Center on 10 March 2014. All units were given an acknowledgement receipt where they also certified that they have thoroughly read and understood the Revised Code of Conduct. Copy of the acknowledgement receipt is filed in each employee's 201 file.	
3. The Code is disclosed and made available to the public through the company website.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Others/Code%20of%20Business%20Conduct%20and%20Ethics/PBB_CodeofConductandEthics.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Others/Code%20of%20Business%20Conduct%20and%20Ethics/PBB_CodeofConductandEthics.pdf</a>	
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	Compliant	See item J.2.b on page 58 of the Manual on Corporate Governance and Compliance Program.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Recommendation 7.2</b>			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	<p>The immediate superior has the primary responsibility to enforce discipline within his jurisdiction. He is responsible for informing and making his subordinates understand about the provisions of the Code and all other policies, rules, regulations, and guidelines promulgated by the Bank. Correspondingly, he/she shall be given sufficient authority to effectively exercise his capacity and discretion in implementing corrective actions when necessary. It is expected, however, that in all cases necessitating disciplinary action, there is a thorough investigation made and employee counseling conducted.</p> <p>Ignorance of or unfamiliarity with the provisions of the Code shall not be an excuse for violations.</p>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.			
<b>Disclosure and Transparency</b>			
<b>Principle 8:</b> The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
<b>Recommendation 8.1</b>			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that give a fair and complete picture of a company's financial condition, results and business operations.	Compliant	See item K on pages 59-60 of the Manual on Corporate Governance and Compliance Program	
<b>Supplement to Recommendation 8.1</b>			
1. Company distributes or makes available annual and quarterly consolidated reports, cash	Compliant	Audited Financial Reports were posted in the Bank's website and available in the branches' conspicuous place after the examination by the External Auditor.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation											
<p>flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>		<p>The Bank’s Balance Sheet is being published quarterly in the newspaper of general circulation.</p> <p>The consolidated reports were published, distributed or made available on 6 February 2018 or twenty-six (26) days from the end of the fiscal year.</p>												
<p>2. Company discloses in its annual report the principal risks associated with the identity of the company’s controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders voting power and overall equity position in the company.</p>	Compliant	<p><a href="http://www.pbb.com.ph/images/2017_annual_report.pdf">http://www.pbb.com.ph/images/2017_annual_report.pdf</a></p>												
<p><b>Recommendation 8.2</b></p>														
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company’s shares within three (3) business days.</p>	Compliant	<p>Disclosure and Transparency (K, 2 – Page 67; Revised Manual on Corporate Governance and Compliance Program)</p> <table border="1" data-bbox="810 1265 1614 1406"> <thead> <tr> <th>Name</th> <th>Nature</th> <th>Number/ Percentage</th> <th>Date of Transaction</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Paterno H. Dizon</td> <td>Acquisition</td> <td>1,000.00</td> <td>27 March 2017</td> </tr> <tr> <td>Acquisition</td> <td>19,000.00</td> <td>5 March 2017</td> </tr> </tbody> </table>	Name	Nature	Number/ Percentage	Date of Transaction	Paterno H. Dizon	Acquisition	1,000.00	27 March 2017	Acquisition	19,000.00	5 March 2017	
Name	Nature	Number/ Percentage	Date of Transaction											
Paterno H. Dizon	Acquisition	1,000.00	27 March 2017											
	Acquisition	19,000.00	5 March 2017											

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three (3) business days.			
<b>Supplement to Recommendation 8.2</b>			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program)	Compliant	Security Ownership of Management [page 6 of Definitive Information Statement Part I 05042017]  Conglomerate Map [Page 13 of Definitive Information Statement Part II 05042017]	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	Disposition of Unused/Unserviceable Fixed Assets (item 1.8, 1, A of VII – Operations Manual of PBB; Page 269)  Post-audit is conducted if the procedures, documentations and requisite signing authorities were procured during the disposal of assets.	
<b>Recommendation 8.3</b>			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	Full vetting of candidate is done at the Executive Committee and Corporate Governance Committee of the Board. This is further confirmed by the Board.  The Bank is committed and dedicated to adhere to the highest standards of good corporate governance in the conduct of its business with clients, vendors, suppliers, co-employees and regulator. To continuously uphold the trust and confidence of its clients and the general public, the Directors, Senior Management, officers and	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		employees are expected to espouse the highest degree of integrity, honesty and professionalism. The policy on Conflict of interest aims to raise awareness of and clarify what may constitute a conflict of interest and provide guidelines on how to deal with situations that may give rise to a conflict of interest.	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	Compliant	The Bank is committed and dedicated to adhere to the highest standards of good corporate governance in the conduct of its business with clients, vendors, suppliers, co-employees and regulator. To continuously uphold the trust and confidence of its clients and the general public, the Directors, Senior Management, officers and employees are expected to espouse the highest degree of integrity, honesty and professionalism. The policy on Conflict of interest aims to raise awareness of and clarify what may constitute a conflict of interest and provide guidelines on how to deal with situations that may give rise to a conflict of interest.	
<b>Recommendation 8.4</b>			
1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	Compliant	The Manpower, Remuneration and Compensation Committee (MRCC) sets the compensation package of the Executive Directors and other officers of the Bank.	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.			
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	Compliant	A Non-Executive Director (NED) receives per diem allowance for his attendance to each Board meeting and additional allowance for committee meetings. Furthermore, an NED is also entitled to a monthly gasoline allowance. The Executive Board Members as well as the employees of the Bank, receive fixed salaries and performance bonus, if and when income warrants.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Recommendation 8.5</b>			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/RPT%20Policy.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/RPT%20Policy.pdf</a>	
2. Company discloses material or significant RPTs reviewed and approved during the year.	Compliant	see Annex O.	
<b>Supplement to Recommendation 8.5</b>			
1. Company requires directors to disclose their interest in transactions or any other conflict of interest.	Compliant	The Board of Directors provides periodic reports to the shareholders which disclose personal and professional information about the directors and officers and other matters, such as their dealings with, and shareholdings in, the Bank, relationship among directors and key officers and the aggregate compensation of directors and officers.	
<b>Recommendation 8.6</b>			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	<a href="http://pbb.com.ph/disclosure_archive.htm">PSE Disclosures</a> ( <a href="http://pbb.com.ph/disclosure_archive.htm">http://pbb.com.ph/disclosure_archive.htm</a> )	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Compliant	The Internal Audit Center, together with the Remedial Management were appointed to evaluate the fairness of the transaction price on the acquisition and disposal of assets.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Supplement to Recommendation 8.6</b>			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	This is being done during the stockholders' meeting which is being administered by the Corporate Secretary.	
<b>Recommendation 8.7</b>			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Others/Manuals%20on%20Corporate%20Governance/Revised%20Corporate%20Governance%20Manual%202017.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Others/Manuals%20on%20Corporate%20Governance/Revised%20Corporate%20Governance%20Manual%202017.pdf</a>	
2. Company's MCG is submitted to the SEC and PSE.			
3. Company's MCG is posted on its company website.			
<b>Supplement to Recommendation 8.7</b>			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	see Annex P	
<b>Optional: Principle 8</b>			
1. Does the company's Annual Report disclose the following information:	Compliant	<a href="http://www.pbb.com.ph/images/2017_annual_report.pdf">http://www.pbb.com.ph/images/2017_annual_report.pdf</a>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<ul style="list-style-type: none"> <li>a. Corporate Objectives</li> <li>b. Financial performance indicators</li> <li>c. Non-financial performance indicators</li> <li>d. Dividend Policy</li> <li>e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors</li> <li>f. Attendance details of each director in all directors meetings held during the year.</li> <li>g. Total remuneration of each member of the board of directors.</li> </ul>			
<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	Compliant	<a href="http://www.pbb.com.ph/images/2017_annual_report.pdf">http://www.pbb.com.ph/images/2017_annual_report.pdf</a>	
<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's</p>	Compliant	<a href="http://www.pbb.com.ph/images/2017_annual_report.pdf">http://www.pbb.com.ph/images/2017_annual_report.pdf</a>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
material controls (including operational, financial and compliance controls) and risk management systems.			
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	Compliant	<a href="http://www.pbb.com.ph/images/2017_annual_report.pdf">http://www.pbb.com.ph/images/2017_annual_report.pdf</a>	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, and economic).	Compliant	<a href="http://www.pbb.com.ph/images/2017_annual_report.pdf">http://www.pbb.com.ph/images/2017_annual_report.pdf</a>	
<p><b>Principle 9:</b> The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.</p>			
<p>Recommendation 9.1</p>			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	Compliant	<p>The Bank's Audit Committee to establish a more comprehensive procedures/process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors. This provision has been included already in the revision of the Audit Committee Charter</p> <p>Attached as Annex E is the revised Audit Committee Charter under item # 2.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	Compliant	<p>The appointment of external auditor, Punongbayan and Araullo has been approved and ratified by the shareholders during the Stockholder’s meeting held on May 26, 2017 with shareholders attendance of 67.50%.</p> <p>Attached as Annex Q is a copy of the Minutes of Meeting of the Stockholders dated May 26, 2017.</p>	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Compliant	<p>The Audit Committee has included in its Charter the said recommendation under item #2 which states that “for removal of the external auditor of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.”</p> <p>See attached copy of revised Audit Committee Charter under Annex E.</p>	
<b>Supplement to Recommendation 9.1</b>			
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	<p>The Bank rotates the lead partner of the external auditor as required by the Bangko Sentral Ng Pilipinas (BSP). This is also provided in the previous and revised Audit Committee Charter under item No. 10 and 19, respectively, of Roles and Responsibilities which states that “Assure the regular rotation of those partners of the external auditor as required by regulations”</p> <p>Attached as Annex J and Annex E are copy of the Audit Committee Charters.</p>	
<b>Recommendation 9.2</b>			
1. Audit Committee Charter includes the Audit Committee’s responsibility on: i. assessing the integrity and independence of external auditors;	Compliant	<p>The Audit Committee has included in its Charter the said recommendation under item #12 of the Revised Audit Committee Charter.</p> <p>See attached copy of revised Audit Committee Charter under Annex E.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and  iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.			
2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	The recommendation was already incorporated in the revised Audit Committee Charter under item 12.3.  See attached copy of the revised Audit Committee Charter under Annex E.	
Supplement to Recommendation 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Compliant	The recommendation was already incorporated in the revised Audit Committee Charter under item # 13.  See attached copy of the revised Audit Committee Charter under Annex E.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Compliant	The recommendation was already incorporated in the revised Audit Committee Charter under item # 12.4. (see attached copy of the revised Audit Committee Charter under Annex E.)	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	The Bank has not yet engaged non-audit services from the external auditor, Punongbayan & Araullo.  Nonetheless, we have included this provision in the Revised Audit Committee Charter under item #15 of Annex E.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor’s objectivity.	Compliant	The Bank has not yet engaged non-audit services from the external auditor, Punongbayan & Araullo.  Nevertheless, we have included this provision in the Revised Audit Committee Charter under item #16 of Annex E.	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Compliant	The Bank has not yet engaged non-audit services from the external auditor, Punongbayan & Araullo. Nevertheless, we have included this provision in the Revised Audit Committee Charter under item #17 of Annex E.	
Additional Recommendation to Principle 9			
1. Company’s external auditor is duly accredited by the SEC under Group A category.	Compliant	The Bank’s external auditor, Punongbayan and Araullo composes of the following: 1. Lead Partner: Mr. Christopher M. Ferarezza; 2. Accreditation No.:1185-AR-1; 3. Date Accredited: May 11, 2017; 4. Punongbayan and Araullo, 20 <sup>th</sup> Floor, The Enterprise Center, Makati, +632-988-2288.  We have included this provision in the Revised Audit Committee Charter under item #12.5 of Annex E.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<p>2. Company’s external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC’s Office of the General Accountant (OGA).</p>	<p>Compliant</p>	<p>The external auditor agrees to be subjected to SOAR. However, SEC’s – OGA has not conducted yet the inspection.</p> <p>We have included this provision in the Revised Audit Committee Charter under item #12.5 of Annex E.</p>	

**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

<p>1. Board has a clear and focused policy on the disclosure of non-financial information with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<p>See E.2.a.ix.(f) item (3) Risk Oversight Committee on page 24 of the Manual on Corporate Governance and Compliance Program.</p>	
<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.</p>	<p>Compliant</p>	<p>The Bank shall adopt a globally recognized standard/framework in reporting sustainability and nonfinancial issues.</p> <p>As external pressures including resource scarcity, globalization, and access to information continue to increase, the way corporations respond to sustainability challenges, in addition to financial challenges, determines their long-term viability and competitiveness. One way to respond to sustainability challenges is disclosure to all shareholders and other stakeholders of the Bank’s strategic (long-term goals) and operational objectives (short term goals), as well as the impact of a wide range of sustainability issues.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<p><b>Principle 11:</b> The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.</p>			
<p>Recommendation 11.1</p>			
<p>1. Company has media and analysts briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.</p>	<p>Compliant</p>	<p>(Under 'SEC Reports' Column of Investor Relations Tab.)  <a href="http://pbb.com.ph/index.htm#sec17q">http://pbb.com.ph/index.htm#sec17q</a> (Quarterly Reports)  <a href="http://pbb.com.ph/index.htm#sec17c">http://pbb.com.ph/index.htm#sec17c</a> (Current Reports)                      (Under 'Others' Column of Investor Relations Tab.)  <a href="http://pbb.com.ph/index.htm#opmn">http://pbb.com.ph/index.htm#opmn</a>(Press Materials/News)</p>	
<p>Supplemental to Principle 11</p>			
<p>1. Company has a website disclosing up-to-date information on the following:</p> <ul style="list-style-type: none"> <li>a. Financial statements/reports (latest quarterly)</li> <li>b. Materials provided in briefings to analysts and media</li> <li>c. Downloadable annual report</li> <li>d. Notice of ASM and/or SSM</li> <li>e. Minutes of ASM and/or SSM</li> <li>f. Company's Articles of Incorporation and By-Laws</li> </ul>	<p>Compliant</p>	<p><a href="http://pbb.com.ph">http://pbb.com.ph</a></p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	<a href="http://pbb.com.ph">http://pbb.com.ph</a>	
<b>Internal Control System and Risk Management Framework</b>			
<b>Principle 12:</b> To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	<p>The Bank has an adequate and effective internal control system in the conduct of its business.</p> <p>The Bank’s internal audit function is equipped with the following quality service related activities/programs:</p> <ol style="list-style-type: none"> <li>1. The internal audit function is subjected to quality assurance review by the Bank’s Compliance Office, to determine compliance with the International Standards for the Professional Practice on Internal Auditing, BSP’s Manual of Regulations for Banks and other regulatory circulars and policies.</li> <li>2. The internal audit function is guided by Circular No. 871, Series of 2015 issued by regulator, Bangko Sentral Ng Pilipinas (BSP) promoting strong control environment in its supervised financial institutions to sustain their safe and sound operations. In this connection, the internal audit function is also covered in the regular annual examination of the Bank by BSP, where their findings were satisfactorily justified by the Bank and accepted by BSP.</li> <li>3. The internal audit function is also included in the annual audit by the external auditor, Punongbayan &amp; Araullo, where no lapses were noted.</li> <li>4. Audit personnel are required to attend at least 2 days or 16 hours of relevant seminars/trainings/ workshops in a year.</li> </ol>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>As to the internal control system of the Bank, the Internal Audit regularly assess/review the different branches and head office units on risk-based approach. The auditable entities, i.e., head office units and branches, are profiled from high to low through the assessment of the unit's business profile, management structure, previous audit rating, etc. For units profiled as high, these are given high priority during the current year while those profiled as low are given lower priority or audit is conducted the following year.</p> <p>For branches classified as low priority, other types of audit are conducted such as, spot and cash count. For branches with unsatisfactory audit rating, follow-up audits are also being conducted to determine their compliances to the noted audit findings/exceptions.</p> <p>For head office units, there are entities which audit are mandatory or conducted annually based on Bangko Sentral ng Pilipinas' requirements, such as the lending centers, treasury operations, trust operations, Compliance and Risk Management groups.</p>	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business	Compliant	See Annex C	
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Others/Office%20of%20the%20Compliance/RCM_Main.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Others/Office%20of%20the%20Compliance/RCM_Main.pdf</a>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<p>initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>			
Optional: Recommendation 12.1			
<p>1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>	<p>Compliant</p>	<p>PBB exercises IT governance through the following departments/units within the organization:</p> <ol style="list-style-type: none"> <li>1. IT Steering Committee - the body which evaluates, approves and monitors significant IT projects;</li> <li>2. Project Management Group - the body which oversees the conduct of IT projects from inception to completion;</li> <li>3. Risk Management Group - the body which provides the risk guidelines which ITG needs to address in evaluating and implementing IT projects;</li> <li>4. Internal Audit Group - the body which evaluates IT projects vs compliance with internal policies and procedures;</li> <li>5. Compliance Group - the body which evaluates the compliance requirements for IT projects vs external regulations, e.g. Bangko Sentral, SEC, etc.</li> </ol> <p>One of the members of the IT Steering Committee is the Vice-Chairman of the Board of PBB. This presence ensures the knowledge of IT project proposals and progress at the Board level. The Project Management Group provides periodic reports to the IT Steering Committee relative to the status of IT projects.</p> <p>The Risk Management, Internal Audit and Compliance Groups report to their respective Board Committees on a periodic basis to apprise the Board in regard to their respective areas relative to addressing IT issues.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>As part of the risk assessment, management and monitoring process, the Information Technology Group ensures that all major application systems of the bank have a matching back-up system and processes which provides for recovery up to the end-of-business-day of the previous day. This is embodied in the Business Continuity Manual which PBB shall make available for viewing to authorize personnel of the regulators if/when necessary.</p> <p>Cyber-security is undertaken through the use of firewalls with severe access restrictions and which policies and restrictions are monitored and managed periodically. The network diagram may be made available for viewing to authorize personnel of the regulators if/when necessary.</p>	
<b>Recommendation 12.2</b>			
<p>1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.</p>	Compliant	The Bank has in place an in-house independent internal audit function.	
<b>Recommendation 12.3</b>			
<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p> <p>2. CAE oversees and is responsibilities for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.</p>	Compliant	<p>Ms. Rapanut finished her BSBA Accounting degree at the University of the East.</p> <p>With 35 years of banking experience, she had also attended seminars/trainings on the following: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9) Corporate Governance Seminar, A Regulatory Prospective on Trust Activities &amp; Administration, Change Advocate Committee Session, AMLA Seminar for Board of Directors and Senior Officers, Related Party Transactions,</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		Hedging Treasury Risk with Forward Foreign Exchange Contracts, Updated Guidelines on Sound Credit Risk Management, Update on BSP Trust Audit Seminar, Best Process in Credit Risk Ratings for Banks, Orientation on the Security Features of Renminbi Currency, Briefing on the New Performance Management System, Risk Awareness Seminar, Value at Risk Market Risk Management, Certified Forensic Accounting Program, Triple Treat Seminar, Customer Risk Profiling Seminar, Recent Updates in the Anti-Money Laundering Law, Risk Management and Audit Seminar, The Trust Business, Establishing Your Quality Assessment and Improvement Program, Financial Statement Reporting, Financial Instruments Module 7, Spot Forward and FX Swaps, Interest Rate Swaps, Accounting for Bonds and Treasury Bills, Basics of Fixed Income Securities, Financial Math on Money Market and Bonds, Risk-Based Audit Methodology, Tools & Techniques for the Internal Audit Staff, Information Security Beyond the Basics, Credit Risk Management Seminar, Basic Credit Analysis Seminar, 4th Special Real Estate Symposium, Taxation in Banking, Treasury Operations Seminar and Fraud Prevention Detection & Control.	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Compliant	The Bank's internal audit function is in place and not outsourced.	
<b>Recommendation 12.4</b>			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Others/ERM/PBB_ERM.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Others/ERM/PBB_ERM.pdf</a>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Supplement to Recommendation 12.4</b>			
1. Company seeks external technical support in risk management when such competence is not available internally.	Compliant	The Banks does not seek external technical support in risk management.	
<b>Recommendation 12.5</b>			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Compliant	<p>Ms. Belinda C. Rodriguez is the Bank's Chief Risk Officer (CRO). She is a graduate of the Polytechnic University of the Philippines with a degree in BSC Accounting. She finished her MBA at the Ateneo Graduate School of Business.</p> <p>She has 34 years of banking experience. She attended seminars/trainings on the following: A Regulatory Perspective on Trust Activities, IBM SPSS Training for Researches, Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), BSP Circulars 941 and 855; Corporate Governance Seminar, AMLA for Board of Directors and Senior Officers.</p>	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.			
<b>Additional Recommendation to Principle 12</b>			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.		<p>The Bank's Chief Executive Officer and Chief Audit Executive have already attested in writing for 2017 that the company has a sound internal audit, control and compliance system is in place and working effectively.</p> <p>Attached as Annex R is a copy of the said attestation.</p> <p>Moreover, we have included this provision in the Revised Audit Committee Charter under item #34 of Annex E.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<b>Cultivating a Synergic Relationship with Shareholders</b>			
<b>Principle 13:</b> The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Compliant	See item F on page 53 of the Manual on Corporate Governance and Compliance Program.	
2. Board ensures that basic shareholder rights are disclosed on the company's website	Compliant	<a href="http://pbb.com.ph">http://pbb.com.ph</a>	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	Compliant	Each share entitled to vote has an equivalent of one vote also pursuant to the provisions of the Corporation Code.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	Compliant	<p><u>Common Shares</u></p> <ul style="list-style-type: none"> <li>a. 643,750,094 total number of outstanding shares</li> <li>b. With voting rights</li> <li>c. Transferable unless the bank holds unpaid claim on such share of stock</li> </ul> <p><u>Preferred Shares</u></p> <ul style="list-style-type: none"> <li>a. 62,000,000 total number of outstanding shares</li> <li>b. Without voting rights except in those cases where the law allows them to vote</li> <li>c. Transferable unless the bank holds unpaid claim on such share of stock</li> <li>d. Perpetual and non-redeemable</li> </ul>	
3. Board has an effective, secure, and efficient voting system.	Compliant	Voting procedure is via a viva-voce methodology.	
4. Board has an effective shareholder voting mechanisms such as	Compliant	Each stockholder may vote.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.			
5. Board allows shareholders to call a special shareholders’ meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	Compliant	See Section 2 under Article II (Meetings of Stockholders) under Amended By-Laws of the Bank  “The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: a) the Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock; b) the President.”	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	Compliant	See Item F.1.a. on page 53 of the Manual on Corporate Governance and Compliance Program.	
7. Company has a transparent and specific dividend policy.	Compliant	Shareholders shall have the right to receive dividends subject to the discretion of the Board. The Bank shall declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies  Number of Days: 84 days (Stock dividend declaration dated May 26, 2017; payment dated August 18, 2017)	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting	Compliant	Stock Transfer Services, Inc. (STSI)	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	Fifteen (15) calendar days before the actual date of ASM.  <a href="http://pbb.com.ph/#sec20is">Information Statement (SEC Form 20-IS)</a> (http://pbb.com.ph/#sec20is)	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information: a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies) b. Auditors seeking appointment/re-appointment c. Proxy documents	Compliant	<a href="http://pbb.com.ph/#cdasm">Notice of Annual Stockholders' Meeting</a> (http://pbb.com.ph/#cdasm)	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting.	Compliant	The Notice of ASM contains the following information: (i) Profile of candidates to the board, i.e., age, work experience directorships in other listed companies, date of first appointment (at least month and year) and academic qualifications. (ii) Dividend policy. (iii) Proxy documents which shall be attached to the Notice of ASM or downloadable in the Bank website.	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the new working day.	Compliant	Form 17-C is immediately submitted/ uploaded to the PSE. Minutes of the Meeting are uploaded to the Bank's website within five (5) working days after the ASM.	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Compliant	<a href="http://pbb.com.ph/#cdmin">Minutes of All General &amp; Special Stockholders' Meetings</a> (http://pbb.com.ph/#cdmin)	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Compliant	Either the Managing Partner and/or representatives of Punongbayan & Araullo (P&A) are present during the ASM.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation															
<b>Recommendation 13.4</b>																		
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	<table border="1"> <tr> <td colspan="2"></td> <td align="center"><b>Alternative Dispute Resolution System</b></td> </tr> <tr> <td><b>Corporation &amp; Stockholders</b></td> <td></td> <td>There had been no issues or conflicts yet that the Bank experienced with its stockholders. If ever there will be one in the future, it will be resolved by the BOD through a resolution, which may be implemented by the Board itself or Management.</td> </tr> <tr> <td><b>Corporation &amp; Third Parties</b></td> <td></td> <td>Dealings of the Bank with its related parties are covered by the RPT Policy.</td> </tr> <tr> <td><b>Corporation &amp; Regulatory Authorities</b></td> <td></td> <td>The Bank set up a help/complaint desk for the purpose of receiving and expeditiously addressing customer/third party complaints.</td> </tr> <tr> <td></td> <td></td> <td>The Bank designated its Chief Compliance Officer as its link to its regulators, such as the Bangko Sentral Ng Pilipinas, Philippine Deposit Insurance Corporation and Securities and Insurance Commission. As such, the CCO maintains a constructive working relationship with the regulators wherein he may consult, whenever necessary, such regulators for clarification of specific provisions of laws and regulations.</td> </tr> </table>			<b>Alternative Dispute Resolution System</b>	<b>Corporation &amp; Stockholders</b>		There had been no issues or conflicts yet that the Bank experienced with its stockholders. If ever there will be one in the future, it will be resolved by the BOD through a resolution, which may be implemented by the Board itself or Management.	<b>Corporation &amp; Third Parties</b>		Dealings of the Bank with its related parties are covered by the RPT Policy.	<b>Corporation &amp; Regulatory Authorities</b>		The Bank set up a help/complaint desk for the purpose of receiving and expeditiously addressing customer/third party complaints.			The Bank designated its Chief Compliance Officer as its link to its regulators, such as the Bangko Sentral Ng Pilipinas, Philippine Deposit Insurance Corporation and Securities and Insurance Commission. As such, the CCO maintains a constructive working relationship with the regulators wherein he may consult, whenever necessary, such regulators for clarification of specific provisions of laws and regulations.	
			<b>Alternative Dispute Resolution System</b>															
<b>Corporation &amp; Stockholders</b>				There had been no issues or conflicts yet that the Bank experienced with its stockholders. If ever there will be one in the future, it will be resolved by the BOD through a resolution, which may be implemented by the Board itself or Management.														
<b>Corporation &amp; Third Parties</b>		Dealings of the Bank with its related parties are covered by the RPT Policy.																
<b>Corporation &amp; Regulatory Authorities</b>		The Bank set up a help/complaint desk for the purpose of receiving and expeditiously addressing customer/third party complaints.																
		The Bank designated its Chief Compliance Officer as its link to its regulators, such as the Bangko Sentral Ng Pilipinas, Philippine Deposit Insurance Corporation and Securities and Insurance Commission. As such, the CCO maintains a constructive working relationship with the regulators wherein he may consult, whenever necessary, such regulators for clarification of specific provisions of laws and regulations.																
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.																		
<b>Recommendation 13.5</b>																		
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Compliant	<ol style="list-style-type: none"> <li>Name of the person – John David D. Sison</li> <li>Telephone number – 363-3333 loc. 4017</li> <li>Fax number – 363-3333</li> <li>E-mail address – sison_jdd@pbb.ocm.ph</li> </ol>																
2. IRO is present at every shareholder's meeting.	Compliant	The IRO is present during every shareholder's meeting.																
<b>Supplemental Recommendation to Principle 13</b>																		
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing	Non-compliant	Provide information on how anti-takeover measures or similar devices were avoided by the board, if any.	None is explicitly provided in the Bank's Manual on Corporate Governance and Compliance Program. Will provide for the said policy															

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
controlling shareholder			in the proposed amendments.
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Compliant	Public float is set at 30% as per IPO in 2013.	
<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting.	Compliant	The Banks' Investor Relations Program provides a mechanism for stakeholders to raise issues and/or concerns directly to the Board of Directors thru the Investor Relations Office.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Non-compliant	Disclose the process and procedure for secure electronic voting absentia, if any.	None is explicitly provided in the Bank's Manual on Corporate Governance and Compliance Program. Will provide for the said policy in the proposed amendments.
<b>Duties to Stakeholders</b>			
<b>Principle 14:</b> The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
<b>Recommendation 14.1</b>			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	Stakeholders in corporate governance include, but are not limited to customers, employees, suppliers, shareholders, investors, creditors, the community the Bank operates in society, the government, regulators, competitors, external auditors, etc. In formulating the Bank's strategic and operational decisions affecting its wealth, growth and sustainability due consideration is given to those who have an interest in the Bank and are directly affected by its operations.	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Compliant	In instances when stakeholders' interests are not legislated, companies' voluntary commitments ensure the protection of the stakeholders' rights. The Bank's Code of Conduct ideally includes provisions on the Bank's policies and procedures on dealing with various stakeholders. The Bank's stakeholders include its customers resource providers, creditors and the community in which it operates. Fair, professional and objective dealings as well as clear, timely and regular communication with the various stakeholders ensure their fair treatment and better protection of their rights.	
Recommendation 14.3			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	Compliant	<p>Contact person which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights:</p> <p>Name: Mr. John David Sison                      Position: Vice President &amp; Investor Relations Officer                      Tel. No. 363-3333                      Email: <a href="mailto:sison_jdd@pbb.com.ph">sison_jdd@pbb.com.ph</a></p> <p><a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/PBB_WhistleBlowingGuidelines.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/PBB_WhistleBlowingGuidelines.pdf</a></p>	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders are settled in a fair and expeditious manner.	Compliant	<p><u><i>On Corporation and Stockholders</i></u></p> <p>There had been no issues or conflicts yet that the Bank experienced with its stockholders. If ever there will be one in the future, it will be resolved by the BOD through a resolution, which may be implemented by the Board itself or Management.</p> <p>Dealings of the Bank with its related parties are covered by the RPT Policy.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p><u>On Corporation and third parties</u> The Bank set up a help/complaint desk for the purpose of receiving and expeditiously addressing customer/third party complaints.</p>	
<b>Additional Recommendations to Principle 14</b>			
<p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	Compliant	<p>The Bank does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue.</p>	
<p>2. Company respects intellectual property rights.</p>	Compliant	<p>The Bank has not violated any intellectual property rights.</p>	
<b>Optional: Principle 14</b>			
<p>1. Company discloses its policies and practices that address customers' welfare.</p>	Compliant	<p>It is the policy of the Bank to be transparent in all its dealings. Thus, any changes in its policies that may affect customer relationship are immediately and fully disclosed.</p> <p>The Bank ensures that its customers are afforded quality, innovative and responsive products. It nurtures long-term customer relationship founded on mutual trust and confidence. It also ensures that customers are provided with quality service aimed at improving customer satisfaction, retain clients, increase customer base and uphold and preserve Bank's reputation.</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
		<p>The Bank is committed to continuously serve its customers with utmost respect and high esteem, recognizing their individualities and qualities as it provide service distinctive to each of them. It likewise continues to strive hard to attain growth to be able to expand its branch network and improve its information technology and serve its customers wherever they are.</p>	
<p>2. Company discloses its policies and practices that address supplier/ contractor selection procedures.</p>	<p>Compliant</p>	<p>The Bank has procurement policies on fixed assets; furniture, fixture and equipment; supplies; IT software and hardware; security, janitorial and messengerial services and other similar contractual services, such that procurement of the same, if the amount warrants, will undergo the bidding process wherein the required number of pre-qualified bidders should be at least three (3).</p> <p>Only accredited suppliers, contractors and other similar service providers can participate in the bidding process mentioned above.</p>	
<p><b>Principle 15:</b> A mechanism for employee participation should be developed to create a symbiotic environment, realize the company’s goals and participate in its corporate governance processes.</p>			
<p><b>Recommendation 15.1</b></p>			
<p>1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company’s goals and in its governance.</p>	<p>Compliant</p>	<p>see Annex B</p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Supplement to Recommendation 15.1			
<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	Non-compliant	<p>Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.</p>	<p>None is explicitly provided in the Bank’s Manual on Corporate Governance and Compliance Program. Will provide for the said policy in the proposed amendments.</p>
<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	Compliant	<p>The Bank has a policy on Annual Physical Exam and Executive Check-up to ensure that all employees are fit in the performance of their duty. Likewise, The Health and Safety Committee has been approved by the EXCom which;</p> <ul style="list-style-type: none"> <li>(i) Plans and develops accident prevention programs for the establishment.</li> <li>(ii) Directs the accident prevention efforts of the establishment in accordance with the safety programs safety performance and government regulations in order to prevent accidents from occurring in the workplace.</li> <li>(iii) Conducts safety meetings at least once a month.</li> <li>(iv) Review reports of inspection, accident investigations and implementation of programs.</li> <li>(v) Submits reports to the manager on its meetings and activities.</li> <li>(vi) Provides necessary assistance to government inspecting authorities in the proper conduct of their activities such as the enforcement of the provisions of this Standard.</li> <li>(vii) Initiates and supervises safety training for employees.</li> <li>(viii) Develops and maintain a disaster contingency plan and organizes such emergency service units as may be necessary to handle disaster situations pursuant to the emergency preparedness manual for establishment of the Office of Civil Defense.</li> </ul>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation																																								
<p>3. Company has policies and practices on training and development of its employees.</p>	<p>Compliant</p>	<p>The internal training curriculum of Philippine Business Bank is based on identified training needs as well as on the requirements of various regulatory bodies/government offices. Employees are scheduled to undergo the appropriate and necessary training courses to enable them to perform their respective job responsibilities more efficiently and effectively. Furthermore, all training courses under the said curriculum are evaluated by the participants to allow HRG to monitor and ensure that the quality of training being delivered remains consistent with established service level agreements. Below are the list of training programs offered internally by the bank.</p> <table border="1" data-bbox="821 688 1610 1425"> <thead> <tr> <th data-bbox="821 688 926 727">Ctr.</th> <th data-bbox="926 688 1610 727">Title</th> </tr> </thead> <tbody> <tr><td>1</td><td>Orientation for New Employees</td></tr> <tr><td>2</td><td>AMLA Seminar</td></tr> <tr><td>3</td><td>Corporate Governance Seminar</td></tr> <tr><td>4</td><td>First Aid and Basic Life Support</td></tr> <tr><td>5</td><td>Sales Fundamentals Seminar</td></tr> <tr><td>6</td><td>Strategic Selling Seminar</td></tr> <tr><td>7</td><td>Counterfeit Money Detection Seminar</td></tr> <tr><td>8</td><td>Fraud Detection and Prevention Seminar</td></tr> <tr><td>9</td><td>Signature Verification and Forgery Detection Seminar</td></tr> <tr><td>10</td><td>Product Awareness and Competency Training</td></tr> <tr><td>11</td><td>Basic Chinese Language Seminar</td></tr> <tr><td>12</td><td>Effective Business Writing Seminar</td></tr> <tr><td>13</td><td>Effective Presentation Skills Workshop</td></tr> <tr><td>14</td><td>Work Attitude and Values Enhancement Seminar</td></tr> <tr><td>15</td><td>Professional Image Enhancement Workshop</td></tr> <tr><td>16</td><td>Basic Supervisory Program</td></tr> <tr><td>17</td><td>Branch Officers' Training Program</td></tr> <tr><td>18</td><td>Relationship Managers' Training Program</td></tr> <tr><td>19</td><td>Sales Officers' Training Program</td></tr> </tbody> </table>	Ctr.	Title	1	Orientation for New Employees	2	AMLA Seminar	3	Corporate Governance Seminar	4	First Aid and Basic Life Support	5	Sales Fundamentals Seminar	6	Strategic Selling Seminar	7	Counterfeit Money Detection Seminar	8	Fraud Detection and Prevention Seminar	9	Signature Verification and Forgery Detection Seminar	10	Product Awareness and Competency Training	11	Basic Chinese Language Seminar	12	Effective Business Writing Seminar	13	Effective Presentation Skills Workshop	14	Work Attitude and Values Enhancement Seminar	15	Professional Image Enhancement Workshop	16	Basic Supervisory Program	17	Branch Officers' Training Program	18	Relationship Managers' Training Program	19	Sales Officers' Training Program	
Ctr.	Title																																										
1	Orientation for New Employees																																										
2	AMLA Seminar																																										
3	Corporate Governance Seminar																																										
4	First Aid and Basic Life Support																																										
5	Sales Fundamentals Seminar																																										
6	Strategic Selling Seminar																																										
7	Counterfeit Money Detection Seminar																																										
8	Fraud Detection and Prevention Seminar																																										
9	Signature Verification and Forgery Detection Seminar																																										
10	Product Awareness and Competency Training																																										
11	Basic Chinese Language Seminar																																										
12	Effective Business Writing Seminar																																										
13	Effective Presentation Skills Workshop																																										
14	Work Attitude and Values Enhancement Seminar																																										
15	Professional Image Enhancement Workshop																																										
16	Basic Supervisory Program																																										
17	Branch Officers' Training Program																																										
18	Relationship Managers' Training Program																																										
19	Sales Officers' Training Program																																										

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Compliant	The Bank is committed and dedicated to adhere to the highest standards of good corporate governance in the conduct of its business with clients, vendors, suppliers, co-employees and regulator. To continuously uphold the trust and confidence of its clients and the general public, the Directors, Senior Management, officers and employees are expected to espouse the highest degree of integrity, honesty and professionalism. The CODE of Conduct ensures that employees will always act on what is best for the company. It provides for sanctions detrimental to the interest of the bank. The policy on Conflict of interest aims to raise awareness of and clarity what may constitute a conflict of interest and provide guidelines on how to deal with situations that may give rise to a conflict of interest.	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	The board approves all the policies and programs of the bank and disseminates through the Systems and Methods Center for proper circularization. The President and CEO calls a Management Committee meeting to inform senior officers of critical policies and programs that will impact employees. The Group Heads are expected to cascade to their employees.	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	Compliant	The policy on Disposition of Administrative Cases applies to all employees who committed infraction. The Bank endeavours to prevent situations that may result in the initiation of a disciplinary action against its employees without due process. However, for its protection, should it be established after due hearing that the employee has committed any gross misconduct, violated any rules and regulations, Management shall therefore impose the necessary disciplinary action against him.	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing	Compliant	<a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/PBB_WhistleBlowingGuidelines.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/PBB_WhistleBlowingGuidelines.pdf</a>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
<p>that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.</p>		<p>The Bank's Policy on Disposition of Administrative Case defines the offenses covered in the policy, penalties to be impose, members of the committee and its responsibilities and policy guidelines. Offenses or irregularities upon discovery either through Audit Findings or outright behavioural misdemeanour should be reported to the Center Head and Group Head copy furnish Human resources and shall be subject to investigation. the members of the committee is responsible to:</p> <ul style="list-style-type: none"> <li>(i) review and evaluate the complete facts of the case, the exact nature of the infraction and extent of the effect of the infraction;</li> <li>(ii) consider all aggravating and/or mitigating factors;</li> <li>(iii) call all those involved in the case for investigation when necessary</li> <li>(iv) prepare a written report stating the facts of the case, the violation/ infraction and the corresponding disciplinary action after the proper investigation;</li> <li>(v) submit the report to President/Vice Chairman and Chairman for approval.</li> </ul> <p>The Bank's Policy on Grievance and Employee Complaints define the actions and responsibilities of all concerned personnel in the proper handling of employee complaints and grievance. The policy is designed to address legitimate grievance and complaints by the employees and not for the purpose of supporting baseless allegations and complaints. The Management provided a venue for employees to seek redress for alleged unfairness or dissatisfaction through the grievance procedure. It also gives fair and due process where there is a listening, serious attention, validation of facts and immediate response and corrective action. Retribution by Supervising Officer or Retaliation for Employee complaints shall be subject to corresponding disciplinary action in accordance with the Code of Conduct.</p>	
<p>2. Board establishes a suitable framework for whistleblowing</p>	<p>Compliant</p>	<p><a href="http://pbb.com.ph/SEC/Corporate%20Governance/Policies/PBB_WhistleBlowingGuidelines.pdf">http://pbb.com.ph/SEC/Corporate%20Governance/Policies/PBB_WhistleBlowingGuidelines.pdf</a></p>	

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information	Explanation
that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.			
3. Board supervises and ensures the enforcement of the whistleblowing framework.			

**Principle 16:** The company should be socially responsible in all its dealings with the communities where it operates, it should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

**Recommendation 16.1**

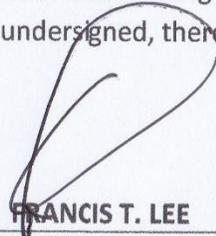
1. Company recognizes and places importance on the interdependence between business and society and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	Bank's community involvement and environment-related programs:		
		<b>Initiative</b>	<b>Beneficiary</b>	
		AMY Foundation Renewal of Scholarship Grants covering 1 <sup>st</sup> and 2 <sup>nd</sup> Semesters of SY 2017-2018	AMY Scholars enrolled in the following: <u>Partner Schools:</u> Philippine Normal University, Polytechnic University of the Philippines, Pamantasan ng Lungsod ng Maynila, Holy Cross College Pampanga <u>Non-partner Schools:</u> University of the East Caloocan, University of Caloocan City, Philippine State College of Aeronautics, Pamantasan ng Lungsod ng Valenzuela, New Era University, Dalubhasaan ng Lungsod ng San Pablo, Our Lady of Fatima University, St. Claire College of Caloocan	
Orientation and MOA Signing with the New Scholars of AMY Foundation	Newly approved AMY Scholars			

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

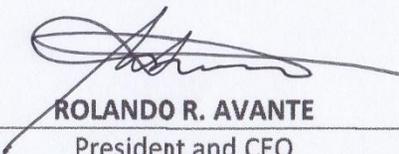
Recommended CG Practice/Policy	Compliant/ Non-Compliant	Additional Information		Explanation
		Home Visitation to AMY scholar-applicants	Scholar-applicants	
		Random School Visits to Partner Schools of the Foundation in order to make the Foundation's presence felt and build better rapport to its partner schools and scholars.	Partners schools and AMY Scholars	
		Conducted 'Kamustahan' sessions with AMY Scholars in order to get updates on their journey being a college student.	Scholars enrolled in Polytechnic University of the Philippines and Holy Cross College	
		Balik Eskuwela Project 2017	200 Kinder, Grades 1 and 2 students residing in the adopted community of Couples for Christ (CFC) North A Sector.	
		Annual Christmas Party for the Indigent Kids	200 underprivileged kids residing in the pre-identified depressed areas in Manila and Caloocan.	
<b>Optional: Principle 16</b>				
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	The Bank acknowledges its responsibility to the country, particularly on its contribution to the growth of the nation's economy, adherence to various government policies on the preservation of environment, respect to the efforts of local government units and various non-governmental organizations to protect the natural resources; the communities and customers it serves, as fundamentals to its long-term sustainability		
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	see Recommendation 16.1 above.		

Pursuant to the requirement of the Securities and Exchange Commission (SEC), this Integrated Annual Corporate Governance Report (I-ACGR) is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Caloocan on \_\_\_\_\_, 2018.

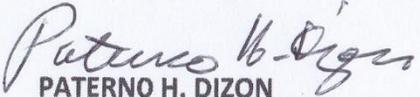
**SIGNATURES**

  
**FRANCIS T. LEE**

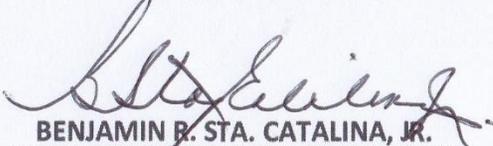
Chairman of the Board  
TIN 113-336-814

  
**ROLANDO R. AVANTE**

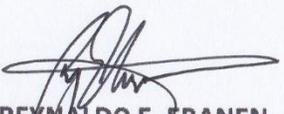
President and CEO  
TIN 106-968-623

  
**PATERNO H. DIZON**

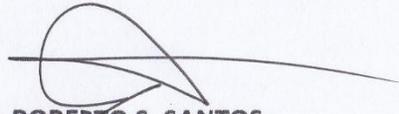
Independent Director  
TIN 118-192-581

  
**BENJAMIN B. STA. CATALINA, JR.**

Independent Director  
TIN 106-906-404

  
**REYNALDO E. EBANEN**

Acting Chief Compliance Officer  
TIN 102-370-147

  
**ATTY. ROBERTO S. SANTOS**

Corporate Secretary  
TIN 123-467-623

**SUBSCRIBED AND SWORN** to before me this 29 day of MAY 2018, 2018, affiants exhibiting to me their tax identification numbers (TIN) as indicated above.

Doc. No. 461  
Page No. 94  
Book No. 11  
Series of 2018

**ATTY. NIÑO CHRISTOPHER P. PUPA**  
**NOTARY PUBLIC**  
Notary Public (NC-348 Valid Until Dec. 2019)  
Roll of Attorney's No. 53988  
PTR No. 9405066; 01.03.18; Caloocan  
IBP No. 034127; 03.01.18; CALMANA  
MCLE CERT NO. V-0023535; 08.16.16  
350 Rizal Ave., Cor. 8<sup>th</sup> Ave., Grace Park Caloocan