

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year 2014
2. Exact Name of Registrant as Specified in its Charter Philippine Savings Bank
3. Address of Principal Office PSBank Center 777 Paseo de Roxas corner Seden Street, Makati City
Postal Code 1226
4. SEC Identification Number 15552 
5. (SEC Use Only) 
Industry Classification Code
6. BIR Tax Identification Number 000-663-983-000
7. Issuer's Telephone number, including area code (632) 885-8208
8. Former name or former address, if changed from the last report Not Applicable – Not Changed

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9) directors
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Actual number of Directors for the year	Nine (9) directors
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name (as of 28 Apr 2014)	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Chairman Jose T. Pardo (re-elected)	ID	Minority	Yolanda L. dela Paz (no relation)	2003	28 April 2014, ID for 6 years	Annual SH Meeting	11
Vice-Chairman Arthur V. Ty (re-elected)	NED	Metrobank (majority owner)	Anjanette Ty Dy Buncio	2001	28 April 2014	Annual SH Meeting	13
CEO Vicente R. Cuna, Jr. (re-elected)	ED	Metrobank (majority owner)	Arthur V. Ty	2013	28 April 2014	Annual SH Meeting	1
Samson C. Lim (re-elected)	ID	Minority	Gilda Brigida C. Alunan (no relation)	2008	28 April 2014, ID for 6 years	Annual SH Meeting	6
Benedicto Jose R. Arcinas (re-elected)	ID	Minority	Dulce D. Arcebal (no relation)	2012	28 April 2014, ID for 2 year	Annual SH Meeting	2
Margaret Ty Cham (re-elected)	ED	Metrobank (majority owner)	Arthur V. Ty	2004	28 April 2014	Annual SH Meeting	10
Maria Theresa G. Barretto (re-elected)	NED	Minority	Danilo L. Dolor	2006	28 April 2014	Annual SH Meeting	8
Amelia B. Cabal (new)	NED	Metrobank (majority owner)	Arthur V. Ty	2009	28 April 2014	Annual SH Meeting	-
Jeanne Frances T. Chua (re-elected)	NED	Metrobank (majority owner)	Arthur V. Ty	2013	28 April 2014	Annual SH Meeting	1

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

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

At PSBank, we abide by various disclosure requirements of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Philippine Stock Exchange (PSE) as a publicly-listed company. We ensure that we are transparent to our shareholders by posting the latest public disclosures on the Investor Relations section of our website and in press releases. In compliance with SEC Memorandum Circular No. 11 s2014, we updated our website in 2014 to include all required disclosures in accordance with the SEC-prescribed web template for our stakeholders to readily check our corporate governance practices.

We also maintain an open communication line and use feedback from our stakeholders to develop better policies, products and services. We likewise accommodate requests for information pertaining to the management of our Bank, stockholders rights or any other bank-related matters, while remaining mindful of disclosure limitations under existing laws on bank deposits secrecy and data privacy.

Our Corporate Governance Manual (CGM) serves as a valuable guide and reference in our implementation of the corporate governance rules and regulations of both the BSP and the SEC. In 2014, we updated our CGM primarily to integrate all Board-level and Management-level committee charters and their respective annual performance scorecards. We also incorporated recent regulatory issuances and all related reportorial requirements with their corresponding submission deadlines to serve as a centralized reference of all corporate governance-related matters.

- (c) How often does the Board review and approve the vision and mission?
- Currently, there is no set frequency in the Board’s review and approval of the Bank’s vision and mission. For many years, the Bank’s vision and mission remains the same as it is relevant and continues to be a work-in-progress despite its many achievements and current standing in the Thrift Banking industry, to wit:

Vision:

To be the country’s consumer and retail bank of choice.

Mission:

As an INSTITUTION: To conform to the highest standards of integrity, professionalism and teamwork.

For our CLIENTS: To provide superior products and reliable, top quality services responsive to their banking needs.

For our EMPLOYEES: To place a premium on their growth, and nurture an environment of teamwork where outstanding performance is recognized.

For our SHAREHOLDERS: To enhance the value of their investments.

Core Values:

In realizing our mission and vision, we will be:

PROACTIVE in serving our customers.

PERFORMANCE-driven and recognized, reinforced, and rewarded accordingly.

PROFESSIONAL to the highest standards and in all respects.

PEOPLE-ORIENTED in our dealings with our internal and external customers alike.

- (d) Directorship in Other Companies

- (i) Directorship in the Company’s Group²

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

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent).	Indicate if
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² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

		director is also the Chairman.
Arthur V. Ty	<ul style="list-style-type: none"> ▪ Metropolitan Bank and Trust Company, GT Metro Foundation Inc, Metropolitan Bank (China) Ltd, Grand Titan Capital Holdings Inc, Global Treasure Holdings Inc. ▪ Metrobank Foundation Inc, GT Capital Holdings Inc, Great Mark Resources Corporation, and First Metro Investment Corporation ▪ Federal Land Inc 	<ul style="list-style-type: none"> ▪ Chairman, Non-Executive ▪ Vice Chairman, Non-Executive ▪ Non-Executive Director
Margaret Ty Cham	<ul style="list-style-type: none"> ▪ Orix Metro Leasing Corporation 	<ul style="list-style-type: none"> ▪ Director, Non-Executive
Vicente R. Cuna Jr.	<ul style="list-style-type: none"> ▪ First Metro Investment Corporation 	<ul style="list-style-type: none"> ▪ Director, Non-Executive

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jose T. Pardo	<ul style="list-style-type: none"> ▪ JG Summit Holdings Inc. 	<ul style="list-style-type: none"> ▪ Independent Director

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Arthur V. Ty, PSBank Vice Chairman	Metropolitan Bank and Trust Company (MBTC)	MBTC Chairman

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

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	(Please see below)	(Please see below)
Non-Executive Director		
CEO		

- Under Sec. 2.2.2.1.4. of the Bank's CG Manual, the Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:
 - Nature of the business strategies of PSBank which he is a director;
 - Age of the director;
 - Number of directorships/active memberships and officerships in other corporations or organizations; and
 - Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

Also under 2.2.2.1.4., the President/Chief Executive Officer and other senior officers shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

Bank, however, does not have any director holding board seats in other publicly-listed companies more than said limit.

* *Current BSP rules and regulations (including the recent BSP Circular No. 749 re: Guidelines in Strengthening CG in BSP-supervised FIs), however, do not prescribe any limit nor guidelines but require that directors (executive or non-executive) should give sufficient time and attention to the affairs of the Bank. The position of President/CEO, however, requires full-time work and cannot be held concurrently in other companies in accordance with BSP's rules on Interlocking Officership.*

(e) Shareholding in the Company

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

Name of Director (2014)	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jose T. Pardo, Chairman	1,852	n/a	0.000771%
Arthur V. Ty, Vice Chairman	117	n/a	0.000049%
Vicente R. Cuna, Jr.	100	n/a	0.000042%
Samson C. Lim	100	n/a	0.000042%
Benedicto Jose R. Arcinas	100	n/a	0.000042%
Jeanne Frances T. Chua	100	n/a	0.000042%
Margaret Ty Cham	100	n/a	0.000042%
Maria Theresa G. Barretto	3,557	n/a	0.001481%
Amelia B. Cabal	100	n/a	0.000042%
TOTAL	6,126	n/a	0.002553%

2) Chairman and CEO

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

Yes No

Identify the Chair and CEO:

Chairman of the Board	Jose T. Pardo
CEO/President	Vicente R. Cuna, Jr.

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role / Accountabilities	Under Sec. 8.01 of the Bank's By-Laws, the Chairman of the Board shall have the	Under Sec. 8.03 of the Bank's By-Laws, the President shall be the

/ Deliverables	<p>following duties and responsibilities:</p> <ul style="list-style-type: none"> - To preside at all meetings of the stockholders and of the Board of Directors - To submit an annual report of operations of the Bank to the stockholders at the annual meeting - To exercise such general supervision as may be necessary to determine whether the resolutions and orders of the Board of Directors and of any authorized committees have been carried out by the management - To exercise such powers and perform such duties as the Board of Directors may fix or delegate 	<p>Chief Executive Officer of the Bank. He shall have the primary responsibility of carrying out the policies and implementing the objectives approved by the Board. His powers and duties also include but are not limited to the following:</p> <ul style="list-style-type: none"> • To exercise direct and active management on the business and operations of the Bank • To exercise direct superintendence and direction over the other officers and employees of the Bank and to see to it that their respective duties are properly performed • To recommend to the Board the appointment or removal of any of the management officers, the fixing of their salaries and compensation, to prescribe their functions, responsibilities and duties and to require guarantee or bonds to secure the faithful discharge of certain officers, employees or agents of their official duties • To sign and execute on behalf of the Bank, when so authorized by the Board, either singly or jointly with any other officer by the Board, all contracts and agreements which it may enter under the statutes of the Philippines • To represent the Bank in all judicial and administrative proceedings affecting the business • To sign with the Secretary all the certificates of stock of the Bank • To carry out all the resolutions and orders of the Board and of any authorized committees • To submit to the Board such documents as the latter may require, and prepare such documents as may be required from time to time by law or government regulations with respect to domestic corporations in general and banks in particular • To perform such other duties as may be prescribed by the Board or which may properly pertain to its office and which in his judgment will serve the best
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		interest of the Bank in conformity with the provision of statutory law and of these by-laws.
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3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

- Succession planning for members of the Board including the President is handled by the Bank’s Nominations Committee.
- Succession for Board members/directors including the President and top key management positions is governed by the Nominations Committee Charter which is guided by the Bank’s By-Laws (Secs. 6.02-6.03) and the Corporate Governance (CG) Manual (Sec. 2.2.2.1), all of which are aligned with the BSP’s Manual of Regulations for Banks (MORB).
- For the organization, the succession planning program is carried out as follows:
 - HRG and top management convene regularly to pinpoint areas in the organization with anticipated turnover, resulting from resignations/ retirements and other changes.
 - HRG and the Selection Team convene to review list of possible successors for key roles across the organization based on criteria below.
 1. The candidate must be a consistent high performer. As a minimum requirement, the latest 2 years performance evaluation must at least be Met Expectations (ME).
 2. He / She must have no derogatory record.
 3. Though a related experience, background and exposure are important, the Bank also gives value to the management and leadership capabilities of the candidate especially for officer positions.
 - The Selection Team and/ or the group heads may coordinate with HRG for the honing and further development of the management skill of the identified successor/s
 - In cases where no successor is identified internally, external recruitment will commence immediately
 - The Bank also offers a referral incentive program to supplement staffing needs thru the PSBanker Gets future PSBanker (PGP) Referral program.

4) Other Executive, Non-Executive and Independent Directors

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

- Yes. The Bank’s CG Manual (under Sec. 2.2.2.1) specifies the qualifications of a director, one of which is that he must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience.

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

- Yes. Out of the Bank’s total 9 directors, 8 i.e. other than the President are non-executives or not involved in the management of the Bank’s day-to-day activities/operations. All these 8 non-executive directors have experience in the banking industry either as the Bank’s director for a significant time or as a present/past director or formerly part of the senior management team in other banks.

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

	Executive	Non-Executive	Independent Director
Role	President/CEO (1)	Directors including the Vice Chairman (5)	Independent Directors including the Chairman (3)
Accountabilities	<ul style="list-style-type: none"> ➤ Same accountabilities as a director ➤ Also accountable to the Board for having the primary responsibility of carrying out the policies, implementing the strategies and meeting the goals/objectives approved by the Board. 	<p>> Accountable to the stakeholders in running the Bank in a prudent and sound manner; primarily responsible for approving and overseeing the implementation of strategic objectives, risk management strategy, corporate governance and corporate values; and monitoring the performance of senior management which manages the day-to-day affairs of the Bank</p>	<ul style="list-style-type: none"> ➤ Same accountabilities as directors ➤ The Chairman is particularly tasked to provide active leadership by ensuring that the Board and its different committees function effectively, including maintaining a relationship of trust among Board members and that the Board follows a sound decision-making process.
Deliverables	<ul style="list-style-type: none"> ➤ Same regular duties & responsibilities of Directors. ➤ As the Bank's Chief Executive Officer, he is expected to exercise direct and active management on the day-to-day business and operations of the Bank, conducting the same according to the orders, resolutions and instructions of the Board of Directors and of any authorized committee, and according to his own discretion whenever the same is not expressly limited by such orders, resolutions and instructions. 	<p>> Tasked to do the regular duties & responsibilities of Directors as follows: to observe the fit and proper rule; expected to conduct fair business dealings, avoid conflict of interest and observe confidentiality; act honestly, judiciously and in good faith, and uphold the best interests of the Bank and its stakeholders; devote time and attention to their duties and responsibilities and contribute to the Board's decision-making process; and exercise independent judgment and have a working knowledge of laws, rules and regulations applicable to the Bank.</p>	<ul style="list-style-type: none"> ➤ Same regular duties & responsibilities of Directors. ➤ In addition as <i>Independent</i> Directors, they provide objective judgment, render unbiased decisions in the Board especially on matters posing potential conflicts of interest and strengthen check-and-balance in ensuring integrity, disclosure and transparency.

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

- The Bank's definition of "independence" with respect to Independent Directors adopts that set by the BSP under its Circular No. 749 re: Guidelines in Strengthening CG in BSP-supervised FIs, as follows:
 - 1) Is not or have not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of ~~any~~ election;
 - 2) Is not a director or officer of the related companies of the Bank's majority stockholder;

- 3) Is not a stockholder with shares of stock sufficient to elect one seat in the Board of Directors of the Bank, or any of its related companies or of its majority corporate shareholders;
- 4) Is not a relative, legitimate or common-law of any director, officer or majority shareholder of the Bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law and brother-/sister-in-law;
- 5) Is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies or any of its substantial shareholders; and
- 6) Is not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, have not engaged and do not engage in any transaction with the Bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

All 3 Independent Directors of the Bank are compliant with this definition as determined by the Bank's Nominations Committee and as certified by the Independent Directors themselves.

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

- The Bank's term limit for its Independent Directors follows the "5-2-5" rule set by BSP Circular No. 749 which is also consistent with SEC Memorandum Circular No. 9 dated 5 December 2011 which took effect 2 January 2012. As such, any of the Bank's Independent Director, after having served 5 years as such and 2 years "cooling-off" period (reckoned from January 2012), may serve a final 5 more consecutive years as such. After serving said maximum 2 terms, he/she is banned from being elected as an Independent Director albeit may still be elected as a regular/non-independent director.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Joaquin Aligguy (replaced by Amelia B. Cabal)	Director	28 April 2014	Term expired; not re-elected

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

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

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ Selection/appointment of directors is determined and handled by the Bank's Nominations Committee. ➤ Once determined, the Bank's Nominations Committee convenes to review and evaluate all 	<ul style="list-style-type: none"> ➤ Guidelines set forth in the Bank's Nominations Committee's Charter ➤ Qualifications (including the required criteria of independence for Independent Directors) and Grounds for
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>nominees to the Board.</p> <ul style="list-style-type: none"> ➤ Election of nominated directors is held during the Bank's Annual Stockholders' Meeting. ➤ Elected/re-elected directors are then submitted to the BSP, together with other documentary requirements, for the Monetary Board's confirmation of their directorship. 	<p>Disqualifications of Directors as set forth by the BSP in the Manual of Regulations for Banks (MORB)</p> <ul style="list-style-type: none"> ➤ Basic Considerations: integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience.
b. Re-appointment		
(i) Executive Directors	Same process as above	Same criteria as above
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ The Board of Directors and management of the Bank are responsible for determining the existence of the ground for disqualification of the director and for reporting the same to the BSP. While the Bank may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director from being elected as director in any FI under the supervision of the BSP. Grounds for disqualification made known to the Bank, shall be reported to the appropriate department of the BSP-SES within seventy-two (72) hours from knowledge thereof. ➤ On the basis of knowledge and evidence on the existence of any of the grounds for disqualification, the director concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate 	<p>Following the same criteria set forth by the BSP for <i>Permanent Disqualification</i> of directors, as follows:</p> <ol style="list-style-type: none"> 1. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust; 2. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years; 3. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations; 4. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract; 5. Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board; 6. Directors and officers of banks found by the Monetary Board as administratively liable for
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>department of the BSP-SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the BSP's watchlisted file, together with the evidence in support of his/her position. The head of said BSP department may allow an extension on meritorious ground.</p> <ul style="list-style-type: none"> ➤ Upon receipt of the reply explanation of the director concerned, the appropriate department of the BSP-SES shall proceed to evaluate the case. The director concerned shall be afforded the opportunity to defend/clear himself/herself. ➤ If no reply has been received from the director concerned upon the expiration of the period prescribed above, said failure to reply shall be deemed a waiver and the appropriate department of the BSP-SES shall proceed to evaluate the case based on available records/evidence. ➤ If the ground for disqualification is delinquency in the payment of obligation, the concerned director shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board. ➤ For directors of closed banks, the concerned department of the BSP-SES 	<p>violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</p> <p>7. Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p>
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	<p>shall make appropriate recommendation to the Monetary Board clearing said directors when there is no pending case/complaint or evidence against them. When there is evidence that a director has committed irregularity, the appropriate department of the SES shall make recommendation to the Monetary Board that his/her case be referred to the Office of Special Investigation (OSI) for further investigation and that he/she be included in the masterlist of temporarily disqualified persons until the final resolution of his/her case. Directors with pending cases/complaints shall also be included in said masterlist of temporarily disqualified persons upon approval by the Monetary Board until the final resolution of their cases. If the director is cleared from involvement in any irregularity, the appropriate department of the SES shall recommend to the Monetary Board his/her delisting. On the other hand, if the director concerned is found to be responsible for the closure of the institution, the concerned department of the SES shall recommend to the Monetary Board his/her delisting from the masterlist of temporarily disqualified persons and his/ her inclusion in the masterlist of permanently disqualified persons.</p> <p>➤ If the disqualification is based on dismissal from employment for cause, the appropriate department of the SES shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense or the ultimate facts</p>	
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	<p>which resulted in the dismissal to be able to determine if the disqualification of the Director concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. The appropriate department of the SES may decide to recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/ officer concerned does not warrant disqualification.</p> <ul style="list-style-type: none"> ➤ All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the same procedures above. ➤ Persons who are elected as director in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification shall be afforded the procedural due process prescribed above. 	
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d. Temporary Disqualification		
(i) Executive Directors	Same process as above	<p>Following the same criteria set forth by the BSP for <i>Temporary Disqualification of directors</i>, as follows:</p> <ol style="list-style-type: none"> 1. Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate department of the BSP-SES when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. <i>This</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<p><i>disqualification shall be in effect as long as the refusal persists;</i></p> <p>2. Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation or discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. <i>This disqualification applies only for purposes of the immediately succeeding election;</i></p> <p>3. Persons who are delinquent in the payment of their obligations as defined in the BSP's MORB. <i>This disqualification shall be in effect as long as the delinquency persists;</i></p> <p>4. Persons who have been convicted by a court for offenses involving dishonesty or breach of trust <i>but whose conviction has not yet become final and executory;</i></p> <p>5. Directors and officers of closed banks <i>pending their clearance by the Monetary Board;</i></p> <p>6. Directors disqualified for failure to observe/discharge their</p>
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		<p>duties and responsibilities prescribed under existing regulations. <i>This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate department of the SES of such directors' election/reelection;</i></p> <p>7. Directors who failed to attend the special seminar on corporate governance for board of directors conducted or accredited by the BSP. <i>This disqualification applies until the director concerned had attended such seminar;</i></p> <p>8. Persons dismissed/terminated from employment for cause. <i>This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of the BSP-SES of their disqualification;</i></p> <p>9. Those under preventive suspension;</p> <p>10. Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the</p>
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		<p>integrity of the director/officer or the ability to effectively discharge his duties. <i>This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</i></p> <p>11. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and <i>which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>12. Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of director or officer because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and <i>which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i> and</p> <p>13. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the</p>
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		Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. <i>The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid.</i>
e. Removal		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ Upon approval by the Monetary Board, the concerned director shall be informed by the appropriate department of the BSP-SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected as director in any FI under the supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified. ➤ The Board of Directors of the Bank shall be immediately informed by the BSP of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. ➤ Within seventy-two (72) hours thereafter, the Bank's Corporate Secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the Board on the director involved. 	BSP/Monetary Board's approval of disqualification of concerned director
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	<ul style="list-style-type: none"> ➤ Whenever a director is cleared in the process mentioned above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director of any bank, QB, trust entity or any institution under the 	BSP-SES' elevation to the Monetary Board for the lifting of disqualification & delisting from the watchlisted file when the concerned director is cleared or when the ground for disqualification ceases to exist
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>supervision of the BSP only upon prior approval by the Monetary Board.</p> <p>➤ It shall be the responsibility of the appropriate department of the BSP-SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director and his/her delisting from the masterlist of watchlisted persons.</p>	
g. Suspension		
(i) Executive Directors	<p>➤ The Monetary Board may, whenever warranted by circumstances, preventively suspend (and thus temporarily disqualify and watchlist) any director of a bank or quasi-bank pending an investigation: Provided, That should the case be not finally decided by the Bangko Sentral within a period of one hundred twenty (120) days after the date of suspension, said director shall be reinstated in his position: Provided, further, That when the delay in the disposition of the case is due to the fault, negligence or petition of the director, the period of delay shall not be counted in computing the period of suspension herein provided.</p> <p>➤ The above administrative sanctions need not be applied in the order of their severity. Whether or not there is an administrative proceeding, if the directors concerned continue with or otherwise persist in the commission of the indicated practice or violation, the Monetary Board may issue an order requiring the directors concerned to cease and desist from the indicated practice or violation, and may further order that immediate action be taken to correct the conditions resulting from such practice or violation.</p>	<p>As provided under Sec. 37 of the New Central Bank Act, the Monetary Board may impose administrative sanctions (including suspension of directors) for any willful violation of its charter or by-laws, willful delay in the submission of reports or publications thereof as required by law, rules and regulations; any refusal to permit examination into the affairs of the institution; any willful making of a false or misleading statement to the Monetary Board or the appropriate supervising and examining department or its examiners; any willful failure or refusal to comply with, or violation of, any banking law or any order, instruction or regulation issued by the Monetary Board, or any order, instruction or ruling by the Governor; or any commission of irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Monetary Board</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		

	<p>The cease and desist order shall be immediately effective upon service on the respondents.</p> <p>➤ The respondents shall be afforded an opportunity to defend their action in a hearing before the Monetary Board or any committee chaired by any Monetary Board member created for the purpose, upon request made by the respondents within five (5) days from their receipt of the order. If no such hearing is requested within said period, the order shall be final. If a hearing is conducted, all issues shall be determined on the basis of records, after which the Monetary Board may either reconsider or make final its order.</p>	
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Voting Result of the last Annual General Meeting

Name of Director (2014)	Votes Received
Jose T. Pardo (re-elected)	PSBank implements cumulative voting for its BOD members. Per section 5.05 of the PSBank Articles of Incorporation and By-Laws on voting, at any stockholders meeting, voting shall be by shares of stock and not “per capita” unless the law provides. Cumulative voting should be used in the election of members of the Board of Directors.
Arthur V. Ty (re-elected)	
Vicente R. Cuna, Jr. (re-elected)	
Samson C. Lim (re-elected)	
Benedicto Jose R. Arcinas (re-elected)	
Amelia B. Cabal (new, replaced Joaquin Aligguy)	
Jeanne Frances T. Chua (re-elected)	
Margaret Ty Cham (re-elected)	
Ma. Theresa G. Barretto (re-elected)	

- Per section 5.05 of the PSBank Articles of Incorporation and By-Laws on voting, at any stockholders meeting, voting shall be by shares of stock and not “per capita” unless the law provides. Cumulative voting should be used in the election of members of the Board of Directors.

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.
- Newly elected directors are provided copies of the Board's and of their individual general and specific duties and responsibilities of which they are required to acknowledge receipt thereof and certify that they have read, fully understood and accepted the same which notarized certifications are then submitted to the BSP within 10 banking days after their election.
- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
DIRECTORS:			
Jose T. Pardo (Chairman & ID)	Sep. 21, 2012	Updated Anti-Money Laundering Rules & Regulations	Anti-Money Laundering Council (AMLC) Secretariat
	2013	AML Risk Rating System and other AML Updates	Metrobank
	Nov. 12, 2014	Seminar on Corporate Governance	SGV & Co.
Arthur V. Ty (Vice Chairman)	May 6, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Bankers Institute of the Philippines, Inc.
	Feb. 5, 2014	Distinguished Corporate Governance Speaker Seminar Series	The Institute of Corporate Directors
Vicente R. Cuna, Jr.	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Feb. 5, 2014	Distinguished Corporate Governance Speaker Seminar Series	The Institute of Corporate Directors
Samson C. Lim (ID)	Jul. 29, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	2013	AML Risk Rating System (ARRS) & Amendments to	METROBANK

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

		BSP Cir. No. 706	
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Benedicto Jose R. Arcinas (ID)	Dec. 3-4, 2012	Corporate Governance Orientation Program	Institute of Corporate Directors (ICD)
	May 23, 2013	AML Risk Rating System and other AML Updates	Metrobank
	Aug. 15, 2014	Seminar on Corporate Governance	SGV & Co.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
Margaret T. Cham	Jul. 29, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	April 28 & 30, 2014	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines, Inc.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
Ma. Theresa G. Barretto	Jul. 29, 2011	Insights on the AMLA, its Compliance Requirements and its Implications on Banking Operations	Anti-Money Laundering Council (AMLC) Secretariat
	May 23, 2013	AML Risk Rating System and other AML Updates	Metrobank
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Jeanne Frances T. Chua	May 23, 2013	AML Risk Rating System and other AML Updates	Metrobank
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
Amelia B. Cabal	Jan. 30, 2013	Philippine Investments Summits 2013	Dr. Nouriel Roubini
	Jan. 29, 2014	Risk Management Briefing	Christian G. Lauron Partner, SGV & Co.
	Feb. 5, 2014	Corporate Governance	Institute of Corporate Directors
	Jun.6, 2014	Seminar on Corporate Governance	SGV & Co.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
SENIOR MANAGEMENT (Officers with rank of SVP & up):			

EVP Jose Vicente L. Alde	Jan. 21, 2011	BSP Circular 706: Updated Anti-Money Laundering Rules and Regulation	PSBank Compliance Office
	Oct. 13, 2012	AML Updates: RA Nos. 10167, 10168 & Others	PSBank Chief Compliance Officer
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
SVP Noli S. Gomez	Jan. 21, 2011	BSP Circular 706: Updated Anti-Money Laundering Rules and Regulation	PSBank Compliance Office
	Sep. 21, 2012	Updated Anti-Money Laundering Rules & Regulations	PSBank thru Anti-Money Laundering Council (AMLC) Secretariat
	Oct. 13, 2012	AML Updates: RA Nos. 10167, 10168 & Others	PSBank Chief Compliance Officer
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Feb. 8, 2014	Six Sigma Champion	Ma. Nenita Asuncion Concio: Neville-Clarke Philippines, Inc.
	Aug. 29, 2014	AML Briefing to Board of Directors and Senior Management	Bankers Institute of the Philippines, Inc.
SVP Perfecto Ramon Z. Dimayuga (CFO)	Jan. 11, 2011 & Aug. 12, 2010	The Evolving Financial Reporting Landscape: Changes and Updates (IFRS Quarterly Executive Briefing)	SGV & Co.
	Jan. 21, 2011	BSP Circular 706: Updated Anti-Money Laundering Rules and Regulation	PSBank Compliance Office
	Oct. 13, 2012	AML Updates: RA Nos. 10167, 10168 & Others	PSBank Chief Compliance Officer
	May 23, 2013	AML Risk Rating System and Amendments to BSP Cir. No. 706 and AMLA Law, RA 10365	Metrobank thru Bankers Institute of the Philippines, Inc.
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
SVP Jose Jesus B.	Jan. 21, 2011	BSP Circular 706: Updated	PSBank Compliance Office

Custodio		Anti-Money Laundering Rules and Regulation	
	Sept. 21, 2012	Updated Anti-Money Laundering Rules & Regulation	PSBank thru Anti-Money Laundering Council (AMLC) Secretariat
	Oct. 13, 2012	AMLA Updates (R.A. No. 10167, R.A. No. 10168 & Others)	PSBank Chief Compliance Officer
	June 8, 2013	Money Laundering and Terrorism Financing Prevention Program and AMLA Updates	PSBANK Compliance Office
	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors
SVP Emmanuel A. Tuazon	Nov. 27, 2014	Orientation Course on Corporate Governance	The Institute of Corporate Directors

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

Please refer to the above table. On top of the above formal trainings, the directors are also regularly apprised by the Bank's Chief Compliance Officer of the relevant regulatory updates i.e. significant regulatory issuances and their impact to the Bank during the monthly Board of Directors' and Corporate Governance Committee meetings which forms part of the directors' continuing education program.

B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	In the Bank's Corporate Governance Manual, the Board of Directors is mandated to consistently conduct the affairs of the institution with a high degree of integrity. The Board of Directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior, for itself, senior management and other employees. The same Manual requires individual directors to conduct fair business transactions with the bank and ensure that personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided. It should be done in the regular course of business and upon terms not less favorable to the institution that those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related		In ensuring that PSBank's business interests are duly safeguarded, the Bank requires all its employees to make sure that their personal interests and those of their "affiliates" e.g. their relatives up to the third degree of consanguinity and affinity, their immediate family/household members, persons to whom they furnish financial or material support, business in which they have a financial interest, etc. do not conflict with the duties which they perform for the Bank or with the duties which the Bank performs for its clients.

	interest. He should avoid situations that would compromise his impartiality.	
(b) Conduct of Business and Fair Dealings	Based on the Bank's By-Laws, Section 16.3 on Prohibition, no director or officer of the Bank shall directly or indirectly, for himself or as representative or agent of other, borrow money from the Bank, nor shall he become a guarantor, endorser or surety for loans from the Bank to others, or in any manner be an obligor for moneys borrowed from the Bank or loaned by it except with the written approval of the majority of Directors of the Bank, excluding the Director or Officer concerned. Any such approval shall be entered upon the records of the Bank and shall be properly reported as required by the appropriate regulations.	Like the directors, the Bank's Senior Management and employees are likewise bound to observe the proper conduct of business and fair dealings in accordance with DOSRI and Related Party Transactions policies and rules to ensure that such are thoroughly reviewed and are approved/done at "arms-length" terms.
(c) Receipt of gifts from third parties	In the Bank's Corporate Governance Manual, the Board of Directors is mandated to consistently conduct the affairs of the institution with a high degree of integrity. The Board of Directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior, for itself, senior management and other employees.	All employees are prohibited from accepting gifts from clients or suppliers in any form; although gifts of nominal value that may be impractical to return and which are intended to generate ordinary goodwill are permitted. This provision is not intended to disallow the acceptance of gifts, per se, specifically if such gifts are given at appropriate occasions, for acceptable reasons, and are of reasonable value. Receiving gifts, however, can result in inequity in the delivery of service to clients or may influence business decisions. These are some reasons why, as a rule, accepting gifts is discouraged.
(d) Compliance with Laws & Regulations	Based on the Bank's CG Manual, the Board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice. The Board shall appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.	The Policies, Procedures, Rules and Regulations of PSBank, Bangko Sentral ng Pilipinas, the just and authorized causes enumerated in the Labor Code of the Philippines for termination of employment, and, other applicable laws and enactments, are deemed part of the Bank's Code of Conduct.
(e) Respect for Trade Secrets/Use of Non-public	The same Manual requires individual directors to observe confidentiality. Directors must observe the confidentiality	Bank personnel are expected to hold in strictest confidence information and data relating to clients, business

Information	of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.	<p>plans and marketing strategies and systems as well as proprietary or other confidential information that they may have acquired in the course of their employment. Employees are likewise prohibited from taking out of the Bank's premises bank records and/or forms and/or from giving them to outside parties without prior approval.</p> <p>Care should be taken to ensure the security of papers and computer files of information and records, including data programs and vendor software, in one's custody. As such, employees should only have access to data, computer software and to physical areas, which are necessary in the performance of their job functions. No one should attempt to access data, computer systems, printouts and physical areas to which he or she has not been authorized. The Bank's computer systems and data, including personal computers, word processors and associated magnetic media printouts, should be used only for authorized Bank-related business purposes.</p> <p>The obligation to safeguard confidential information continues even after the employee leaves the Bank.</p>
(f) Use of Company Funds, Assets and Information	The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.	<p>No one is allowed to use Bank supplies, materials or equipment or official forms/documents in connection with activities not related to official business.</p> <p>Employees may not trade in the stock or other securities of the Bank based on inside information. Inside information may include information that relates to clients of the Bank and can be in the form of advance knowledge about earnings, dividends, acquisitions, securities offerings and the like.</p>
(g) Employment & Labor Laws & Policies	A director's office is one of trust and confidence. He shall act in a manner characterized by transparency,	Being an organized institution, the Bank has an existing Collective Bargaining Agreement with the Union.

	<p>accountability and fairness.</p> <p>To ensure a high standard of best practice for the Corporation and its stakeholders, the Board shall, among other important duties, ensure that PSBank complies with all relevant laws, regulations and codes of best business practices; and keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.</p>	<p>For other and all issues pertaining to employment not covered by the CBA, the Bank abides the Labor Code of the Philippines.</p>
(h) Disciplinary action	<p>Under the same Manual, the Compliance Officer is tasked with determining violations of the CG Manual and recommending penalties for violation thereof for further review and clarification of the Board. For violations of required internal processes and controls and the Code of Ethics, prevailing internal rules and regulations will be applied.</p>	<p>Corrective action may be taken by the Bank due to unsatisfactory performance, tardiness and attendance problems, and unacceptable conduct of behavior or failure to comply with Bank's rules, policies and procedures. The Bank shall ensure the observance of due process prior to the imposition of disciplinary sanctions on erring employees and shall ensure the impartial treatment of all disciplinary cases. The following corrective measures may be taken by the Bank against erring employees: a. Written Reprimand; b. Suspension; c. Termination; and/or d. Restitution, and/or the e. Filing of Appropriate Legal Actions.</p> <p>No employee shall be held liable for the commission of an act, which may be deemed in violation of the Policies, Procedures, Rules and Regulations of PSBank, Bangko Sentral ng Pilipinas or any applicable law, enactment or statute, unless he has been so informed, allowed to explain the same in writing, called to a hearing or conference, if deemed necessary where he, with the assistance of counsel if so desires, is given the opportunity to respond to the charge/s, present his evidence or rebut the evidence presented against him, in accordance with due process.</p>
(i) Whistle Blower	<p>The Board of Directors shall allow employees to communicate with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or any independent unit. Policies are likewise set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the Board</p>	<p>In ensuring that the values of honesty and integrity are continually upheld at all times, the Bank requires all its employees to immediately report to their Group Heads or directly to the Human Resources Group (HRG) Head or to the Chief Audit Executive/Internal Audit Group (IAG) Head for investigation purposes any noted impropriety or malpractice</p>

	itself.	committed by a co-employee(s) which includes concealment or non-reporting thereof. To ensure that reporting is not made for personal gain or otherwise to malign anybody, this policy requires that the report shall be made in good faith and with reasonable belief that the information or allegation about an impropriety or malpractice is substantially true. Otherwise, the reporting employee may also be subject to disciplinary sanction(s) for malicious or baseless reporting.
(j) Conflict Resolution	<p>The Board of Directors leads in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</p> <p>The Chairman is particularly tasked to provide active leadership by ensuring that the Board and its different committees function effectively, maintaining a relationship of trust including resolving any conflicts among Board members and ensuring that the Board follows a sound decision-making process.</p>	<p>Violations of the Collective Bargaining Agreement or of the Bank's rules, regulations and policies by an employee are within the scope of authority of the Grievance Machinery.</p> <p>It helps that the Labor-Management Council (LMC), where issues are immediately discussed in a dialogue and settled even before they turn to grievances, is likewise in place. The LMC meets almost every month to discuss any or all matters affecting the employees of the Bank.</p> <p>Conflict resolution involving Bank's employees is also governed by the Bank's Code of Conduct.</p>

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

- Yes. Two (2) of the mandatory topics during the New Employees Orientation Program are the Corporate Ethics and the Code of Conduct. These are given in two (2) sessions covering half of the day. It is also during this time that the each of the employees is provided with a copy of the Code of Conduct.

The Code of Conduct on the other hand is posted in the Banks Intranet called the Info Channel, which can be accessed by the employees anytime using any of the Bank’s online computers.

In addition, the Board through its Compensation and Remuneration committee is tasked with developing and continuously reviewing the Code of Ethics, obtaining Board approval for it and ensuring that it includes the same parameters in good governance as stated in the Bank’s CG Manual.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

- It is Management’s belief that compliance to the Code of Conduct, the Rules and Regulations, Circulars and Laws is the direct responsibility of all employees.

On the other hand, the responsibility of ensuring discipline on the employees is strictly vested in the Bank. Human Resources Group shall provide assistance to the line management by guiding them through the disciplinary process, preparation and issuance of memoranda templates, follow-ups to the line to ensure their compliance with the disciplinary process and the documentation it requires.

Supervisors who do not fulfill their role in ensuring their subordinates compliance to Bank policies, procedures, and Code of Conduct, shall themselves be subject to the disciplinary process for failure to adhere to the Code of Conduct and Management directives.

In addition, the Bank’s Internal Audit processes as well as Whistle Blowing policy also help in monitoring compliance with the Code of Conduct.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>In November 2014, the Board approved the Bank’s Related Party Transactions (RPT) Policy Manual to ensure that all transactions or dealings with its related parties are made in the regular course of business, conducted at arm’s length terms i.e. not less favorable to the Bank than those offered to other unaffiliated/unrelated parties and that corporate/business resources are not misappropriated or misapplied.</p> <p>Towards these ends, PSBank has constituted a Board-level Related Party Transactions Committee (RPTC) that is majority-composed of Independent Directors and tasked to assist the Board in ensuring that transactions with related parties are reviewed, appropriate restrictions are followed, and corporate resources are judiciously used in accordance with a Board-approved Related Party Transactions (RPT) policy.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

	<p>This RPT policy duly defines the Bank's related parties for both natural/individual and juridical persons and:</p> <ol style="list-style-type: none"> 1. Mandates directors and principal officers to submit, upon their election or appointment and on an annual basis thereafter, an information statement declaring therein any of their existing or proposed transactions with the Bank; 2. Requires proponent-units to identify/determine and report to the RPTC through the Compliance Office all their proposed transactions/arrangements with the Bank's related parties for review; 3. Requires the Compliance Office and the RPTC to consider the following factors and other relevant facts and surrounding circumstances in reviewing proposed transactions with related parties: <ul style="list-style-type: none"> <i>o Transaction and Transacting Parties</i> - Nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is indeed RPT or not; <i>o Terms and Conditions</i> - Whether the terms of the transaction or relationship are no less favorable than terms generally offered or available to an unrelated third party under the same circumstances; <i>o Purpose and Rationale</i> - Business purpose, timing, rationale and benefits of the transaction or relationship; <i>o Monetary Value</i> - Approximate monetary value of the related party's interest in the transaction; <i>o Valuation Methodology</i> - Valuation methodology used as alternative approaches to valuation of the transaction; <i>o Potential Counterparties</i> - Information concerning potential counterparties in the transaction; <i>o Provisions or Limitations</i> - Description of provisions or limitations imposed as a result of entering into the transaction; <i>o Reputational Risk</i> - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; <i>o Director's Independence</i> - Impact to a director's independence; and <i>o Conflict of Interest</i> - Extent that such transaction or relationship would present an improper conflict of interest. 4. Requires the handling of RPTs in accordance with a rationalized and risk-based approach following a transaction materiality threshold, to wit: <ol style="list-style-type: none"> a. Transactions considered as DOSRI under existing BSP rules shall be handled as follows: <ul style="list-style-type: none"> <i>o</i> RPTC's review & endorsement and prior Board approval if amounts involved fall within the set threshold <i>o</i> RPTC's review & endorsement, prior Board approval and Stockholders' confirmation/ratification during the Annual Stockholders' Meeting (ASM) if amounts involved are beyond
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	<p>the set threshold.</p> <p>b. Transactions that are non-DOSRI under existing BSP rules shall be handled as follows:</p> <ul style="list-style-type: none"> o RPTC’s review/comments and notation only if amounts involved fall within the set threshold o RPTC’s review & endorsement, prior Board approval and Stockholders’ confirmation/ratification during the Annual Stockholders’ Meeting (ASM) if amounts involved are beyond the set threshold. <p>5. Prohibits a director and/or officer of the Bank to engage in any Board, RPTC or other committee discussion or approval of any transaction in which he/she and/or his/her related parties is (are) involved; provided however, that such director or officer must provide to the Board/RPTC/other committee all material information reasonably requested about the transaction.</p>
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(b) Conflict of Interest

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

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	none
Name of Officer/s	none
Name of Significant Shareholders	none

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	<p><u>Detection/Determination:</u></p> <ul style="list-style-type: none"> ➤ Internal Audit process ➤ “Whistle Blowing” policy & process ➤ Departmental Self-Testing and Compliance Office’s Independent Compliance Testing processes ➤ RPT/DOSRI Determination & Review process by the business/operating units, Compliance Office and the Related Party Transactions Committee (RPTC) and required Board approval in the case of credit accommodations to DOSRI subject to compliance with the required DOSRI ceilings and reporting <p><u>Resolution:</u></p> <ul style="list-style-type: none"> ➤ Due process of administrative actions and corresponding sanctions as provided for under the Bank’s Code of Conduct ➤ Required inhibition of concerned/involved directors from approving submitted proposals or participating in the deliberations taking up such proposals
Group	

5) Family, Commercial and Contractual Relations

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

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
None			

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Metropolitan Bank and Trust Co. / Arthur V. Ty	Parent Bank / Beneficial Owner	Mr. Ty is the Chairman of Metrobank and Vice Chairman of PSBank
Danilo L. Dolor	Beneficial Owner	Mr. Dolor is a stockholder and former director of PSBank

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Metropolitan Bank and Trust Co. (MBTC)	Parent Bank	Letters of Guaranty between MBTC and PSBank for certain transactions like loan take-outs and ROPA sales

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	None	None

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
Corporation & Stockholders	Dispute resolution is governed by the Corporation Code and Corporate By-laws of the Bank, the Bank follows the provisions of the Corporation Code and the Revised Securities Code in managing disputes as well as the amicable means set out in the conduct of stockholders' meetings and other avenues. Being a listed corporation, PSBank also is governed by the PSE Rules and Regulations
Corporation & Third Parties	The Bank has been availing alternative dispute resolution practices and is an active participant in the BSP FCAG and with the PCHC Arbitration Board, for non-judicial dispute resolution with respect to client complaints. Likewise, the Bank through its Legal Department is facilitating

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

	negotiations between the Bank's clients and the Remedial Accounts department to look for non-judicial settlement of disputes. It is also a practice of the Legal Department to avail of the "mediation services" of the Philippine Mediation Center (PMC) for the alternative resolution of client-related cases and also voluntarily submit to Judicial Dispute Resolution (JDR) being facilitated by the judges themselves.
Corporation & Regulatory Authorities	Exit conferences in the case of regulatory examination findings, formal written and verbal communication with the regulators, and holding of meetings with the regulators.

C. BOARD MEETINGS & ATTENDANCE

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

- BOD meetings, which are conducted on a regular (monthly) basis, are usually scheduled a month before the actual meeting depending on the availability of the directors.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held in 2014	No. of Meetings Attended	%
Chairman (ID)	Jose T. Pardo	April 2003	12	12	100%
Vice Chairman	Arthur V. Ty	April 2001	12	12	100%
Member	Vicente R. Cuna, Jr.	April 2013	12	12	100%
Member	Joaquin Aligguy *	April 2009	3	3	100%
Member	Margaret Ty Cham	April 2004	12	11	92%
Member	Ma. Theresa G. Barretto	April 2006	12	12	100%
Member	Jeanne Frances T. Chua	April 2013	12	12	100%
Member (ID)	Samson C. Lim ***	April 2008	12	11	92%
Member (ID)	Benedicto Jose R. Arcinas	April 2012	12	11	92%
Member	Amelia B. Cabal **	April 2014	9	8	89%

(ID) Independent Director

* Mr. Joaquin Aligguy's term as Director of the Bank expired on April 2014.

** Ms. Amelia B. Cabal was elected as Director of the Bank on April 2014.

*** Dir. Lim was not physically present but participated through Memorandum in the September 2014 Board meeting.

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

- None, except for Nominations Committee (once) and Compensation & Remuneration Committee (twice)

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

- Since PSBank has a total of nine (9) directors, at least 5 directors represent quorum. Under Sec. 6.07 of the Bank's Amended Code of By-Laws, a quorum at any meeting of the Board of Directors shall consist of the majority of the Directors.

5) Access to Information

1) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

- i. All directors are provided with documents on the Bank's financial and operational performance, committee activities, regulatory developments, and items for their information and approval two (2) days prior the actual Board meetings.

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

- i. Yes. The Board has access to the secretary who manages the flow of information to the Board prior to the meetings. They also have access to a permanent compilation of documents related to past Board activities. They can readily seek clarification from management should they have concerns about the Bank or any of the items submitted for their consideration.

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

As mentioned in the Corporate Governance (CG) Manual, specifically in Part II, Section 2C thereof, based on the Bank's By-Laws, the Corporate Secretary shall have the following duties:

- a. To keep accurate minutes of all meetings of the stockholders and of the Board and to attend to the giving of all notices required under the By-Laws to be given;
- b. To be the custodian of the corporate seal, stock certificate books, stock and transfer books, records, documents and papers of the Bank, prepare ballots for the annual election and keep a complete and up-to-date list of stockholders and their addresses;
- c. To perform such other duties as may be assigned to him from time to time by the Board, Chairman or President and such other duties incidental to his office;
- d. To sign with the President all contracts, deeds, licenses and other instruments when so ordered by the President or by the Board; and
- e. To prepare such reports and statements required by the Board and/or the Chairman or the President.

In addition to the foregoing, the Corporate Secretary shall also have the following responsibilities:

- a. Safe keep and preserve the integrity of the meetings of the Board committees, as well as other official records of the Bank;
- b. Be loyal to the mission, vision and objectives of the Bank;
- c. Work fairly and objectively with the Board, stockholders and other stakeholders;
- d. Have appropriate administrative and interpersonal skills;
- e. If he is not at the same time the Bank's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- f. Have a working knowledge of the operations of the Bank;
- g. Inform members of the Board, in accordance with the By-Laws, of the agenda for their meetings and ensure that the directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- h. Ensure that all Board procedures, rules and regulations are strictly followed by the directors;
- i. And other duties and responsibilities as prescribed by relevant regulations.

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

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

- Yes. As stated in Part II, Section 2C of the CG Manual, considering his varied functions and duties, the Corporate Secretary must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

5) Committee Procedures

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

Yes No

Committee	Details of the procedures
Executive Committee (ExCom)	Advance copy of the agenda is provided at least a day before the meeting.
Audit Committee (AuditCom)	Audit Committee materials (in hard copy) are sent to the members a day before the scheduled meeting. Items that need immediate attention of or longer review by the AC members are sent via email.
Nomination Committee (NomCom)	Advance copy of the agenda is provided at least a day before the meeting.
Remuneration Committee (RemCom)	Advance copy of the agenda is provided at least a day before the meeting.
Trust Committee (TrustCom)	Trust Division sends to Trust Committee Members detailed information on matters to be taken up by the Trust Committee at least 2 days prior to the scheduled meeting.
Risk Oversight Committee (ROC)	Yes, ROC members are provided with advance copies of the meeting materials at least 1 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.
Corporate Governance Committee (CGC)	Yes, CGC members are provided with advance copies of the meeting materials at least 2 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.
Related Party Transactions Committee (RPTC)	Yes, RPTC members are provided with advance copies of the meeting materials at least 2 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.
Anti-Money Laundering Oversight Committee (AMLOC)	Yes, AMLOC members are provided with advance copies of the meeting materials at least 2 banking day prior to the scheduled meeting. We also accommodate requests for additional information and arrange for resource persons as needed.

- In addition, the Finance Group, in coordination with other key departments, accommodates requests for information pertaining to the management of the Bank, stockholders rights or any other bank-related issues.

6) External Advice

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

Procedures	Details
Audit	Advices/recommendations are provided by the external auditors in their reports or during their meetings with the Audit Committee members.
Risk Management process	The Risk Oversight Committee, shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions.
Board Performance Assessment process	The Corporate Governance Committee may coordinate with external facilitators in carrying out board performance assessment, within the frequency approved by the entire Board. The corporate governance committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation).
Related Party Transactions Review process	In reviewing proposals endorsed to it, the Related Party Transactions Committee may consult third-party experts if it deems the same necessary.

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
None.		

D. REMUNERATION MATTERS

1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Salary adjustments are based on performance for the review period	Salary adjustments are based on performance for the review period
(2) Variable remuneration	none	none
(3) Per diem allowance	Actual expenses may be reimbursed to the senior officer	Actual expenses may be reimbursed to the senior officer
(4) Bonus	The bonuses that form part of the guaranteed pay are based on rank and tenure – the higher the rank, the greater the entitlement as well as a longer tenure means greater premium	The bonuses that form part of the guaranteed pay are based on rank and tenure – the higher the rank, the greater the entitlement as well as a longer tenure means greater premium

(5) Stock Options and other financial instruments	none	none
(6) Others (specify)	none	none

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Directors	Under Sec. 6.08 of the Bank's Amended Code of By-Laws, the Chairman, Vice Chairman and each Director shall receive reasonable per diems for attendance at any meeting of the Board, for each day of session; Provided, however, that nothing herein contained shall be construed to preclude any Director from serving in any other capacity and receiving compensation therefore. The Board shall fix the compensation and other remuneration of any Director or any other officer of the Bank should they be designated to perform executive functions or any special services to the Bank.	Each director receives a monthly professional fee representing per diem and/or transportation allowance for attending the Board and committee meetings.	The Compensation and Remuneration Committee designates the amount of remuneration which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy.

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

- No, as the Bank has its Compensation and Remuneration Committee designed to formulate policies and designate reasonable and sufficient remuneration packages for corporate officers and directors.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Please refer to discussion below on Director and Executive compensation and their other benefits.		
(b) Variable Remuneration			
(c) Per diem Allowance			

(d) Bonuses
(e) Stock Options and/or other financial instruments
(f) Others (Specify) – Transportation Allowance
Total

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Please refer to discussion below on Director and Executive compensation and their other benefits.		
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
Total			

➤ Below is the summary for the Executive Compensation (in millions of PhP):

Name and Principal Position	Year	Salary	Bonus*
Vicente R. Cuna, Jr. – President			
Pascual M. Garcia III – President (<i>retired April 2013</i>)			
Jose Vicente L. Alde – Executive Vice President			
Noli S. Gomez – Senior Vice President			
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President			
Jose Jesus B. Custodio – Senior Vice President			
Yolanda L. Dela Paz, Senior First Vice President (<i>retired November 2013</i>)			
TOTAL FOR THE TOP 5 EXECUTIVES ABOVE	2014	PhP36.78	PhP18.15
	2013	PhP35.24	PhP12.94
	2012	PhP32.67	PhP8.24
TOTAL FOR ALL OFFICERS (AVP & UP) and Directors	2014	PhP 132.82	PhP 42.34
	2013	PhP 134.33	PhP 39.73
	2012	PhP 134.18	PhP 33.63

* In Million Pesos

Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy. The total per diem and transportation allowance paid to directors for their attendance in Board meetings amounted to ₱16.3 million, ₱13.0 million and ₱12.9 million in 2014, 2013 and 2012, respectively. This translates to an average of ₱116,343.00, ₱120,490.00 and ₱119,093.00, per month/per director in 2014, 2013 and 2012, respectively. Aside from said amounts, they have no other compensation plan or arrangement with the Bank.

The executive officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated above. Aside from these, they have no other compensation plan or arrangement with the bank.

There are no warrants or options held by the Bank's officers and directors.

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	None	N/A	N/A	N/A

(b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	None	N/A

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Jose Vicente L. Alde - Executive Vice President	The executive officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated in item 3) above. Aside from these, they have no other compensation plan or arrangement with the bank.
Noli S. Gomez - Senior Vice President	
Perfecto Ramon Z. Dimayuga, Jr. - Senior Vice President	
Jose Jesus B. Custodio - Senior Vice President	
Emmanuel A. Tuazon – Senior Vice President	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee (2014)	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director	Non-executive Director	Independent Director (ID)				

	(ED)	or (NED)					
Executive	2	1	-	Yes	It regularly reviews and approves credit proposals within its limits	It recommends additional conditions and requirements on loan applications for Board approval	Approval of credit proposals; Recommends to the board of directors any credit exceptions that merit approval provided they are supported by strong business rationale.
Audit	-	3	2 (including the Chair)	Yes	It provides independent oversight of internal controls and financial reporting, risk management, ethical environment, compliance with laws and regulations, and internal and external audit activities	Oversight of audit activities	Oversight of audit activities
Nomination	-	3	2 (including the Chair)	Yes	It reviews and evaluates all nominees to the Board	It promulgates the guidelines or criteria to govern the conduct of nominations. It pre-screens the qualifications and prepares a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the	It pre-screens and shortlists all candidates nominated to become a member of the board of directors.

						nominees for independent directors.	
Remunerati on	-	3	2 (including the Chair)	Yes	It reviews and evaluates remuneration packages of executive and corporate officers and directors	It establishes a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior mgt and other key personnel ensuring that compensation is consistent with the corporate culture, strategy and control environment	Oversight of remuneratio n process
Trust	1	3	1	Yes	Oversees the fiduciary activities of the Bank	Ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices; - Ensures that policies and procedures that translate the Board of Directors' objectives and risk tolerance	Prescribes and approves new fiduciary activities that are in accordance with applicable laws, rules and regulations, and prudent practices; - Prescribes and approve policies and procedures that translate the Board

						<p>into prudent operating standards are in place and continue to be relevant, comprehensive and effective;</p> <ul style="list-style-type: none"> - Oversees the implementation of the risk management framework and ensure that internal controls are in place relative to fiduciary activities; - Adopts an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust department to effectively carry out its functions; - Oversees and evaluate the performance of the Trust Officer; - Conducts regular meetings at least once every quarter, or more frequently as necessary, 	<p>of Directors' objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;</p> <ul style="list-style-type: none"> - Approves new products that adhere to the risk management framework and are covered by internal controls
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						depending on the size and complexity of the fiduciary business; - Reports regularly to the Board of Directors on matters arising from fiduciary activities.	
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Committee (2014)	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Risk Oversight	1	1	1 (the Chair)	ROC Charter	See below	Recommends or endorses to the Board for approval	
Corporate Governance	0	1	2 (including the Chair)	CGC Charter	See below	Recommends or endorses to the Board for approval	
Related Party Transactions	0	1	2 (including the Chair)	RPTC Charter	See below	Recommends or endorses to the Board for approval	
AML Oversight	1	2	1 (the Chair)	AMLOC Charter	See below	Recommends or endorses to the Board for approval	

Functions & Key Responsibilities:

Risk Oversight Committee

Function

The ROC is constituted by the Board to be responsible for the development and oversight of the Risk Management Program for the Bank.

Key Responsibilities

1. Identify and evaluate exposures – The ROC shall assess the probability of each risk becoming reality and estimate its possible effect and cost. Priority areas of concern are those risks that are the most likely to occur and costly when they happen.
2. Develop risk management strategies – The ROC shall develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risks become real. These plans are embodied in the Risk Management Framework, Policies and other directives as indicated in the ROC minutes and related documents.

3. Oversee the implementation of the risk management plan – The ROC shall conduct regular discussions on the Bank's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce risks. It shall communicate the risk management plan and loss control procedures to affected parties.

4. Review and revise the plan as needed – The ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood of harm or loss. The ROC shall report regularly to the Board the Bank's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

Corporate Governance Committee

Function

To assist the Board in fulfilling its corporate governance responsibilities

Key Responsibilities

1. It shall ensure the Board's effectiveness and due observance of corporate governance principles and guidelines.
2. It shall oversee the periodic performance evaluation of the Board and its committees and executive management and shall also conduct an annual self-evaluation of its performance. It may coordinate with external facilitators in carrying out board assessment, within the frequency approved by the entire Board.
3. It shall decide the manner by which the Board's performance shall be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholders' value.
4. It shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiples boards.
5. It shall make recommendations to the Board regarding the continuing education of director, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.
6. It shall oversee the implementation of the Bank's Compliance Program and the performance of compliance function.

Related Party Transactions Committee

Function

To assist the Board in ensuring that transactions with related parties are conducted at arms-length terms and that corporate or business resources of the Bank are not misappropriated or misapplied

Key Responsibilities

- Taking off from Compliance Office's initial review, the RPTC shall further review/evaluate proposals on Related Party Transactions endorsed to it by considering the following:
 - Transaction and Transacting Parties – Nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is a Related Party Transaction or not;
 - Terms and Conditions - Whether the terms of the transaction or relationship are no less favorable than terms generally offered or available to an unrelated third party under the same circumstances;
 - Purpose and Rationale - Business purpose, timing, rationale and benefits of the transaction or relationship;
 - Monetary Value - Approximate monetary value of the Related Party's interest in the transaction;

- Valuation Methodology - Valuation methodology used as alternative approaches to valuation of the transaction;
- Potential Counterparties - Information concerning potential counterparties in the transaction;
- Provisions or Limitations - Description of provisions or limitations imposed as a result of entering into the transaction;
- Reputational Risk - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- Director's Independence - Impact to a Director's Independence; and
- Conflict of Interest - Extent that such transaction or relationship would present an improper conflict of interest.

In reviewing proposals endorsed to it, the RPTC may consult third-party experts if it deems the same necessary.

- No director shall participate in any RPTC discussion concerning a related party transaction for which he/she or any member of his/her immediate family is a related party except in order to provide material information on the related party transaction to the RPTC.
- Based on the above review and other factors or circumstances that it deems relevant, the RPTC through the Chief Compliance Officer shall report to the Board of Directors the RPT items reviewed including the RPTC's recommendations if any for the BOD's notation and/or appropriate action.

Anti-Money Laundering Oversight Committee

Function

The AMLOC shall assist the Board of Directors in fulfilling its oversight responsibility over the Bank's compliance management to make sure that the Bank complies with the provisions of the AMLA, as amended, its Revised Implementing Rules and Regulations (RIRRs) and BSP AML regulations to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activity or to facilitate or finance terrorism.

Key Responsibilities

In line with the AMLOC's mandate to assist the Board of Directors in fulfilling its oversight on Bank's compliance with the requirements of AMLA, its RIRRs and BSP AML regulations:

1. It shall provide oversight on AML policy development and execution such that AML Policies & Procedures established by Senior Management, led by Compliance Office and assisted by the AMLCC, are adequate to ensure compliance and are kept updated/remain relevant to best react on the changing AML regulatory scenarios and conditions.
2. As designed, updated/revised and recommended by the Compliance Office/AMLCC, it shall review and endorse to the Board for approval the Bank's Money Laundering & Terrorism Financing Prevention Program (MLTFPP) documenting the policies and procedures of the Bank's compliance with the core components of AMLA, its RIRRs and BSP AML regulations.
3. It shall receive from, review and take action (as necessary) on AML-related reports coming from the Bank's Compliance Office. It may also devise and require new/additional AML reports to ensure that Bank's compliance with AMLA, its RIRRs and BSP AML regulations as well as effective management of AML risks are duly monitored.
4. It shall oversee and ensure the effective performance of the AML/TF functions of the Bank's Compliance Office.
5. It shall oversee and ensure the effective performance of the duties and responsibilities of the Bank's AMLCC by reviewing the results of the AMLCC's annual performance self-evaluation/assessment and directing needed actions to address areas for AMLCC's improvement.
6. It shall report to the Board significant developments, issues and concerns in the Bank's AML compliance as necessary.

2) Committee Members
(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman	Arthur V. Ty	April 2009	1	1	100%	5 yrs. 9 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2013	1	1	100%	1 yr. 9 mos.
Member (ED)	Margaret Ty Cham	April 2004	1	0	0%	10 yrs.
Member	Rosanna F. De Vera (non-director/MBTC representative)	October 2012	1	1	100%	2 yrs. 3 mos.
Member	Maris Lou S.Velicaria (non-director/PSBank representative)	April 2014	1	1	100%	9 mos.

* Aside from Excom meeting, the Bank conducted 43 special routing of accounts in 2014.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Jose T. Pardo	April 2009	12	12	100%	5 yrs. 9 mos.
Member (ID)	Samson C. Lim	April 2008	12	11	92%	6 yrs. 9 mos.
Member (NED)	Joaquin Aligguy *	Nov 2009	4	4	100%	4 yrs. 6 mos.
Member (NED)	Amelia B. Cabal **	April 2014	8	8	100%	9 mos.

* Term expired in April 2014

** Appointed as Member in April 2014

Disclose the profile or qualifications of the Audit Committee members.

- JOSE T. PARDO, Chairman / Independent Director
Chairman since 2003. Chairman/ Independent Director, Philippine Stock Exchange, Securities Clearing Corporation of the Philippines, Bank of Commerce. Chairman, EC Pay Network Inc., Franchise Investment Holdings Inc., De La Salle University, Inc., ECOP Council of Business Leaders, PCCI Council of Business Leaders, Philippine Business Center Inc., Foundation for Crime Prevention, Assumption (Antipolo), EDSA People Power Foundation, Philippine-Japan Vocational Technical Foundation. Co-Chairman, De La Salle Philippines. Vice Chairman, EDSA People Power Commission, Office of the President. Independent Director, JG Summit Holdings, Inc. Director, National GRID Corporation of the Philippines and ZNN Radio Veritas. First graduate of the Harvard-DLSU Advisory Program. BS Commerce-Accountancy and MBA, De La Salle University.
- SAMSON C. LIM, Independent Director
Director since 2008. President, Blims Fine Furniture and Canadian Tourism & Hospitality Institute. Chairman, Automatic Appliances Inc., Collins International Trading Corporation and Francorp Philippines. Chairman/ Tourism Committee, Philippine Chamber of Commerce and Industry. Chairman Emeritus/ International Relation, Philippine Franchise Association. Chairman Emeritus, Philippine Retailers Association. BS Liberal Arts, Cum Laude, Ateneo de Manila University. Masters in Business Economics, University of Asia and the Pacific. Exchange Student, Sophia University Tokyo, Japan. Special Training on International Business, Institute of International Studies and Training, Fujinomia, Japan. Top Management Program, Asian Institute of Management.

- AMELIA B. CABAL, Director
 Director since 2014. Independent Director, Deutsche Regis Partners, Inc., Ionics EMS, Inc., Ionics Inc., Bank Supervisor, Metropolitan Bank (China) Ltd. BS Commerce Major – Accounting, Far Eastern University. Advanced Management Program, Harvard Business School. Advanced Management Program, Asian Institute of Management. Pacific Rim Banking Program, Pacific Coast Banking School/ University of Washington, Seattle, USA. Top Management Program- Bangkok.

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

The Audit Committee is delegated with fiduciary functions to assist the Board in fulfilling its oversight responsibility to the shareholders relating to the external audit functions.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Samson C. Lim	April 2009	1	1	100%	5 yrs. 9 mos.
Member (NED)	Arthur V. Ty	April 2004	1	1	100%	10 yrs. 9 mos.
Member (ID)	Jose T. Pardo	April 2012	1	1	100%	2 yrs. 9 mos.

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Jose T. Pardo	April 2003	2	2	100%	11 yrs. 9 mos.
Member (NED)	Arthur V. Ty	April 2001	2	2	100%	13 yrs. 9 mos.
Member (ID)	Benedicto Jose R. Arcinas *	April 2012	1	1	100%	2 yrs. 9 mos.
Member (ID)	Samson C. Lim **	April 2014	1	1	100%	9 mos.

* Term expired in April 2014

** Appointed as Member in April 2014

(e) Others (Specify)

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

Corporate Governance Committee (CGC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Samson C. Lim	April 2008	12	12	100%	6 yrs. 9 mos.
Member (ID)	Jose T. Pardo	April 2009	12	12	100%	5 yrs. 9 mos.
Member (NED)	Jeanne T. Chua	April 2013	12	12	100%	1 yr. 9 mos.
Member (NED)	Joaquin Aligguy *	April 2012	4	4	100%	2 yrs.

* Term expired in April 2014

Related Party Transactions Committee (RPTC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
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				(2014)		
Chairman (ID)	Jose T. Pardo	Jan 2012	12	12	100%	3 yrs.
Member (ID)	Benedicto Jose R. Arcinas	April 2012	12	11	92%	2 yrs. 9 mos.
Member (NED)	Joaquin Aligguy *	April 2012	4	4	100%	2 yrs.
Member (NED)	Amelia B. Cabal **	April 2014	8	8	100%	9 mos.
Member	Emma B. Co (non-director/Chief Audit Executive)	Jan 2012	12	12	100%	3 yrs.

* Term expired in April 2014

** Appointed as Member in April 2014

Risk Oversight Committee (ROC)

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Benedicto Jose R. Arcinas	April 2012	12	11	92%	2 yrs. 9 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2013	12	12	100%	1 yr. 9 mos.
Member (NED)	Joaquin Aligguy *	April 2012	4	4	100%	2 yrs.
Member (NED)	Amelia B. Cabal **	April 2014	8	8	100%	9 mos.
Member	Bernardito M. Lapuz (non-director/MBTC representative)	Sept 2007	12	10	83%	7 yrs. 4 mos.
Member	Edmund A. Go (non-director/adviser)	May 2009	12	10	83%	5 yrs. 8 mos.

*Term expired in April 2014

**Appointed as member in April 2014

Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Benedicto Jose R. Arcinas	June 2012	4	4	100%	2 yrs. 7 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2013	4	4	100%	1 yr. 9 mos.
Member (NED)	Ma. Theresa G. Barretto	April 2008	4	4	100%	6 yrs. 9 mos.
Member (NED)	Jeanne T. Chua	April 2013	4	4	100%	1 yr. 9 mos.

AML Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended (2014)	%	Length of Service in the Committee
Chairman (ID)	Benedicto Jose R. Arcinas	April 2014	8	7	87.50%	8 mos.
Member (ED)	Vicente R. Cuna, Jr.	April 2014	8	8	100%	8 mos.
Member (NED)	Amelia B. Cabal	April 2014	8	7	87.50%	8 mos.
Member	Jeanne Frances T.	April 2014	8	8	100%	8 mos.

(NED)	Chua					
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3) Changes in Committee Members (as of April 28, 2014 ASM)

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

Name of Committee	Name	Reason
Executive	Maris Lou S. Velicaria (inclusion)	Appointed as PSBank Representative and Credit Administration Group Head
Audit	Replacement of Dir. Joaquin Aligguy by Dir. Amelia B. Cabal	Mr. Joaquin Aligguy was no longer elected as director and was replaced by Ms. Amelia B. Cabal in the April 2014 ASM.
Nomination	(none)	(none)
Remuneration	Replacement of Dir. Benedicto R. Arcinas by Dir. Samson C. Lim	Replacement in membership during the April 2014 ASM
Risk Oversight	Replacement of Dir. Joaquin Aligguy by Dir. Amelia B. Cabal	Mr. Joaquin Aligguy was no longer elected as director and was replaced by Ms. Amelia B. Cabal in the April 2014 ASM.
Corporate Governance	Dir. Joaquin Aligguy (exclusion)	No longer elected as director in the April 2014 ASM
Related Party Transactions	Replacement of Dir. Joaquin Aligguy by Dir. Amelia B. Cabal	Mr. Joaquin Aligguy was no longer elected as director and was replaced by Ms. Amelia B. Cabal in the April 2014 ASM.
Trust	(none)	(none)
AML Oversight	New Committee	New Committee

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	➤ Regular review and approval of various loan proposals	➤ Credit deviations/exceptions
Audit	<ul style="list-style-type: none"> ➤ Discussed and approved the overall audit scope and plans of both the Internal Audit Group (IAG) and Sycip Gorres Velayo & Co. (SGV); ➤ Reviewed and discussed the year-end financial statements with SGV, who are responsible for expressing an independent opinion on the audited financial statements and their conformity with Philippine Financial Reporting Standards; ➤ Reviewed with IAG, the results of its evaluation on the adequacy and effectiveness of the Bank's governance, risk management, and control processes and the Bank's compliance with policies, laws, and regulations with the management's action plans for the implementation of recommendations to improve the operations of the branches and head office units including the information systems and security. ➤ Evaluated the process in assessing the significant risks and related-risk mitigation efforts of the Bank; ➤ Reviewed, approved, and endorsed to the Board the revised Audit Committee Charter; ➤ Discussed the results of the external quality assessment review of the Bank's internal audit activity by Punongbayan & Araullo, where IAG obtained "Generally Conforms" rating signifying IAG's conformance with the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing; ➤ Discussed and approved the result of the annual internal quality assessment of IAG's conformance with the international auditing 	

	<p>standards and IA policies;</p> <ul style="list-style-type: none"> ➤ Reviewed the adequacy of resources, staff competencies, activities, and effectiveness of the IAG; ➤ Monitored and assessed the Bank's compliance with applicable laws, rules, regulations, code of conduct as well as the adequacy and effectiveness of internal control system; and ➤ Reviewed the Committee's effectiveness through self-assessment process. 		
Nomination	<ul style="list-style-type: none"> ➤ Review and evaluation of the Nominees to the 2012-2013 Board of Directors 		
Remuneration	<ul style="list-style-type: none"> ➤ Rank and file employees' CBA-based adjustments were effected in January and April ➤ Review/implementation of merit increase, bonuses and other benefits 		
Risk Oversight	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Reviewed and endorsed for Board approval the following:</p> <ul style="list-style-type: none"> ➤ Regular review and updating of the ROC Charter and risk management limits, model assumptions, methodologies and policy manuals ➤ Implementation of new segmented credit scoring models for consumer loans </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> ➤ Amendments/revisions in the limits and manuals are primarily to ensure its continued relevance, comprehensiveness, and effectiveness, taking into consideration changes in the regulatory and operating environment, organizational structure and policies. ➤ New segmented credit scoring models address risks associated with changing borrower profiles. </td> </tr> </table>	<p>Reviewed and endorsed for Board approval the following:</p> <ul style="list-style-type: none"> ➤ Regular review and updating of the ROC Charter and risk management limits, model assumptions, methodologies and policy manuals ➤ Implementation of new segmented credit scoring models for consumer loans 	<ul style="list-style-type: none"> ➤ Amendments/revisions in the limits and manuals are primarily to ensure its continued relevance, comprehensiveness, and effectiveness, taking into consideration changes in the regulatory and operating environment, organizational structure and policies. ➤ New segmented credit scoring models address risks associated with changing borrower profiles.
<p>Reviewed and endorsed for Board approval the following:</p> <ul style="list-style-type: none"> ➤ Regular review and updating of the ROC Charter and risk management limits, model assumptions, methodologies and policy manuals ➤ Implementation of new segmented credit scoring models for consumer loans 	<ul style="list-style-type: none"> ➤ Amendments/revisions in the limits and manuals are primarily to ensure its continued relevance, comprehensiveness, and effectiveness, taking into consideration changes in the regulatory and operating environment, organizational structure and policies. ➤ New segmented credit scoring models address risks associated with changing borrower profiles. 		
Corporate Governance	<ul style="list-style-type: none"> ➤ Recommended the creation of AML Oversight Committee (AMLOC) ➤ Drafted the Foreign Account Tax Compliance Act (FATCA) Policies and Procedures ➤ Updated/revised the Bank's Corporate Governance (CG) Manual ➤ Updated/revised the following Board-level Committee Charters: <ul style="list-style-type: none"> - Corporate Governance Committee (CGC) - Related Party Transactions Committee (RPTC) - Nominations Committee (NC) - Compensation and Remunerations Committee (RemCom) ➤ Updated/revised Outsourcing Oversight Committee (OOC) ➤ Created the following Board-level and Management-level Committee Charters: <ul style="list-style-type: none"> A. Board-level: <ul style="list-style-type: none"> - Executive Committee (Excom) - Trust Committee (TrustCom) B. Management-level: <ul style="list-style-type: none"> - Credit Committee (CreCom) - Emergency Committee (EmCom) - Policy Committee (PolCom) - Personnel Committee (PerCom) - Retirement Committee (RetCom) ➤ Updated/revised the Bank's Compliance Charter and its Compliance Program ➤ Updated/revised the Bank's Trust Compliance Program (TCP) ➤ Conducted the Annual Performance Scorecard for all Board-level and Management-level committees 		
Related Party Transactions	<ul style="list-style-type: none"> ➤ Reviewed and evaluated all transactions of the bank with its directors, officers and related interests (DOSRI) and other related parties, for endorsement to the Board for approval. ➤ Updated/revised the Bank's Related Party Transactions Committee Charter ➤ Updated/revised the Bank's RPT Policy Manual ➤ Updated/revised the RPT and DOSRI Determination & Review Checklists 		

	<ul style="list-style-type: none"> ➤ Conducted an Annual CG Scorecard for RPTC
Trust	<ul style="list-style-type: none"> ➤ conducted regular review of Trust activities and performance to ensure that fiduciary activities are in accordance with applicable laws, rules and regulations; ➤ conducted annual review of Trust Manuals to ensure that policies and procedures translate the Board of Directors' objectives and risk tolerance into prudent operating standards which continue to be relevant, comprehensive and effective; ➤ conducted annual review of counterparties and issuers of investment securities to ensure that Trust investment management guidelines are met; ➤ reviewed and approved new product proposals of Trust Division to ensure that the risk management framework and internal controls are in place relative to fiduciary activities; ➤ conducted regular meetings at least once every quarter; and ➤ reported regularly to the Board of Directors on matters arising from fiduciary activities ➤ had overseen and evaluated the performance of the Trust Officer
AML Oversight	<ul style="list-style-type: none"> ➤ Adopted the Customer AML Risk Scorecard (CARS) Tool ➤ Establishment of the Bank's Anti-Money Laundering Oversight Committee Charter ➤ Updated/revised the Bank's Money Laundering and Terrorism Financing Prevention Program (MLTFPP) ➤ Adoption of AML Compliance Risk Rating System (ACRRS) ➤ Conducted an Annual CG Scorecard for Anti-Money Laundering Oversight Committee (AMLOC)

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<ul style="list-style-type: none"> ➤ Reinforcement of effective governance through good credit review and evaluation and ensure that sound credit policies and practices are followed through all the business segments. 	
Audit	<ul style="list-style-type: none"> ➤ The Audit Committee provided oversight for the Bank's financial reporting process, system of internal control and risk management, internal and external audit functions, and monitoring of compliance with Bank policies, applicable laws, rules, regulations and Code of Conduct. 	
Nomination	<ul style="list-style-type: none"> ➤ Continued observance of policies and guidelines to ensure that all recommendations are in accordance with the charters 	
Remuneration		
Risk Oversight	<ul style="list-style-type: none"> ➤ Implementation of the Board-approved Risk Management Plan for 2014 ➤ Continued participation in group-wide risk coordination initiatives, including the BSP Cir. 749-based self-assessment template 	<ul style="list-style-type: none"> ➤ The 2014 plan indicates the tasks to be accomplished in order to fulfill ROC and RMO duties and responsibilities across the major risk areas of Credit, Market, and Operational Risk. ➤ This is aimed at strengthening our parent bank's governance over us and ensuring proper coordination and alignment/sharing of best practices as much as applicable.
Corporate Governance	<ul style="list-style-type: none"> ➤ Review and updating of the Bank's Compliance Program & Charter ➤ Review and updating of the Bank's Corporate Governance Manual & Charter ➤ Review and updating of the Bank's Foreign Account Tax Compliance Act (FATCA) Policy Manual, Policy Against Insider Trading and Trust Compliance Program 	

	(TCP) ➤ Creation of Compliance Program for Consumer Protection pursuant to BSP Circ. No. 855	
Related Party Transactions	➤ Annual review/updating of the Bank's RPTC Charter and Annual Performance Scorecards for all Board-level and Management-level committees ➤ Annual review/updating of the RPT Policy Manual and such other related policies and procedures with due consideration to the minimum requirements set forth in the BSP Exposure Draft on its Proposed Guidelines on Related Party Transactions	
Trust	➤ Ensure that the Trust Committee carries out its duties and responsibilities in accordance with BSP Circular No. 766 (Guidelines in Strengthening Corporate Governance Practices on Trust, Other Fiduciary Business, and Investment Management Activities) which was approved by the Monetary Board last Aug. 17, 2012.	➤ Address all issues/findings/deficiencies cited in the latest BSP examination
AML Oversight	➤ Regular review/updating of the Bank's Money Laundering and Terrorist Financing Prevention Program (MLTFPP) and AMLOC Charter ➤ Adoption of SAS AML System consistent with parent-MBTC ➤ Implementation of the Bank's AML Compliance Risk Rating System ➤ Adoption of other AML-related automation projects ➤ Regular conduct of Independent Compliance Testing (ICT)	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
 - Risk Management is an activity that is critical to the Bank's success and the responsibility for managing risk is shared by each employee. It commences at the highest level of the organization, the Board, and cascades to the line and support functions.
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
 - ROC does an annual self assessment which is submitted to the Corporate Governance Committee, which in turn, reviews the same and reports its assessment to the Board.
- (c) Period covered by the review;
 - Full year
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;
 - Annually
- (e) Where no review was conducted during the year, an explanation why not.
 - Not applicable as the review is regularly conducted

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Credit Risk	The Bank's lending business follows credit policy guidelines set by the ROC and the Board. These guidelines serve as the Bank's	The Bank provides guidance in the extension of credit to ensure a balance of quality and quantity of credit risk in the context of

	minimum standards for extending credit. Everyone engaged in the credit process are required to understand and adhere to these policies.	reward on capital.
Liquidity & Market Risk	<p>Liquidity management emphasizes cashflow management, ability to raise funds, and maintenance of a stock of high quality liquid assets.</p> <p>The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.</p> <p>The Bank's policy is to maintain market risk exposures within the approved position, Value-at-Risk (VAR) and loss limits and within existing regulatory guidelines.</p>	<p>The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.</p> <p>The Bank manages its re-pricing gaps and caps its Earnings-at-Risk (EAR) to ensure that earnings do not drastically decline either immediately or over time as a result of adverse movements against its interest rate profile.</p> <p>The Bank's objective in market risk management is to ensure that risk-taking activities are managed within instituted market risk parameters.</p>
Operational Risk	The Bank constantly strives to maintain: a strong "control culture", prudent use of technology, and effective internal control system, which are key factors towards continuous self-improvement under a "no surprise" operating environment.	To ensure that the Bank manages all operational risks adequately.

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
Not Applicable, i.e. at the parent bank Metrobank's level		

(c) Minority Shareholders

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

Risk to Minority Shareholders
In submitting corporate actions to the stockholders for approval, the Company is bound by the voting requirements of the Corporation Code. In addition, out of the 9 directors in the Board, the company has allocated 3 seats for independent directors, which is more than the minimum of two required by the SEC and BSP regulations. The Independent Directors are independent of management and free from business or other relationship that could, or could reasonably be perceived to; materially interfere with his exercise of independent judgment in carrying out his

responsibilities as a director. Independent directors are nominated by stockholders other than the majority stockholders.

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Credit risk control and management tools include product limits, credit scoring models, unique customer and group identification for aggregation of exposures, automated loan grading, 10-point credit rating systems, stress testing models, and external ratings. Aggregate exposures of at least P0.1 billion are placed on a special monitoring. Concentration of risk, by borrower, group of borrower, geographical region and industry sector are monitored on a regular basis. The Bank also performs impairment analyses on loans and receivables, on individual and collective basis in accordance with PFRS.	Product manuals are in place and define the product, business plan, parameters, associated risks and mitigating controls. The system of checks includes multiple approval system, ROC review, Internal Audit, and the BOD - through the ExCom, CreCom and ROC, for sound credit policies and practices.
Liquidity & Market Risk	<p>The main tool that the Bank uses for monitoring liquidity is the Maximum Cumulative Outflow (MCO) report. The Bank also projects liquidity positions under different stress scenarios and has in place a Liquidity Contingency Funding Plan (LCFP), to help evaluate funding needs and response strategies under various conditions.</p> <p>The Bank measures interest rate risk based on earnings perspective through the EAR. It is a management tool that evaluates the sensitivity of the accrual portfolio to expected change in interest rates over the next 12 months. The Bank also performs stress-testing analysis to measure the impact of extreme interest rate movements.</p> <p>Market risk exposures arising from</p>	The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

	<p>the trading portfolios are measured daily. The Bank has established position, stop loss, loss trigger, and VaR limits for its trading portfolios. Reports are prepared on a daily basis and are also reported to the ROC and BOD on a monthly basis. Stress testing is also conducted, based on historical and ad-hoc rate shocks to estimate potential losses in extreme or crisis situations.</p>	
Operational Risk	<p>The Bank continually identifies and assesses operational risks across the organization and develops controls to mitigate and manage them as part of continuing efforts to enhance its Operational Risk Management Framework.</p> <p>In coordination with a network of Risk Delegates from the various business and operating units, Operational Risk Self-Assessments (ORSA) and Key Risk Indicators (KRIs), covering the areas of: People Technology, Regulatory, Financial Control, Products and Sales, Service Delivery, Legal, and External Events, are monitored.</p> <p>The Bank likewise has a Business Continuity Plan and a Disaster Recovery Program that are reviewed and tested regularly to ensure their effectiveness in the advent of business disruptions, system failures and disasters.</p>	<p>The Board-approved bankwide organizational chart clearly establishes areas of management responsibility, accountability and reporting lines for all its senior officers. Operational risk management policies and frameworks are continuously reviewed and updated, subject to ROC and Board approvals to ensure that they remain relevant and effective.</p> <p>The Bank's products and operating manuals, policies and procedures spell out internal controls implemented by its business and operating support units.</p> <p>Other than Risk Management, there are many specialized functions that are also engaged in risk management. These include Information Technology, Information Security, Systems Quality Assurance, Financial Control, Legal, Compliance, Human Resources and Security Command. The Internal Audit Group (IAG) regularly reports to the Board's Audit Committee on the effectiveness of internal controls.</p>
Compliance/Business Risk	<p>On the basis of Severity i.e. adverse impact of violation or non-compliance on the Bank's business and Applicability of such requirements to a particular transaction, process/function or activity or to a particular business/operating unit of the Bank vis-à-vis the nature, frequency and volume/materiality of its transactions, processes/functions or activities,</p>	<p>3-pronged risk-based compliance risk management, as follows:</p> <p>1st Prong: Line Units</p> <ul style="list-style-type: none"> ➤ Day-to-day compliance ➤ Department self-testing and compliance certifications <p>2nd Prong: Compliance Office</p> <ul style="list-style-type: none"> ➤ Guidance & education ➤ Independent compliance testing ➤ Issues elevation, reporting and

	compliance/business risk exposures are already pre-assessed (e.g. Extreme, High, Medium or Low) which dictates the monitoring level, the self-testing frequency & coverage of CO's Independent Compliance Testing (ICT).	resolution monitoring 3rd Prong: Internal Audit ➤ Independent compliance validation via regular/special audit ➤ Audit reporting
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(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Not Applicable, i.e. at the parent bank Metrobank's level		

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Risk Oversight Committee	The ROC is responsible for the development and oversight of the Bank's risk management program. It reviews and endorses for Board approval the risk management limits, model assumptions, methodologies and policies. It oversees the system of limits that the Board delegates to Management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached. It reports regularly to the Board and ensures that all it endorses to the Board are consistent with the Bank's overall objectives.	<ul style="list-style-type: none"> • Identification and evaluation of risk exposures • Development of risk management strategies • Oversee the implementation of the risk management plan • Review and revision of plans
Executive Committee	<p>The Board – through the Excom, Crecom, and ROC – ensures that all business segments follow sound credit policies and practices.</p> <p>Before extending a loan, the Bank observes a system of checks and balances, including the approval of at least two credit officers through the Crecom, Excom, or the Board.</p>	The Excom and Crecom regularly review and approve credit proposals within their limits. They recommend additional conditions and requirements on loan applications for Board approval.

Audit Committee	Provides independent oversight of internal controls, financial reporting, risk management, ethical environment, compliance with laws and regulations, and the internal and external audit activities.	IAG reports to the AuditCom the results of its independent review of compliance to the Bank's products and operating manuals, policies and procedures which spell out the internal controls implemented by its business and operating support units.
Corporate Governance Committee (CGC)	Oversees the implementation of the Bank's Compliance Program and the performance of compliance function	<ul style="list-style-type: none"> ➤ Review, at least annually, the Bank's Compliance Program in accordance with existing regulatory requirements, in support of the Bank's goals and strategies and recommend approval thereof by the Board; ➤ Monitor the implementation of the Bank's Compliance Program and ensure that compliance issues are resolved expeditiously; ➤ Monitor the Bank's compliance with the applicable laws, regulations and rules of regulatory agencies and recommend to the Board appropriate actions based on the review of the reports submitted to/by Compliance Office; and ➤ Review the regular reports submitted by Compliance Office as well as reports on significant compliance issues, general status of Bank's level of compliance, relevant regulations, updates and other compliance matters.
Related Party Transactions Committee (RPTC)	Assists the Board of Directors in ensuring that transactions with related parties are identified, done at arms-length and reviewed in terms of credit, operational and reputational risks.	<ul style="list-style-type: none"> ➤ Compliance Office's guidance on RPT proponents for the review and endorsement of RPTs to the RPTC ➤ Use of the RPT and DOSRI Determination & Review Checklists facilitates Compliance Office's and the RPTC's review of RPTs

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

- (a) Explain how the internal control system is defined for the company -
Internal control system is defined as the framework under which the policies, procedures, and activities established by management and the board are developed and implemented to manage and control a particular risk or business activity to which the Bank is exposed.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate -
Based on the Report of the Audit Committee to the Board of Directors (for the year ended 31 December 2014), the Audit Committee reviewed with the Internal Audit Group (IAG) the results of its examinations and evaluations of internal control processes; and monitored and assessed the adequacy and effectiveness of internal control system.
- (c) Period covered by the review -
The review is for the year ended 31 December 2014.
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system -
Review of internal controls is done by the Audit Committee thru the IAG based on the internal audit reports. Review of control's effectiveness is done per engagement using the IAG's standard audit rating system and the audit programs as criteria.
- (e) Where no review was conducted during the year, an explanation why not. – N/A

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/ Auditing Firm	Reporting process
To provide assurance services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes of the organization.	The scope encompasses, but is not limited to, the evaluation and improvement of the adequacy and effectiveness of the bank's governance, risk management process, and system of internal control to achieve its stated goals and objectives.	In-house	Atty. Emma B. Co	A written report is prepared and issued by the Chief Audit Executive (CAE) or designee following the conclusion of each audit engagement and distributed to the members of the Board of Directors through the Audit Committee, the President, and other appropriate management personnel. The audit report include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

				Management's response includes a timetable for anticipated completion of actions to be taken and an explanation for any corrective action that will not be implemented.
To provide consulting services which are intended to add value and improve the organization's governance, risk management and control processes without assuming management responsibility. (E.g. counsel, advice, facilitation, and training.)	The nature and scope are agreed with the client	In-house	Atty. Emma B. Co	A written report is prepared and issued by the CAE at the end of each consulting engagement.

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?
The appointment, replacement or dismissal of the Chief Audit Executive (CAE) is the responsibility of the Audit Committee. Management may appoint, replace or dismiss the CAE subject to the concurrence of the Audit Committee.

The Audit Committee recommends to the Board the appointment, reappointment and dismissal of external auditors. The committee also approves the in-sourcing and out-sourcing of certain audits or engagements.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?
The CAE heads the IAG and reports directly/functionally to the Audit Committee and administratively to the President.

The IAG, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of PSBank functions, records, physical properties, and personnel relevant to carrying out any engagement. IAG also has direct and unrestricted access to senior management, Audit Committee and the Board.

- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Charmaine Prades	Transfer to another company
Irving Frederick Ong	Transfer to another company
Ariane Audrey Pipit	Transfer to another company
Ilonorabel Alexis Padua	Transfer to another company
Ritche Atian	Transfer to another company
Mark Gariel Matalog	Work abroad
John Calvin Salvador	Work abroad
Rica Marie Valerio	Requested transfer to Treasury
Jasmine Reyes	Requested transfer to HRG (SPEED participant)

Kristoffer Benzon Valdez	Requested transfer to HRG (SPEED participant)
Kohlea Sales	Transfer within IAG (Branch Audit to HO Audit)
Rubert Oskar Salcedo	Transfer within IAG (HO Audit to IT Audit)
Milagros Bal	Promotion within IAG
Jally Bacay	Promotion within IAG

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

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

Progress Against Plans	For FY 2014, IAG completed a total of 317 projects against plan of 292. The positive variance was due to the completion of re-assessment reviews by Branch Audit, excess actual cases versus plan by Head Office Audit, and special projects by IT Audit Division using allotted man-days for unanticipated activities.
Issues	Issues are brought to the attention of the auditee thru the Audit Finding Sheet and Summary of Issues and Recommendations; and discussed with the auditees during the exit meetings.
Findings	Significant findings are reported to the Board thru the Audit Committee, Senior Management and Line Management together with the audit recommendations and management action plans.
Examination Trends	Unresolved issue are encoded in the Bank's Exception Management System at the end of each engagement for issue monitoring, tracking of resolution and building-up of issue-database, Regular reporting of the unresolved significant issues is done by IAG to the Audit Committee.

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

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

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Risk-Based Audit Planning Framework	Implemented
IAG personnel job descriptions	Implemented
IA charter	Implemented
Rules of engagement	Implemented
Engagement planning procedures	Implemented
Audit Fieldwork	Implemented
Reporting process	Implemented
Audit monitoring and follow-up	Implemented
Audit Rating System	Implemented
Working paper guidelines	Implemented

(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Presence of an Audit Committee-approved IA charter that provides the following:</p> <ul style="list-style-type: none"> ▪ IAG reports functionally to the Audit Committee and administratively to the President. ▪ Internal auditors shall have no direct operational responsibility or authority to any of the activities they review. ▪ Internal auditors shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity which would normally be audited and may impair their judgment. 	<p>The Finance Group, in coordination with other key departments, accommodates requests for information pertaining to the management of the Bank, stockholders rights or any bank related issues. In addition, the Bank ensures that it is transparent to our shareholders by posting the latest public disclosures on the Investor Relations section of its website and press releases.</p>	<p>PSBank engaged the services of investment banks during its Tier 2 Notes issuance in February 2012. Under the terms of agreement, the investment banks - appointed as selling agents - were mandated to ensure that they are fully, completely and exclusively responsible for investor and trade information contained in Tier 2 documents, and that in the performance of their respective functions, they were required to fully comply with the Regulations, including ensuring that the Notes are sold to qualified holders.</p>	<p>PSBank likewise engaged the services of a rating agency as part of its Tier 2 Notes issuance. The rating agency stated its commitment as follows "to express an independent, objective and fair credit opinion, adhering to its credit rating standards and ensuring that the credit rating function shall be performed with utmost professional competence".</p>
<p>Rotation of internal auditors' assignments, whenever it is practicable to do so, to prevent potential and actual conflict of interest.</p>			
<p>Persons transferred to or temporarily engaged by IAG are not assigned to audit those activities they previously had responsibility for at least one year from the date they were reassigned.</p>			
<p>Internal auditors to comply with independence and</p>			


Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>objectivity guidelines by reviewing and signing the Audit Project Independence Statement at the start of each engagement. If there is a probability that the auditor's independence is impaired at the start or during the course of the engagement, this should be reported to the Audit Dept. Head/Division Head who will reassign the auditor. The signed independence statement is filed with the rest of the engagement working papers.</p>			
<p>The Audit Committee evaluates and determines the non-audit works to be performed by the external auditor. Disallows any non-audit work that will conflict with the external auditor's duties or may pose a threat to his independence. Discloses in the Bank's annual report, non-audit work, if allowed.</p>			
<p>External auditor or its lead audit partner primarily responsible for the audit or review of the Bank's financial accounts is rotated at least once every 5 years or such shorter or longer period provided under applicable laws and regulations.</p>			

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

- Jose T. Pardo, Chairman of the Board
- Pascual M. Garcia (now Vicente R. Cuna Jr.), President

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p><u>PSBank Customer Complaints Management</u></p> <ol style="list-style-type: none"> 1. All customer complaints are handled by Customer Experience Division – Customer Engagement Department. 2. Customers may forward/send their complaints via the ff. channels. Contact information is visibly displayed in the branches and on the bank’s website. <ol style="list-style-type: none"> a. Email <ol style="list-style-type: none"> i. customerexperience@psbank.com.ph b. SMS <ol style="list-style-type: none"> i. 998-845-8888 c. Landline <ol style="list-style-type: none"> i. Customer Engagement Department - 8858375/8858322/8858324 ii. Customer Service Hotline – 845-8888 d. PSBank Corpsite e. Mail < Head Office Address> f. Fax < 845-0048> g. Over-the-counter at all branches, Customer Experience Division, or Head Office units 3. Complaints are encoded in an automated system known as RUSH.net (Request Using Service Helpdesk) under Customer Issues following a 3 Step Process. Any PSBank employee can encode in the customer’s behalf: 	 <p>The Customer Issues Process is triggered by customer feedback, issues and complaints encoded in Rush.net that need immediate decision or resolution. It is implemented using 3 steps.</p> <p>STEP 1 ACKNOWLEDGEMENT</p> <ul style="list-style-type: none"> • Customer Issues encoded in Rush.Net will be simultaneously queued to the Service Recovery Team (SRT) cluster and the designated senior officers’ cluster. • The service recovery team will call the customer to acknowledge receipt of issue and gather additional information if necessary. • TAT for this activity is 30 minutes. <p>STEP 2 RESOLUTION</p> <ul style="list-style-type: none"> • Customer Issues encoded in Rush.Net will be simultaneously queued to the Service Recovery Team (SRT) cluster and the designated senior officers’ cluster.

	<ul style="list-style-type: none"> • The designated senior officers are given a 2-hr TAT to encode a decision and mark the activity as done. • An SMS will be automatically sent to the President and Executive Vice President if no decision was encoded and the TAT was breached. <ul style="list-style-type: none"> ○ SMS Script – Pending Customer Issue Rush # <rush request number> • Six senior officers are assigned as the initial members of the pool of designated senior officers’ cluster. <p>STEP 3 INVESTIGATION & ENCODING IN AN AUTOMATED SYSTEM KNOWN AS XMAN (Exception Management)</p> <ul style="list-style-type: none"> • Full investigation of the Customer Issues will be conducted. • Complete details of the investigation are gathered and encoded in XMAN (Exception Management System), an automatic system for tracking exceptions in bank operations. • Assignment and completion of resolution will be tracked thru XMAN. • Closure of the Customer Issues is completed in XMAN. • TAT for this activity is 8 hours. <p>4. A summary report on customer complaints received is sent to the President, EVP, BBG Head, LOG Head on a daily basis.</p>
Supplier/contractor selection practice	<p>Risk-based Outsourcing and Accreditation policies & procedures</p> <ul style="list-style-type: none"> ➤ Preparation by the proponent units of the documentary requirements set forth in the Bank’s Outsourcing & Accreditation Policies & Procedures ➤ Review by Compliance Office of the completeness and propriety of the submitted documentary requirements vis-à-vis requirements set forth by the BSP for entering into outsourcing arrangements ➤ Review by the Bank’s Legal Department of the proposed Service Level Agreements or Memorandum of Agreements vis-à-vis the Bank’s standards ➤ Review and endorsement of all such outsourcing proposals and renewals by the Bank’s Outsourcing Oversight Committee (OOC), a Management-level committee ➤ Approval of the Board of Directors (for new proposals) or the President (for renewals) as endorsed by the OOC ➤ Periodic performance evaluation/appraisal of the Bank’s service providers
Environmentally friendly value-chain	<p><u>WE S.A.V.E. Program</u></p> <p>WE S.A.V.E., which stands for “We Safeguard and Value the Environment”, is an environmental awareness campaign that aims to mobilize PSBankers to avoid waste, conserve resources and, ultimately, save the environment for the future generation.</p> <p>The program was launched last June 5, 2012, World Environment Day, through an environmental film showing and exhibit of PSBank Eco-Art Contest entries. The contest had the theme “Small things you can do at work to help the environment.”</p> <p>Since then, efforts to reduce the</p>

	<p>building's carbon footprint has been implemented, such as turning off office lights every 12:00 to 1:00 PM, and devising a more efficient elevator queuing system every 8:00-9:00 AM. PSBank also continues to attend Earth Hour programs within Metrobank Group.</p>
<p>Community interaction</p>	<ol style="list-style-type: none"> <li data-bbox="440 359 1352 758"> <p>1. PSBank Educational Assistance Program</p> <p>For over six years now, PSBank has been providing educational grants to 51 less privileged but deserving students of Chiang Kai Shek College (CKSC) and Association of Chinese Filipino Schools in the Phils (ACFSP) under the PSBank Educational Assistance Program. Each ACFSP scholar receives a P10,000 grant every school year while every CKSC scholar is given P10,000/semester. The college scholars are enrolled in Accountancy, IT, Marketing or Nursing programs. They also get priority hiring status in PSBank upon graduation, provided they pass the reasonable qualification requirements and standards set by PSBank. They will also be given preferential accommodation to take their practicum in PSBank as part of their compliance with their course requirements. To date, 12 scholars have graduated from college.</p> <li data-bbox="440 785 1352 1184"> <p>2. Save It Forward Program</p> <p>Under the Save It Forward program, PSBank awarded scholarships to benefit children from non-profit organizations such as World Vision and Resources for the Blind. Since the program started, we have been sending these scholars to school until they complete their elementary or high school education. To date, 44 scholars have graduated. World Vision provides opportunities for generous donors to send a less-fortunate child to school for only P600/month or P20/day. The sponsorship makes sure that the child is in good health and goes to school. It also empowers the community by providing them with livelihood to improve their economic status. Resources for the Blind, on the other hand, makes a difference in the lives of visually impaired children by providing special education with the aim of community integration.</p> <li data-bbox="440 1199 1352 1499"> <p>3. Metrobank Foundation's Annual Search for the Country's Outstanding Police Officers in Service (COPS)</p> <p>To honor the best men and women in uniform and further promote community partnership in preventing and solving crimes, the Metrobank Foundation, Rotary Club of New Manila East, the Philippine National Police and PSBank hold the Annual Search for the Country's Outstanding Police Officers in Service (COPS). On its 12th year, 10 more awardees were added to the roster of outstanding police officers and each received P400,000 in cash prize, a trophy, and a Metrobank Foundation medallion.</p> <li data-bbox="440 1528 1352 1856"> <p>4. PSBankers join Manila Tytana Fun Run</p> <p>PSBankers participated in the Manila Tytana College's 2nd Founder's Run held in February 2014. The activity was organized by Manila Tytana Colleges in support of survivors of Super Typhoon Yolanda as well as the school's athletic development program.</p> <p>PSBank was among the companies under the Metrobank Group that joined the event, which also mobilized the College's students, faculty, alumni and their family and friends who ran the 5.4-kilometer stretch along Diosdado Macapagal Blvd. in Manila</p> <li data-bbox="440 1892 1352 1919"> <p>5. Annual financial assistance to the World Vision, Resources for the Blind, Chosen</p>

	<p>Children Village Foundation i.e. for children who are either special, abandoned or orphaned</p> <p>6. Share-A-Gift program to 4 charitable institutions – Concordia Children Services (which shelters abandoned and orphaned children and provides support to urban poor or street children in the elementary and high school level); Asociacion de Damas Filipinas (which runs a temporary shelter and day care center for orphans); Chosen Children Village (home to abandoned children who are mentally and/or physically challenged); and San Lorenzo Ruiz Home for the Elderly (which shelters and supports abandoned elders)</p>
Anti-corruption programmes and procedures	<p>No specific anti-corruption programs and procedures but this is already captured in the Bank’s Policy & Procedures re: Reporting of Impropriety or Malpractice which is the Bank’s “Whistle Blowing” policy</p> <ul style="list-style-type: none"> ➤ Reporting of noted improprieties/malpractices by discovering personnel/informant whereby all employees of the Bank are duty-bound to report such and failure to report is a punishable administrative offense ➤ Receipt of such report by the informant’s Group Head, HRG Head or the Internal Audit Group (IAG) Head ➤ Investigation of IAG ➤ Disciplinary due process in accordance with the Bank’s Code of Conduct ➤ Reward system for reporting personnel as may be recommended by the IAG Head if the incident resulted to actual or potential monetary/non-monetary loss to the Bank
Safeguarding creditors’ rights	<p>The Bank safeguards creditor’s right by complying to BSP circular 454, which provides guidelines on unfair collection practices.</p> <p>Observance of KYC practices and confidentiality during the collection calls.</p> <p>Adherence to the guidelines set by BSP with regard to collection activities.</p>

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

➤ Yes.

2) Performance-enhancing mechanisms for employee participation.

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

The Bank provides the below listed health benefits per policy.

- Health card for employees and declared dependents
- Medical Subsidy for employees
- Hospital Cash assistance for employees
- Maternity Benefit
- Leave credits for vacation, sickness and emergencies

Subject to Management approval, the Bank also facilitates vaccination programs (flu, cervical, hepatitis, pneumococcal, etc) annually at lower costs and at staggered payment scheme.

In view of promoting safety and wellness of the employees, the Bank also has the following initiatives:

- Complies with the annual fire drill to ensure that all employees are prepared during emergency cases

- Regular maintenance of critical equipments like the elevators, generator sets and air-conditioning systems to ensure that occupants are comfortably served well and safe
- Completion of the rehabilitation of the electrical system of the head office building
- On-going rehabilitation of the centralized air-conditioning systems
- Purified water is made available to all employees
- A housekeeping team by a service provider helps ensure the building and branch premises are clean
- Implemented the no smoking policy within the building in coordination with HRG
- 24-hour security at the head office and selected branches; placement of security alarms

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

Per SEC, no specific data is required.

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

The Bank provides the below listed training and development programs.

- New Employees Orientation (NEO) – provided to all newly hired employees
- Staff Professional Enhancement and Educational Development (SPEED) program
- Compliance Training (i.e. AMLA)
- Systems Training
- Functional/Technical Training
- Product Knowledge Orientation
- Behavioral Training (Effective Leadership; Train the Trainers Workshop, etc.)
- Branch Operations Training for (Customer Service Associates; Branch Service and Control Officers and Branch Heads)

Per SEC, no specific data is required.

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

The Bank provides the below listed programs to its deserving employees.

- Performance Based Merit Increase (MI) program
- Annual and Quarterly Incentive scheme
- Annual and Quarterly Recognition program thru the President’s Cup
- Promotions

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

As mentioned above, an employee who comes to know about an illegal activity, malpractice and/or unethical behavior which are considered violations of the Bank’s Code of Conduct should report to proper authorities, otherwise the same becomes a violation of the Code of Conduct itself.

As far as possible, the identity of the employee is held confidential unless it becomes in itself a violation of the rights of the other. And, when that happens the Bank sees to it that the rights of the whistle blower are protected, including that of retaliatory acts by the complained employee.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

f. Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Metropolitan Bank and Trust Co. Metrobank Plaza, Gil	182,535,895	75.977%	Arthur V. Ty (Chairman of Metrobank)

Puyat Avenue, Makati City (Parent Company of PSBank)			
PCD Nominee Corporation 37 th Floor, Enterprise Bldg., Tower 1, Ayala Avenue, Makati City	18,142,869	7.552%	Various Stockholders via PCD
Danilo L. Dolor # 56 Tamarind Rd., Forbes Park, Makati City	12,610,891	5.249%	Danilo L. Dolor

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy - referred to as reporting of violations in the PSBank AR	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV and Company	Php2,275,000	Php2,020,000

4) Medium of Communication

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

- Branches, ATMs, Customer Updates newsletter, Statements of Account, SMS and e-mail blasts, Annual Report, Corporate Website, Flyers, Brochures, Sales Kits, Media Releases, PSE disclosures

5) Date of release of audited financial report:

- 28 April 2014

6) Company Website

- www.psbank.com.ph

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

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

7) Disclosure of RPT

RPT	Relationship	Nature	Value (In thousands of Php)
Retirement Benefit Funds	Retirement Benefit Funds	Equity Investment with PSBank	491,206
		Investment in Money Market Fund	74,456
		Deposit Liabilities	8,663,343
		Accrued Interest Income	7
		Dividends Earned	10,508
		Gain on Sale of Equity Securities	6,541
		Interest Income	38
		Income from Unit Investment Trust Fund (UITF)	155
		Equity Investment to Sumisho Motor Financing Corporation	200,000
Metropolitan Bank and Trust Company	Significant Investor	Interbank Loans Receivables	1,386,320
		Due from other banks	815,107
		Accounts Receivable	7,704
		Accrued interest receivables	14,390
		Miscellaneous Assets	919
		Accounts Payable	1,733
		Miscellaneous Liabilities	6,100
		Interest Income	28,307
		Rental Income	24,919
		Information technology expense	108,956
		Trading and securities loss	(44,209)
		Interest expense	407
		Outright purchases of investments	1,869,342
		Outright sales of investments	3,700,000
Investment securities pledge by the Bank to secure payroll	50,000		
Toyota Financial Services Philippines Corporation	Associate	Share in net income	72,129

RPT	Relationship	Nature	Value (In thousands of Php)
		Interest expense-deposit	32
Sumisho Motor Financing Corporation	Joint Venture	Equity investment	668,607
		Accounts Receivable	46
		Deposit Liabilities	79,528
		Miscellaneous liabilities	2,610
		Rental Income	9,790
		Share in net income	4,827
		Interest expense-deposit	2,585
Charter Ping An Insurance Corporation	Other Related Party	Accounts Receivable	925
		Prepaid Expense Others	13
		Prepaid Insurance	6,904
		Deposit Liabilities	13,420
		Accounts Payable	130
		Insurance expense	34,511
		Interest Expense	12
Federal Brent Retail, Inc.	Other Related Party	Miscellaneous Assets	333
		Rent Expense	1,500
First Metro Asset Mgt, Inc.	Other Related Party	Accounts Receivable	1,112
		Miscellaneous Liabilities	1,504
		Rental Income	6,265
First Metro Investment Corp.	Other Related Party	Purchase of Investment	1,031,278
		Sale of investment	1,894,720
		Trading and securities loss	(6,627)
		Interest Income	3,831
		Interest Expense	5,843
First Metro Save & Learn Balanced Fund	Other Related Party	Deposit Liabilities	87
		Interest Expense	28
First Metro Save & Learn Equity Fund	Other Related Party	Deposit Liabilities	829
		Interest Expense	1,137
First Metro Save & Learn Fixed Income Fund	Other Related Party	Deposit Liabilities	50
		Interest Expense	19
First Metro Save and Learn – Money Market Fund	Other Related Party	Interest Expense	449
First Metro Securities Brokerage Co	Other Related Party	Accounts Receivable	829
		Deposit Liabilities	3,270
		Miscellaneous Liabilities	603
		Rental Income	2,680
		Interest Expense	81
GT Capital Holdings Inc.	Other Related Party	Gain on sale of investment in an associates	558,163
Horizon Land Property	Other Related Party	Miscellaneous Assets	661

RPT	Relationship	Nature	Value (In thousands of Php)
Dev. Corp.		Rent Expense	1,866
Metrobank Card Corporation (A Finance Company)	Other Related Party	Accounts Receivable	400
		Deposit Liabilities	60,630
		Bank Commission	35,798
		Interest Income	572
		Interest Expense	25
Orix Metro Leasing & Finance Corp.	Other Related Party	Accounts Receivable	35
		Deposit Liabilities	13,613
		Interest Income	217
		Interest Expense	4
Orix Rental Corporation	Other Related Party	Deposit Liabilities	138
		Interest Expense	11
Phil. Axa Life Insurance Corp.	Other Related Party	Deposit Liabilities	180,087
		Accrued Other Expense Payable	5,165
		Insurance expense	2,661
		Interest Expense	3,129
SMBC Metro Investment Corporation	Other Related Party	Deposit Liabilities	231,000
		Interest Expense	2,574
Taal Land, Inc.	Other Related Party	Deposit Liabilities	46,810
		Interest Expense	737
Toyota Cubao Inc.	Other Related Party	Deposit Liabilities	847
		Interest Expense	4
Toyota Manila Bay	Other Related Party	Deposit Liabilities	90
		Interest Expense	2
Toyota Motor Phil. Corp.	Other Related Party	Deposit Liabilities	5,283,052
		Interest Expense	87,393
Toyota San Fernando Pampanga, Inc.	Other Related Party	Deposit Liabilities	17,464
		Interest Expense	241
Batangas Sugar Central Inc	Other Related Party	Outstanding Loan	395,878
		Interest Income	44,501
Casa Medica Inc	Other Related Party	Outstanding Loan	4,300
		Interest Income	187
Escudero, Janice Genevieve U.	Other Related Party	Outstanding Loan	1,787
		Interest Income	176
Bautista, Marie Dell L.	Other Related Party	Outstanding Loan	899
		Interest Income	61
Uy, Jonathan George	Other Related Party	Outstanding Loan	200
		Interest Income	2
Key Management	Key Management	Short term employee benefits	203,553

RPT	Relationship	Nature	Value (In thousands of Php)
Personnel	Personnel		
		Post employment pension benefits	5,100
		Directors Fees	16,270
		Outstanding Loan	11,690
		Interest Income	913

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

Please refer to the Bank's policies & procedures in the handling of RPTs as earlier discussed in item B. 4) (a).

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	Under Sec. 5.04 of the Amended Code of By-Laws, the quorum at any meeting of the stockholders as of record shall consist of the majority of stock entitled to vote represented in person or by proxy; less than a quorum may adjourn any meeting from time to time, and the meeting may be continued as adjourned without further notice; unless there be a quorum at such meeting no business may be transacted.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Under Sec. 5.05 of the Amended Code of By-Laws, at any stockholders' meeting, voting shall be by shares of stock and not "per capita" unless the law provides otherwise. Cumulative voting shall be used in the election of the members of the Board of Directors and in ratifying corporate acts.
Description	<p>Voting Procedures:</p> <ol style="list-style-type: none"> 1) Majority vote is required for the approval of the Minutes of the Annual Meeting of Stockholders and confirmation of all acts of the Board of Directors, the Executive Committee and the Management. 2) Majority vote is required for the election of a member of the Board of Directors. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed that number of shares registered in his name in the books of the bank as of the record date multiplied by the whole number of directors elected. 3) Every stockholder entitled to vote on the particular question or matter involved shall be entitled to one vote (1) vote for each share of stock in his name. Voting shall be made <i>viva voce</i>, through the raising of hands, and counted manually by the Corporate Secretary, unless there is a motion duly made and seconded for voting to be made via balloting.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
None	None

Dividends

Quarterly Dividends	Declaration Date	Record Date	Payment Date
4Q2013	24-Jan-14	5-Mar-14	20-Mar-14
1Q2014	28-Apr-14	1-Jul-14	16-Jul-14
2Q2014	22-Jul-14	2-Sep-14	17-Sep-14

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
Open Forum	Right after the presentation of the annual report to the stockholders, the President opens the floor and invites the stockholders for an open discussion on any issues / concerns / comments / feedbacks they want to raise to the Board / top management.

- State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - Amendments to the company's constitution – All amendments to the Bank's By-Laws are either approved during the ASM or through a Special Stockholders meeting organized for the purpose of discussing the proposed amendments. Per Article XVI of the Bank's By-Laws, the By-Laws may be amended or repealed, or new By-Laws adopted by majority vote of the Board of Directors and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose. The owners of two-thirds (2/3) of the outstanding capital stock, however, may delegate this power to the Board of Directors.
 - Authorization of additional shares – same as item a.
 - Transfer of all or substantially all assets, which in effect results in the sale of the company – same as item a. – same as item a.
- Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes
 - Date of sending out notices: 27 March 2014
 - Date of the Annual/Special Stockholders' Meeting: 28 April 2014
- State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Questions and Answers at the 2014 ASM

Stockholder Guillermo F. Gili Jr. asked a copy of the minutes of the previous ASM. President Vicente R. Cuna Jr. said the minutes were provided to all stockholders through the Definitive Information Statement (DIS). He directed one of the officers to provide Mr. Gili with a DIS copy.

After the President's Report, stockholder Philip Turner asked about the increase in PSBank's unrealized

gains in 2013 versus 2012, and what accounts for the difference. President Cuna explained the increase was brought about by the sale of the Bank's investment portfolio. He said there was Php 11 billion worth of securities that had appreciated and that the Bank decided that it was good time to sell the securities and realize gains from them

Stockholder Turner noted the reduction in the Bank's NPLs in 2013 and asked about the status of NPAs. President Cuna explained that NPLs are considered a sub-component of NPAs, together with ROPA or foreclosed properties that result from the Bank's lending business. He said that ratios for these have improved in 2013.

Stockholder Turner also noted that it is expensive to produce Annual Reports and suggested that better, more biodegradable materials be used in next year's Annual Report. President Cuna said the Bank will seriously consider his suggestion.

During the period allotted for Other Matters, stockholder Turner asked about the various charities that the Bank supports and its practice of ensuring that allocated funds are able to reach proper recipients. President Cuna said that the Bank channels its CSR activities mostly through Metrobank Foundation which has strict accreditation procedures. He further explained that on its own, PSBank has CSR activities that are geared mostly towards children and that these charities are evaluated on an annual basis. He added that the PSBank employees themselves are involved in these projects such as in the case of Operation Smile, which helps children with cleft palates.

Stockholder Gili asked the President how the bank is preparing for ASEAN integration, and to discuss any of its positive and negative aspects. President Cuna said that ASEAN banking integration is inevitable and the Bank is already preparing for it. He noted that the local banking landscape is challenging as it is, but is expected to become even more challenging with the ASEAN banking integration. He explained that PSBank is taking steps to address this through the use of technology to improve the service that the Bank provides and through further improvements in the efficiency of its operations. President Cuna said that these are two important areas that will allow the Bank to remain competitive for that eventuality.

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

Resolutions (2014)	Approving	Dissenting	Abstaining
1. Approval of the Minutes of the ASM held last 19 April 2013	Majority	None	None
2. Annual Report to the Stockholders	Majority	None	None
3. Ratification of all corporate acts of the BOD, the Executive Comm and the Management	Majority	None	None
4. Designation of the External Auditor	Majority	None	None
5. Election of the members of the BOD	Majority	None	None
6. Amendment of PSBank's Principal Office Address	Majority	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
28 April 2014 via PSE Edge and 19 April 2013 via PSE Odisy

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	N/A

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Jose T. Pardo 2. Arthur V. Ty 3. Vicente R. Cuna Jr. 4. Samson C. Lim 5. Jeanne Frances T. Chua 6. Ma. Theresa G. Barretto 7. Margaret T. Cham 8. Joaquin Aligguy 9. Benedicto Jose R. Arcinas 10. All PSBank officers with a rank of AVP and up	28 April 2014	Cumulative Voting	74.72%	1.25%	75.97%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SsMs? – The Bank uses Cumulative Voting in the ASM.

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

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, on forms prescribed by the Board of Directors and sealed with the corporate seal, at his request, shall be furnished by the Secretary of the Bank
Notary	Not required
Submission of Proxy	Shall be filed with the Secretary before or at the time of the meeting.

Several Proxies	Last submission shall be recognized.
Validity of Proxy	Proxies should be acknowledged before the Secretary of the Bank or a notary public
Proxies executed abroad	At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, on forms prescribed by the Board of Directors and sealed with the corporate seal, at his request, shall be furnished by the Secretary of the Bank
Invalidated Proxy	These may be unsigned proxies or those with incomplete information.
Validation of Proxy	The Presiding Officer shall not be required to recognize the proxies executed on forms not furnished by the Secretary unless he is satisfied of the authenticity. His decision is final.
Violation of Proxy	None noted.

(h) Sending of Notices

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

Policies	Procedure
Given by registered mail, at least 5 days before such meeting and shall be considered complete upon deposit in the post office, postage pre-paid, addressed to each stockholder as his last know place of residence appearing on the book of the Bank of a sealed envelope containing written or printed notice stating the date, hour, and place of such meeting	Sending out of DIS copies to all stockholders as of the record date no less than 21 days prior to the ASM

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,574 for 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	27 March 2014 for 2014; 26 March 2013 for 2013
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	27 March 2014 for 2014; 26 March 2013 for 2013
State whether CD format or hard copies were distributed	Hard copies
If yes, indicate whether requesting stockholders were provided hard copies	Yes

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes

An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p>Under Section 6 (Shareholders' Benefit) of the Bank's Manual on Corporate Governance, the Bank recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors:</p> <p>6.1 INVESTORS' RIGHTS AND PROTECTION</p> <p>6.1.1 Rights of Investors/Minority Interests stockholders:</p> <p>6.1.2 Voting Right</p> <p>6.1.2.1 Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</p> <p>6.1.2.2 Cumulative voting shall be used in the election of directors.</p> <p>6.1.2.3 A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p> <p>6.1.3 Pre-emptive Right</p> <p>All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.</p> <p>6.1.4 Power of Inspection</p> <p>All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.</p> <p>6.1.5 Right to Information</p> <p>6.1.5.1 The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <p>6.1.5.2 The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p>	

6.1.5.3 The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

6.1.6 Right to Dividends

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

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

6.1.7 Appraisal Right

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

- In case any amendment to the articles of incorporation has the class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

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

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

- Yes. Voting procedures allow minority stockholders to influence Board composition i.e. nominate candidates to the Board.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.
 - The Bank's external and internal communications policy is contained in the Corporate Communications Manual, which was approved by the Board in 2009. The contents of the manual are periodically reviewed and are now due for updating / revision. Major company announcements are reviewed and approved by the SVP/Chief Finance Officer and the President.

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

	Details
(1) Objectives	To continually build up the trust and confidence of stakeholders; being fair and transparent in all dealings; provide reliable and better service in response to the ever-growing expectations of customers; and working with integrity and accountability.
(2) Principles	Striving for higher standards and pursue new approaches ensure greater transparency and integrity in all endeavors.
(3) Modes of Communications	PSE Odisy, Media Releases, Annual Report, Corporate Website, Mails
(4) Investors Relations Officer	Perfecto Ramon Z. Dimayuga Jr.

- 3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? – The Bank conducts due diligence for extraordinary transactions and may engage the services of the financial advisor in the process. The emphasis is always in areas of possible synergy and benefits to the institution, while maintaining strict adherence to regulatory rules and regulations. The Bank also looks into the long-term prospects of a prospective investment or transaction, and the compliance of the new venture to regulations in its own industry.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. – The appointment of third parties is dependent on the requirements of the transaction. Among the firms that PSBank has engaged in past transactions include KPMG and ING Bank. However, the transactions ultimately did not push through due to reasons beyond the control of the Bank.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
<p>Donation to Operation Smile’s 30th anniversary mission</p> <p>PSBank and its employees pooled financial resources to fund the corrective surgeries of 43 children born with cleft lip, cleft palate and other facial deformities.</p> <p>A donation of Php648,000 was turned over to Operation Smile which marked its 30th anniversary in 2012. Of the total amount, PSBank donated Php450,000 while employees raised Php198,000 from individual pledges and salary deductions.</p>	Operation Smile
<p>PSBank Educational Assistance Program</p> <p>For over six years now, PSBank has been providing educational grants to 51 less privileged but deserving students of Chiang Kai Shek College (CKSC) and Association of Chinese Filipino Schools in the Phils (ACFSP) under the PSBank Educational Assistance Program. Each ACFSP scholar receives a P10,000 grant every school year while every CKSC scholar is given P10,000/semester. The college scholars are enrolled in Accountancy, IT, Marketing or Nursing programs. They also get priority hiring status in PSBank upon</p>	<p>Association of Chinese-Filipino Schools in the Philippines (ACFSP)</p> <p>Chiang Kai Shek College</p>

<p>graduation, provided they pass the reasonable qualification requirements and standards set by PSBank. They will also be given preferential accommodation to take their practicum in PSBank as part of their compliance with their course requirements. To date, 12 scholars have graduated from college.</p>	
<p>Save It Forward scholars</p> <p>Under the Save It Forward program, PSBank awarded scholarships to benefit children from non-profit organizations such as World Vision and Resources for the Blind. Since the program started, we have been sending these scholars to school until they complete their elementary or high school education. To date, 44 scholars have graduated. World Vision provides opportunities for generous donors to send a less-fortunate child to school for only P600/month or P20/day. The sponsorship makes sure that the child is in good health and goes to school. It also empowers the community by providing them with livelihood to improve their economic status. Resources for the Blind, on the other hand, makes a difference in the lives of visually impaired children by providing special education with the aim of community integration.</p>	<p>World Vision, Resources for the Blind</p>
<p>Annual support to child-friendly agencies</p> <p>Aside from our scholarship programs, we also sustained our annual financial assistance to three child-friendly organizations: World Vision, Resources for the Blind, and the Chosen Children Village Foundation. This would go a long way in taking care of children who are special, abandoned or orphaned.</p> <p>Country's Outstanding Police Officers in Service (COPS)</p> <p>To honor the best men and women in uniform and further promote community partnership in preventing and solving crimes, the Metrobank Foundation, Rotary Club of New Manila East, the Philippine National Police and PSBank hold the Annual Search for the Country's Outstanding Police Officers in Service (COPS). On its 12th year, 10 more awardees were added to the roster of outstanding police officers and each received P400,000 in cash prize, a trophy, and a Metrobank Foundation medallion.</p>	<p>World Vision, Resources for the Blind and Chosen Children Village Foundation</p> <p>The program is an initiative of Metrobank Foundation and PSBank is a program partner, together with Rotary Club of New Manila East and PNP.</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	Annual performance evaluation of the Board as a Body is handled by the Corporate Governance Committee (CGC) using a checklist scorecard accomplished by each of the CGC members whereby ratings are averaged to get the overall performance ratings. Results are then reported to the Board of Directors.	Ratings ranging from 1 – 5 (with 1 as the lowest and 5 as the highest) in the following component areas: <ul style="list-style-type: none"> ○ Composition & Skills ○ Independence ○ Roles & General Responsibilities ○ Specific Duties & Responsibilities ○ Resources ○ Performance ○ Board Committees
Board Committees	Annual performance evaluation of each of the Board Committees is handled by the concerned committees using a checklist scorecard accomplished by each of the committee members whereby ratings are averaged to get the overall performance ratings and reviewed by the CGC. Results are then reported to the Board of Directors.	Ratings ranging from 1 – 5 (with 1 as the lowest and 5 as the highest) in different component areas applicable to each of the Board Committees
Individual Directors	Annual performance evaluation of the individual directors is handled on a self-rating basis using a checklist scorecard accomplished by each of the directors whereby ratings are averaged to get the overall performance ratings and reviewed by the CGC. Results are then reported to the Board of Directors.	Ratings ranging from 1 – 5 (with 1 as the lowest and 5 as the highest) in the following component areas: <ul style="list-style-type: none"> ○ Duty of Obedience ○ Duty of Diligence ○ Duty of Loyalty
CEO/President	As provided in the Nominations Committee Charter, the CEO appraisal is being done by the Nominations Committee.	

N. INTERNAL BREACHES AND SANCTIONS

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

Violations	Sanctions
Violations by directors, officers, management and employees on any of the provisions of the Bank's Corporate Governance Manual.	<p>The following penalties shall be imposed after notice and hearing:</p> <ul style="list-style-type: none"> • In case of first violation, the subject person shall be reprimanded. • Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. • For third violation, the maximum penalty of removal from office shall be imposed and payment of penalties that maybe imposed by concerned regulating bodies.

	<p>The commission of a third violation against the Bank's CG Manual by any member of the Board or officer shall be a sufficient cause for removal from directorship or officership.</p> <p>The Corporate Governance Committee shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>
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PHILIPPINE SAVINGS BANK
777 Paseo de Roxas Ave., corner Sedeño St., Makati City

SECRETARY'S CERTIFICATE

I, **POCHOLO V. DELA PEÑA**, of legal age, Filipino citizen, with office address at Metrobank Plaza, Sen. Gil J. Puyat Ave., Makati City, after having been sworn in accordance with law, depose and state that:

1. I am the duly elected and qualified Corporate Secretary of **PHILIPPINE SAVINGS BANK**, a banking institution duly organized and existing under and in accordance with the laws of the Philippines, with principal office at PSBANK Center, 777 Paseo de Roxas Ave., corner Sedeño St., Makati City.
2. I hereby certify that the following items were approved by the Board of Directors (BOD):

Items	Board Resolution No.	Date of BOD Meeting
1. Creation of Board-level Anti-Money Laundering Oversight Committee (AMLOC) and Establishment of its Charter	2014-030	February 21, 2014
2. Approval of the Updated Information Technology (IT) Steering Committee Charter	2014-032	February 21, 2014
3. Approval of the Revised Audit Committee Charter	2014-044	February 21, 2014
4. Approval of the Revised Internal Audit Charter	2014-045	February 21, 2014
5. Approval of the Revised PSBank Corporate Governance Manual	2014-055	March 24, 2014
6. Approval of the ff. Updated Board-level and Management-level Committee Charters: (1) Corporate Governance Committee (CGC) Charter (2) Related Party Transactions Committee (RPTC) Charter (3) Nominations Committee (NomCom) Charter (4) Compensation and Remunerations Committee (RemCom) Charter (5) Outsourcing Oversight Committee (OOC) Charter	2014-056	March 24, 2014
7. Approval of the ff. Board-level and Management-level Committee Charters: (1) Executive Committee Charter (2) Trust Committee Charter (3) Credit Committee Charter (4) Emergency Committee Charter (5) Policy Committee Charter (6) Personnel Committee Charter (7) Retirement Committee Charter	2014-068	March 24, 2014
8. Approval of the Annual Performance Scorecards for Board-level and Management-level Committees	2014-069	March 24, 2014
9. Declaration of Regular Cash Dividends for the First Quarter of 2014	2014-082	March 24, 2014
10. Adoption of the Customer AML Risk Scorecard (CARS)	2014-093	May 22, 2014
11. Updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP)	2014-094	May 22, 2014



Items	Board Resolution No.	Date of BOD Meeting
12. Approval of Updated PSBank Corporate Governance Manual	2014-105	June 24, 2014
13. Approval of Foreign Account Tax Compliance Act (FATCA) Policy Manual	2014-106	June 24, 2014
14. Approval on the Hiring of Mr. Emmanuel A. Tuazon as SVP for Marketing	2014-111	June 24, 2014
15. Approval of the Updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP)	2014-122	July 22, 2014
16. Approval of the Updated Bank Compliance Charter and Updated Bank Compliance Program	2014-123	July 22, 2014
17. Approval on the Declaration of Regular Cash Dividends for the Second Quarter of 2014	2014-125	July 22, 2014
18. Sale of Bank's 25% Equity in TFSPC to GT Capital Holdings Inc.	2014-135	August 26, 2014
19. Approval of Policy Manual Against Insider Trading	2014-146	September 23, 2014
20. Approval on the Declaration of Regular Cash Dividends for the Third Quarter of 2014	2014-170	October 30, 2014
21. Approval of the Revised Related Party Transactions (RPT) Policy	2014-187	November 18, 2014
22. Approval of the Updated Trust Compliance Program (TCP)	2014-188	November 18, 2014
23. Approval of the Updated Corporate Governance Manual	2014-202	December 9, 2014
24. Approval of the Adoption of Branch AML Compliance Risk Rating (ACRR) System	2014-203	December 9, 2014


3. I am executing this Certificate in compliance with the requirements of the Securities and Exchange Commission in relation to the Annual Corporate Governance Report.

Makati City, Philippines, JAN 05 2015.


POCHOLO V. DELA PEÑA
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 05 2015 day of MAKATI CITY,
 _____ by affiant who exhibited to me SSS No. 03-9209362-8.

Doc No. 75
 Page No. 20
 Book No. 01
 Series of 2015.


ATTY. ROMDAS M. ALSINAYA, JR.
 NOTARY PUBLIC FOR MAKATI CITY
 AFFIDAVIT NO. N-13 UNTIL DECEMBER 31, 2016
 UNIT 236 CITY LAND CONDO. B. NO. 88 G. FUTA, MAKATI CITY
 MCLE COMPLIANCE NO. V-0003774, SEPT. 25 '14
 IBP NO. 975893, 10 / 21 / 14 MAKATI CITY
 PTR NO. 4748523 / 01 / 05 / 15 / MAKATI CITY
 IBP ROLL NO. 45164