

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 Business Bank, Inc.
3. 350 Rizal Ave. ext. cor 8th Ave. Grace Park, Caloocan City 1400
Address of Principal Office Postal Code
4. SEC Identification Number A199701584 5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number 005-469-606
7. (02) 363-3333
Issuer's Telephone number, including area code
8. N/A
Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS	4
1) BOARD OF DIRECTORS	
(a) Composition of the Board	4
(b) Corporate Governance Policy/ies.....	4
(c) Review and Approval of Vision and Mission.....	5
(d) Directorship in Other Companies	5
(e) Shareholding in the Company.....	6
2) CHAIRMAN AND CEO.....	6
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS...	7
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	7
5) CHANGES IN THE BOARD OF DIRECTORS.....	9
6) ORIENTATION AND EDUCATION PROGRAM.....	12
B. CODE OF BUSINESS CONDUCT & ETHICS.....	13
1) POLICIES.....	13
2) DISSEMINATION OF CODE.....	18
3) COMPLIANCE WITH CODE.....	18
4) RELATED PARTY TRANSACTIONS.....	18
(a) Policies and Procedures	18
(b) Conflict of Interest	21
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	24
6) ALTERNATIVE DISPUTE RESOLUTION.....	24
C. BOARD MEETINGS & ATTENDANCE.....	25
1) SCHEDULE OF MEETINGS.....	25
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	25
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	25
4) QUORUM REQUIREMENT.....	25
5) ACCESS TO INFORMATION.....	25
6) EXTERNAL ADVICE.....	26
7) CHANGES IN EXISTING POLICIES.....	26
D. REMUNERATION MATTERS.....	27
1) REMUNERATION PROCESS.....	27
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	27
3) AGGREGATE REMUNERATION.....	28
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	28
5) REMUNERATION OF MANAGEMENT.....	29
E. BOARD COMMITTEES.....	29
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	29
2) COMMITTEE MEMBERS.....	40
3) CHANGES IN COMMITTEE MEMBERS.....	43
4) WORK DONE AND ISSUES ADDRESSED.....	43
5) COMMITTEE PROGRAM.....	46

F. RISK MANAGEMENT SYSTEM	48
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	48
2) RISK POLICY.....	49
3) CONTROL SYSTEM.....	50
G. INTERNAL AUDIT AND CONTROL.....	54
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	54
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	55
(b) Appointment/Removal of Internal Auditor.....	56
(c) Reporting Relationship with the Audit Committee.....	56
(d) Resignation, Re-assignment and Reasons.....	56
(e) Progress against Plans, Issues, Findings and Examination Trends.....	56
(f) Audit Control Policies and Procedures	58
(g) Mechanisms and Safeguards	59
H. ROLE OF STAKEHOLDERS.....	60
I. DISCLOSURE AND TRANSPARENCY	64
J. RIGHTS OF STOCKHOLDERS.....	66
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS	66
2) TREATMENT OF MINORITY STOCKHOLDERS	70
K. INVESTORS RELATIONS PROGRAM	70
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES	71
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL	73
N. INTERNAL BREACHES AND SANCTIONS	73

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	10
---	----

Actual number of Directors for the year	10
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Francis T. Lee	NED	N/A	President	Oct. 2000	May 30, 2014	AM	14
Peter N. Yap	ED	N/A	Chairman	Aug. 2010	May 30, 2014	AM	4
Rolando R. Avante	ED	N/A	Chairman	Nov. 2011	May 30, 2014	AM	3
Amador T. Vallejos, Jr.	NED	N/A	Chairman	May 1997	May 30, 2014	AM	17
Jeffrey S. Yao	NED	N/A	Chairman	1999	May 30, 2014	AM	15
Honorio O. Reyes-Lao	NED	N/A	Chairman	Apr. 2010	May 30, 2014	AM	4
Paternon H. Dizon	ID	N/A	Chairman	Apr. 2006	May 30, 2014	AM	8
Leticia M. Yao	NED	N/A	Chairman	2009	May 30, 2014	AM	5
Benjamin R. Sta. Catalina, Jr.	ID	N/A	Chairman	Jul. 2012	May 30, 2014	AM	2
Roberto A. Atendido	NED	N/A	Chairman	May 2006	May 30, 2014	AM	1.5

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

The Board of Directors has adopted the following corporate governance policies with regard to shareholders' rights and protection, disclosure duties and board responsibilities:

- i) The Board of Directors is committed to respect and uphold the rights and powers of all shareholders, regardless of the number of their shareholdings, such as: (a) voting right, (b) power to inspect corporate books and records, (c) right to information, (d) right to dividends, and (e) right to appraisal.

Specifically, under the voting right of a stockholder, a director may not be removed without just cause if it will deny minority shareholders representation in the Board. Likewise, under the right to information, a minority shareholder is granted the right to propose the holding of a meeting, and the right to propose items in the agenda; provided the items are for legitimate business purposes.

- ii) The Board of Directors provides periodic reports to the shareholders which disclose personal and professional information about the directors and officers and other matters, such as their dealings with, and shareholdings in, the Bank, relationship among directors and key officers and the aggregate compensation of directors and officers.

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

iii) The Board of Directors has general responsibilities of: (1) approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values; (2) monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the institution.

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

(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 director is also the Chairman.
N/A	N/A	N/A

(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.
Roberto A. Atendido	Paxy's, Inc. and Macay Holdings, Inc.	Non-Executive
Jeffrey S. Yao	Macay Holdings, Inc.	Executive

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jeffrey S. Yao	Alfredo M. Yao	Father
Leticia M. Yao	Alfredo M. Yao	Brother

(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? Yes, but without specifics as to the number.

In particular, is the limit of five board seats in other publicly listed companies imposed and observed? Yes. If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Low Indicative Limit	No ED is holding board seats in other publicly companies in excess of five (5).

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

	Guidelines	Maximum Number of Directorships in other companies
Non-Executive Director	Low Indicative limit	No NED is holding board seats in other publicly companies in excess of five (5).
CEO	Low Indicative Limit	N/A

(e) Shareholding in the Company

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

Name of Director	Number of Direct Shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Francis T. Lee	30,375,000		7.07%
Peter N. Yap	209,810		0.05%
Rolando R. Avante	125,072		0.03%
Jeffrey S. Yao	1,080,357		0.25%
Leticia M. Yao	1,120,357		0.26%
Honorio O. Reyes-Lao	46,250	113,750	0.04%
Benjamin R. Sta. Catalina, Jr.	37,572		0.01%
Amador T. Vallejos, Jr.	25,717		0.01%
Roberto A. Atendido	72,500		0.02%
Paterno H. Dizon	87,572		0.02%
TOTAL	33,180,207	113,750	7.76%

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	Francis T. Lee
CEO/President	Rolando R. Avante

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	Presides at the meetings of the Board of Directors (BOD) and stockholders. In case of a tie, casts a vote to break such tie.	Handles the administration and direction of the day-to-day business affairs of the Bank; presides at the meetings of the BOD in the absence of the Chairman and Vice Chairman; represents the Bank at all functions and proceedings; signs certificates of stock.
Accountabilities	Ensures that the BOD takes an informed decision.	Ensures that the administrative and operational policies of the Bank are carried out under his supervision and control; has general supervision and management of the business affairs and property of the Bank.

	Chairman	Chief Executive Officer
Deliverables	Provides leadership in the BOD.	Initiate and develop corporate objectives and policies, and formulate business plans for the approval of the BOD; executes on behalf of the Bank all contracts, agreements and other instruments affecting the interests of the Bank that require the approval of the BOD, unless otherwise directed by the BOD; oversees the preparation of the budgets and the financial statements of the Bank, signs /executes such reports of the Bank as may be required of him by the regulatory bodies; makes and present the reports to the BOD and Stockholders.

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

The BOD approved a succession plan drawn by Management wherein possible successors for top key management positions are to be identified. The criteria in the identification and selection for the successors are based on the qualifications and readiness of the candidates. To prepare them for their future jobs, the Management determined the successors' developmental needs through the job competence factors evaluation and focused interview. The next step is to send them to trainings that are relevant and appropriate for the position they are chosen to assume in the future.

- 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.

Under the BOD-approved Corporate Governance Manual of the Bank, the Board "shall appoint members of the committees taking to account the optimal mix of skills and experience to allow members to fully understand, be critical and objectively evaluate the issues. In order to promote objectivity, the Board shall appoint independent directors and non-executive members of the Board to the greatest extent possible while ensuring that such mix will not impair the collective skills, experience and effectiveness of the committees."

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

Under the BOD-approved Corporate Governance Manual of the Bank, a director is required to have a working knowledge of the statutory and regulatory requirements affecting the bank, including the contents of its articles of incorporation and by-laws, the requirements of the Bangko Sentral Ng Pilipinas, and where applicable, the requirements of other regulatory agencies. A director is also required to keep himself informed of the industry developments and business trends in order to safeguard the Bank's competitiveness.

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

	Executive	Non-Executive	Independent Director
Role	Provides entrepreneurial leadership to the Bank; designs, develop and implement strategic plans.	Constructively challenges and contributes to the development of strategic plans of the Bank; participates actively in the deliberation of issues brought to	Acts in the best interest of the Bank; establishes a balance between the interests of management and shareholders.

	Executive	Non-Executive	Independent Director
		the BOD by Management; reviews the performance of Management in meeting the agreed goals and objectives of the Bank; reviews the integrity of the financial information and ensures that financial controls and systems of risk management are robust and defensible.	
Accountabilities	Responsible for the day-to-day operations of the Bank; regularly reports to the BOD on the financial condition of the Bank.	Responsible for determining appropriate levels of remuneration of executive directors; has prime role in succession planning and in appointing, and where necessary, removing executive directors.	Protects the interest of shareholders and other stakeholders; has working knowledge of the statutory and regulatory requirements affecting the Bank; remains fit and proper for the position for the duration of his term; contributes significantly to the decision-making process of the BOD.
Deliverables	Ensures the healthy growth and continued profitability of the Bank; ensures Management's and Staff's adherence and compliance with the corporate governance principles and programs of the Bank; devotes time and attention to properly discharge their duties and responsibilities; exercises independent judgment; acts honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders and other stakeholders; acts judiciously; conducts fair business transaction with the Bank and ensure that personal interest does not bias board decisions; Have working knowledge of the statutory and regulatory requirements affecting the Bank; observes confidentiality; contributes significantly to the decision-making process of the BOD; and remains fit and proper for the position for the duration of his term.	Meets occasionally, whenever appropriate, as a group without executive directors and the Chairman being present; may be asked to serve on at least one (1) board committee; devotes time and attention to properly discharge their duties and responsibilities; exercises independent judgment; acts honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders and other stakeholders; acts judiciously; conducts fair business transaction with the Bank and ensure that personal interest does not bias board decisions; Have working knowledge of the statutory and regulatory requirements affecting the Bank; observes confidentiality; contributes significantly to the decision-making process of the BOD; and remains fit and proper for the position for the duration of his term.	Joins in the occasional meeting of non-executive directors, whenever appropriate, as a group without executive directors and the Chairman being present; may be asked to serve on at least one(1) board committee; devotes time and attention to properly discharge their duties and responsibilities; exercises independent judgment; acts honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders and other stakeholders; acts judiciously; conducts fair business transaction with the Bank and ensure that personal interest does not bias board decisions; has working knowledge of the statutory and regulatory requirements affecting the Bank; observes confidentiality; contributes significantly to the decision-making process of the BOD; and remains fit and proper for the position for the duration of his term.

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

Independence refers to that environment which allows the person to carry out his/her work freely and objectively.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain. Yes. An independent director of the Bank may only serve as such for a total of five (5) consecutive years. After two years he may qualify for nomination and election as Independent director for another five years.

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
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

(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	The Nomination/ Corporate Governance Committee pre-screens and short-lists all candidates nominated to become members of the BOD in accordance with the qualifications and disqualifications provisions of the Bank's Corporate Governance Manual.	Age, professional/ academic qualifications, integrity/probity, physical/ mental fitness, competence and knowledge/ experience of the nominee.
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do-
b. Re-appointment		
(i) Executive Directors	The Nomination/ Corporate Governance Committee conducts annual evaluation of the performance of all directors. The results in this annual activity is the basis of the Committee in coming up with the list of nominees to be submitted to the Corporate Secretary for possible re-appointment/re-election to the Board as director during the stockholders meeting.	-do-
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do-

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors	The Chief Compliance Officer (CCO) reports to the Nomination/ Corporate Governance Committee any violations against any of the provisions of the Corporate Governance Manual of the Bank, including those provisions concerning permanent or temporary disqualification of directors. The Nomination/Corporate Governance Committee then conducts hearing and recommends to the Chairman of the Board the imposable penalty, which the Board shall review.	Persons convicted by final judgment of an offense involving dishonesty; persons convicted of a crime involving violations against any law administered by the SEC or BSP; persons judicially declared insolvent, spendthrift or incapacitated to enter into a contract; persons convicted by final judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code, committed within five years prior to date of his election or appointment or violation of banking laws; directors, officers or employees of closed banks/quasi-banks/trust entities who were responsible for such institutions' closure as determined by the Monetary Board.
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do-
d. Temporary Disqualification		
(i) Executive Directors	-do-	Persons who refuse to fully disclose the extent of his business interest as required under the Securities Regulation Code; directors who have been absent or who have not participated for what ever reason in more than 50% of all meeting, both regular and special, of the BOD during his incumbency and persons who failed to physically attend for whatever reasons in at least 25% of all board meetings in any year; persons dismissed/terminated from employment/directorship in another listed corporation for cause; persons under preventive suspension by a bank; persons with derogatory records with the NBI, court, police Interpol and monetary authority of other countries involving violation of any law, rule or regulation of the Government or any of its instrumentalities adversely

Procedure	Process Adopted	Criteria
		affecting the integrity and/or ability to discharge the duty of the director; persons who are delinquent in the payment of their obligations as defined in the BSP Circular No. 26 dated September 17, 2001
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do- and an independent director who becomes an officer or employee of the Bank shall be disqualified automatically from being an independent director.
e. Removal		
(i) Executive Directors	The CCO conducts investigation of the case of the concerned director and submits the results of his investigation to the Nomination/ Corporate Governance Committee. The committee then conducts hearing and communicates the results thereof and its recommendation to the Chairman of the Board, which shall be subject to Board review.	Permanent and temporary disqualifications as mentioned under items c and d above and nature and gravity of violations committed by the director.
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do-
f. Re-instatement		
(i) Executive Directors	The CCO conducts investigation of the case of the concerned director. The Nomination/ Corporate Governance Committee then conducts hearing and recommends to the Chairman of the Board the re-instatement of such director, if there is reasonable basis, which Board shall review.	Permanent and temporary disqualifications as mentioned under items c and d above, nature and gravity of the violations committed by the director and his past performance in the Board
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do-
g. Suspension		
(i) Executive Directors	The CCO conducts investigation of the case of the concerned director. The Nomination/ Corporate Governance Committee then conducts hearing and recommends to the Chairman of the Board the imposable penalty which Board shall review.	Nature and gravity of the violations committed by the director, his performance in Board activities as reflected in his duly-accomplished self-evaluation form.
(ii) Non-Executive Directors	-do-	-do-
(iii) Independent Directors	-do-	-do-

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Francis T. Lee	Two-thirds of the votes cast
Peter N. Yap	Two-thirds of the votes cast
Rolando R. Avante	Two-thirds of the votes cast
Jeffrey S. Yap	Two-thirds of the votes cast
Leticia M. Yao	Two-thirds of the votes cast
Amador T. Vallejos, Jr.	Two-thirds of the votes cast
Paterno H. Dizon	Two-thirds of the votes cast
Honorio O. Reyes-Lao	Two-thirds of the votes cast
Benjamin R. Sta. Catalina, Jr.	Two-thirds of the votes cast
Roberto A. Atendido	Two-thirds of the votes cast

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.
- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: The Anti-Money Laundering Act, as Amended (R.A. 9160 as Amended by R.A. 9194 and R.A. 10167) and Circular 706 – Updated Anti-Money Laundering Rules and Regulations.
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Francis T. Lee	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Peter N. Yap	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Rolando R. Avante	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Jeffrey S. Yao	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Leticia M. Yao	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Amador T. Vallejos, Jr.	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Paterno H. Dizon	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Honorio O. Reyes-Lao	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Benjamin R. Sta. Catalina, Jr.	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Nov. 28, 2014	Corporate Governance Seminar	Ateneo de Manila University – School of Gov't
Roberto A. Atendido	Jan. 29, 2014	AMLA for Members of the Board and Senior Officers	Philippine Business Bank
	Aug. 8, 2014	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management (ROAM) Inc.

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	A director must exercise the highest ethical standards in dealing with clients, vendors/ suppliers, regulators and other employees; he is required to disclose his existing business interests or shareholdings that may directly or indirectly conflict in the performance of his duties on the date of his assumption/employment; he should avoid situations that would give rise to conflict of interest; he should immediately disclose any occurrence of conflict of interest, whether it be real, apparent or potential, to the BOD through the Chairman.	A senior officer is required to disclose his existing business interests or shareholdings that may directly or indirectly conflict in the performance of his duties on the date of his assumption/ employment; he should avoid situations that would give rise to conflict of interest; he should not engage in any business or undertaking that is directly or indirectly in competition with the Bank or engage directly or indirectly in any undertaking or activity prejudicial to the interest of the Bank; he should immediately disclose any occurrence of conflict of interest, whether it be real, apparent or potential, to the BOD through the Chairman.	An employee is required to disclose his existing business interests or shareholdings that may directly or indirectly conflict in the performance of his duties on the date of his assumption/employment; he should avoid situations that would give rise to conflict of interest; he should not engage in any business or undertaking that is directly or indirectly in competition with the Bank or engage directly or indirectly in any undertaking or activity prejudicial to the interest of the Bank; he should immediately disclose any occurrence of conflict of interest, whether it be real, apparent or potential, to the BOD through the Chairman.

Business Conduct & Ethics	Directors	Senior Management	Employees
(b) Conduct of Business and Fair Dealings	Should conduct fair business transaction with the Bank and ensure that personal interest does not bias board decisions; should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest; should avoid situations that would compromise his impartiality.	Should conduct fair business transaction with the Bank and ensure that personal interest does not bias management decisions; should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest; should avoid situations that would compromise his impartiality.	Should conduct fair business transaction with the Bank and ensure that personal interest does not bias decisions; should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest; should avoid situations that would compromise his impartiality.
(c) Receipt of gifts from third parties	A director should act honestly and in good faith with loyalty and in the best interest of the Bank, its stockholders and other stakeholders, such as depositors, investors, borrowers, other clients and the general public; should avoid situations that would compromise his impartiality; required to declare gifts/items received from clients or other persons in relation to his position.	In general, PBB employees should not solicit nor receive gifts, sponsored travel, extraordinary entertainment or anything of value that may influence their decisions or actions on Bank-related matters or transactions; required to declare gifts/items received from clients or other persons in relation to his position.	In general, PBB employees should not solicit nor receive gifts, sponsored travel, extraordinary entertainment or anything of value that may influence their decisions or actions on Bank-related matters or transactions; required to declare gifts/items received from clients or other persons in relation to his position.
(d) Compliance with Laws & Regulations	The Bank does not accept nominations of persons convicted of an offense involving dishonesty or breach of trust, such as estafa, embezzlement, extortion, forgery or those who committed violation of any provision of the SRC, the Corporation Code or BSP Rules and Regulations, for the position of a director; to ensure proper monitoring of compliance with laws & regulations, a director must have a working knowledge of the statutory and regulatory requirements affecting the Bank, including the content of its articles of incorporation and by-laws, the requirements of the BSP, and where applicable,	The Senior Management is responsible for :(i) establishing compliance program, (ii) ensuring that it is adhered to, (iii) periodically reporting to the Audit Committee and/or Board of Directors on matters that affect the design and implementation of such compliance program, including material breaches thereon, (iv) addressing promptly such material breaches of the compliance program, and (v) assessing its effectiveness and appropriateness.	Compliance is a line-driven function, hence, it is the direct responsibility of each line manager; each employee is personally responsible for familiarizing oneself with all laws, regulations, rules and standards applicable/related to his work assignment

Business Conduct & Ethics	Directors	Senior Management	Employees
	requirements of other regulatory agencies; the directors acting as a body ensures that an appropriate compliance program is defined and adopted by the Ban and that compliance issues are resolved expeditiously		
(e) Respect for Trade Secrets/Use of Non-public Information	A director must observe the confidentiality of non-public information acquired by him by reason of his position as director; he must not disclose said information to any other person without the authority of the BOD.	All PBB employees are required to comply with guidelines of the Information Security Manual of the Bank. Erring employees shall be subject to appropriate penalties and sanctions prescribed in the Code of Conduct.	All PBB employees are required to comply with guidelines of the Information Security Manual of the Bank. Erring employees shall be subject to appropriate penalties and sanctions prescribed in the Code of Conduct.
(f) Use of Company Funds, Assets and Information	A director is not allowed to decide his or her own remuneration; a director must observe the confidentiality of non-public information acquired by him by reason of his position as director; he must not disclose said information to any other person; acting as a body (BOD), the members of the BOD must articulate policies that will prevent the use of the facilities of the bank in furtherance of criminal and other improper or illegal activities, as such but not limited to financial misreporting, money laundering, fraud, bribery or corruption.	<p>The Senior Management, through the Treasurer is in charge of the over-all fund management activities of the Bank and responsible for the liquidity and reserve management operations; is directly involved in Asset and Liability Management where Bank would minimize costs and maximize profit and assures liquidity at any given time;</p> <p>All officers and employees are expected to be honest and truthful in their dealings with the Bank. They shall not engage in, facilitate or aid in facilitating the commission of fraud, deceit or other forms of dishonesty which will directly affect the Bank. Every employee must at all times furnish correct and complete information on the documents and other papers deemed necessary by the Bank; Senior Management provides risk oversight on all IT-related activities of the Bank, particularly on</p>	All officers and employees are expected to be honest and truthful in their dealings with the Bank; they shall not engage in, facilitate or aid in facilitating the commission of fraud, deceit or other forms of dishonesty which will directly affect the Bank; every employee must at all times furnish correct and complete information on the documents and other papers deemed necessary by the Bank; willful destruction of the Bank's assets, property and equipment is punishable by dismissal under the Code of Conduct.

Business Conduct & Ethics	Directors	Senior Management	Employees
		<p>information and associated assets for the purpose safeguarding such information and maintaining their confidentiality; willful destruction of the Bank's assets, property and equipment is punishable by dismissal under the Code of Conduct.</p>	
<p>(g) Employment & Labor Laws & Policies</p>	<p>Through the Manpower, Compensation and Remuneration Committee, a director is required to establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of officers and directors and provide oversight over remuneration of senior officers and other key personnel ensuring that compensation is consistent with Bank's culture, strategy and control environment, develop a form of full business interest disclosure as part of pre-employment requirements for all incoming officers, which compel all officers under the penalty of perjury all their existing business interest or shareholdings that may directly or indirectly conflict in their performance of duties once hired; review Human Resource Group Personnel Hand Book to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and requirements that must be periodically met in their respective posts.</p>	<p>Implements and comply with the: (1) policies and procedures formulated by the BOD establishing the rights and obligations of PBB employees under the Labor Code of the Philippines, (2) salary and benefits structures adopted by the BOD for PBB officers and employees, (3) hiring, training and other administrative policies and procedures, including the implementing rules and regulations on anti-sexual harassment law adopted by the BOD.</p>	<p>All employees of are required to adhere to/comply with the internal policies and procedures of the Bank, including the Code of Conduct.</p>

Business Conduct & Ethics	Directors	Senior Management	Employees
(h) Disciplinary action	<p>The Chief Compliance Officer identifies and reports violations of the Manual of Corporate Governance to the Corporate Governance/ Nomination Committee, which shall conduct hearings and shall recommend to the Chairman of the Board the imposable penalty for such violation.</p> <p>Penalties are as follows: First Offense – Reprimand; Second Offense – Suspension from office; Third Violation- Removal from office.</p>	<p>Disciplinary actions against All employees of the Bank, including Senior Officers for violations of internal policies as well as banking laws, rules and regulations and issuances issued by other regulatory agencies are prescribed in the Code of Conduct.</p>	<p>Disciplinary actions against All employees of the Bank, including Senior Officers for violations of internal policies as well as banking laws, rules and regulations and issuances issued by regulatory agencies are prescribed in the Code of Conduct.</p>
(i) Whistle Blower	<p>The Bank has a BOD-approved Whistle Blower Program which: (1) encourages employees, including senior officers to bring suspected malpractices, ethical and legal violations they are aware of to an internal authority, (2) prevents exposing the Bank to risk or damage that may occur when employees, including senior officers circumvent internal control mechanism or violate certain code of conduct; and (3) helps promote and develop a culture of transparency, accountability and integrity within the Bank.</p> <p>This Whistle Blower policy also covers the members of the BOD.</p>	<p>The Bank has a BOD-approved Whistle Blowing Program which: (1) encourages employees, including senior officers to bring suspected malpractices, ethical and legal violations they are aware of to an internal authority, (2) prevents exposing the Bank to risk or damage that may occur when employees, including senior officers circumvent internal control mechanism or violate certain code of conduct; and (3) helps promote and develop a culture of transparency, accountability and integrity within the Bank.</p>	<p>The Bank has a BOD-approved Whistle Blowing Program which: (1) encourages employees, including senior officers to bring suspected malpractices, ethical and legal violations they are aware of to an internal authority, (2) prevents exposing the Bank to risk or damage that may occur when employees, including senior officers circumvent internal control mechanism or violate certain code of conduct; and (3) helps promote and develop a culture of transparency, accountability and integrity within the Bank.</p>
(j) Conflict Resolution	<p>A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take position even though it might be</p>	<p>The Bank has a BOD-approved Grievance and Employee Complaint Policy which defines the actions and responsibilities of all concerned personnel in the proper disposition of employee complaints and grievances.</p>	<p>The Bank has a BOD-approved Grievance and Employee Complaint Policy which defines the actions and responsibilities of all concerned personnel in the proper disposition of employee complaints and grievances</p>

Business Conduct & Ethics	Directors	Senior Management	Employees
	unpopular. Corollary to this, he should support plans and ideas that he thinks will be beneficial to the Bank;		

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

Yes. The Revised Code of Conduct has been circularized by the Bank's Systems & Methods Center last March 10, 2014. All units were given an acknowledgement receipt where they also certified that they have thoroughly read and understood the Revised Code of Conduct. Copy of the acknowledgement receipt is filed in each employee's 201 file.

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

The immediate superior has the primary responsibility to enforce discipline within his jurisdiction. He is responsible for informing and making his subordinates understand about the provisions of the Code and all other policies, rules, regulations, and guidelines promulgated by the Bank. Correspondingly, he/she shall be given sufficient authority to effectively exercise his capacity and discretion in implementing corrective actions when necessary. It is expected, however, that in all cases necessitating disciplinary action, there is a thorough investigation made and employee counseling conducted.

Ignorance of or unfamiliarity with the provisions of the Code shall not be an excuse for violations.

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	N/A (PBB has no parent company) - Dealings of the Bank with its major stockholder is covered by the general policy on DOSRI (see item 4 below).
(2) Joint Ventures	N/A (PBB has not entered into a joint venture agreement with any person or entity).
(3) Subsidiaries	N/A (PBB has no subsidiary)
(4) Entities Under Common Control	<p>The general policy of the Bank with regard to its dealings with its Directors, Officers, Stockholders and Related Interest (DOSRI) is that the transactions should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.</p> <p>Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.</p>

Related Party Transactions	Policies and Procedures
	<p>Real estate and chattel transactions (such as but not limited to rentals or leases, purchases and sales of foreclosed assets) of the Bank with its DOSRI and employees require prior written approval of the majority members of the BOD, excluding the concerned director in cases where a director or his related interest is involved in the transaction, and submission of sworn statement to the BSP in compliance with Subsection X148.1 of the MORB.</p> <p>Loans and other credit accommodations and guarantees to DOSRI also require prior written approval by the majority members of the BOD, excluding the director concerned. Board approval is manifested in a resolution passed by the BOD, a copy of which is submitted to the BSP within the prescribed period. Loans and other credit accommodations granted to DOSRI are likewise reported to the BSP every 15th banking day from end of reference quarter.</p>
(5) Substantial Stockholders	<p>The general policy of the Bank with regard to its dealings with its Directors, Officers, Stockholders and Related Interest (DOSRI) is that they should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.</p> <p>Off-market rates policy applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.</p> <p>Real estate and chattel transactions (such as but not limited to rentals or leases, purchases and sales of foreclosed assets) of the Bank with its DOSRI and employees require prior written approval of the majority members of the BOD, excluding the concerned director in cases where a director or his related interest is involved in the transaction, and submission of sworn statement to the BSP in compliance with Subsection X148.1 of the MORB.</p> <p>Loans and other credit accommodations and guarantees to DOSRI also require prior written approval by the majority members of the BOD, excluding the director concerned. Board approval is manifested in a resolution passed by the BOD, a copy of which is submitted to the BSP within the prescribed period. Loans and other credit accommodations granted to DOSRI are likewise reported to the BSP every 15th banking day from end of reference quarter.</p>
(6) Officers including spouse/ children/ siblings/ parents	<p>The general policy of the Bank with regard to its dealings with its Directors, Officers, Stockholders and Related Interest (DOSRI) is that they should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.</p>

Related Party Transactions	Policies and Procedures
	<p>Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.</p> <p>Real estate and chattel transactions (such as but not limited to rentals or leases, purchases and sales of foreclosed assets) of the Bank with its DOSRI and employees require prior written approval of the majority members of the BOD, excluding the concerned director in cases where a director or his related interest is involved in the transaction, and submission of sworn statement to the BSP in compliance with Subsection X148.1 of the MORB.</p> <p>Loans and other credit accommodations and guarantees to DOSRI also require prior written approval by the majority members of the BOD, excluding the director concerned. Board approval is manifested in a resolution passed by the BOD, a copy of which is submitted to the BSP within the prescribed period. Loans and other credit accommodations granted to DOSRI are likewise reported to the BSP every 15th banking day from end of reference quarter.</p>
(7) Directors including spouse/ children siblings/ parents	<p>The general policy of the Bank with regard to its dealings with its Directors, Officers, Stockholders and Related Interest (DOSRI) is that they should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.</p> <p>Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.</p> <p>Real estate and chattel transactions (such as but not limited to rentals or leases, purchases and sales of foreclosed assets) of the Bank with its DOSRI and employees require prior written approval of the majority members of the BOD, excluding the concerned director in cases where a director or his related interest is involved in the transaction, and submission of sworn statement to the BSP in compliance with Subsection X148.1 of the MORB.</p>

Related Party Transactions	Policies and Procedures
	Loans and other credit accommodations and guarantees to DOSRI also require prior written approval by the majority members of the BOD, excluding the director concerned. Board approval is manifested in a resolution passed by the BOD, a copy of which is submitted to the BSP within the prescribed period. Loans and other credit accommodations granted to DOSRI are likewise reported to the BSP every 15 th banking day from end of reference quarter.
(8) Interlocking director relationship of Board of Directors	<p>The Bank adopts and implements the provisions of Section X145 – Interlocking Directorship and/or Officerships of the MORB, particularly item a – Interlocking Directorship which prescribes certain measures which are necessary to safeguard against the disadvantages that could result from indiscriminate concurrent directorship, such as: (1) except as may be authorized by the Monetary Board or as otherwise provided hereunder, there shall be no concurrent directorships between banks or between a bank and a QB or an NBFi, (2) without the need for prior approval of the Monetary Board, concurrent directorships between entities not involving an investment house shall be allowed in the following cases: (a) Banks not belonging to the same category: <i>Provided</i>, That not more than one (1) bank shall have quasi-banking functions; (b) A bank and an NBFi; (c) A bank without quasi-banking functions and a QB; and (d) A bank and one (1) or more of its subsidiary bank/s, QB/s and NBFi/s.</p> <p>For purposes of the foregoing, a husband and his wife shall be considered as one (1) person.</p>

(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.

Name of Director	Details of Conflict of Interest (Actual or Probable)
1. Jeffrey S. Yao	<p>Mr. Jeffrey S. Yao is also non-executive director of:</p> <ol style="list-style-type: none"> 1. AMY Holdings, Inc. 2. Zest-O Corporation 3. Semexco Marketing Corporation 4. ARC Holdings, Inc. 5. Onnea Holdings, Inc. 6. Zemar Devt, Inc. 7. Bev-Pack, Inc. 8. Asiawide Refreshments Corporation 9. Amchem Marketing, Inc.
2. Leticia M. Yao	<p>Ms. Leticia M. Yao is also a non-executive/executive director of:</p> <ol style="list-style-type: none"> 1. AMY Holdings, Inc. 2. Harman Foods Phils, Inc. 3. Uni-Ipel Industries, Inc.. 4. Zest-O Corp. 5. SMI Dev't Corp.

Name of Director	Details of Conflict of Interest (Actual or Probable)
3. Amador T. Vallejos	Mr. Amador T. Vallejos is also an executive director of: 1. SMI Development Corp. 2. King of Travel 3. Professional Risk Managers International Association (PRMIA) 4. Downtown Realty Corporation 5. Amchem Marketing, Inc.
4. Roberto A. Atendido	Mr. Roberto A. Atendido is a director of: 1. Pharma-Rex, Inc. 2. Macay Holdings, Inc. 3. Asian Alliance Holdings 4. Asian Alliance Investment, Inc. 5. Paxy's Inc. 6. Sinag Energy Phils, Inc. 7. Myka Advisory & Consultancy Services, Inc. 8. Paper Industries Corp. of the Phils. 9. GEM Communications Holdings Corp. as non-executive director
5. Honorio O. Reyes-Lao	Mr. Honorio O. Reyes-Lao is an independent director of DMCI Holding Corp.
Name of Officer/s	N/A
Name of Significant Stockholder/s 1. Mr. Alfredo M. Yao	Mr. Alfredo M. Yao is a significant stockholder of: 1. Money Movers, Inc. 2. AMY Holdings, Inc. 3. Zest-O Corporation 4. Semexco Marketing Corporation 5. Arc Holdings, Inc. 6. SMI Development Corporation 7. Downtown Realty Corporation 8. Bev-Pack, Inc. 9. Asiawide Refreshments Corporation 10. Mega Asia Bottling Corporation 11. Amchem Marketing, Inc. 12. Harman Foods, Inc. 13. Zest Airways, Inc. 14. Uni-Ipel Industries, Inc. 15. Solmac 16. Onnea Holdings, Inc. 17. Zemar Devt, Inc. 18. Pharma-Rex
2. Zesto Corporation	Zesto Corporation is a majority stockholder of Mazy's Capital Inc. which has controlling interest in Asiawide Refreshments Corporation.

(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>The directors and officers of the Bank are required to disclose their existing business interests or shareholdings that may directly or indirectly conflict in the performance of their duties on the date of their assumption/employment; he should avoid situations that would give rise to conflict of interest; they should immediately disclose any occurrence of conflict of interest, whether it be real, apparent or potential, to the BOD through the Chairman.</p> <p>The general policy of the Bank with regard to its dealings with its Directors, Officers, Stockholders and Related Interest (DOSRI) is that they should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.</p> <p>Real estate and chattel transactions (such as but not limited to rentals or leases, purchases and sales of foreclosed assets) of the Bank with its DOSRI and employees require prior written approval of the majority members of the BOD, excluding the concerned director in cases where a director or his related interest is involved in the transaction, and submission of sworn statement to the BSP in compliance with Subsection X148.1 of the MORB.</p> <p>Loans and other credit accommodations and guarantees to DOSRI also require prior written approval by the majority members of the BOD, excluding the director concerned. Board approval is manifested in a resolution passed by the BOD, a copy of which is submitted to the BSP within the prescribed period. Loans and other credit accommodations granted to DOSRI are likewise reported to the BSP every 15th banking day from end of reference quarter.</p> <p>Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.</p>
Group	<p>The Bank maintains a database for companies owned by its major stockholders.</p> <p>The general policy of the Bank with regard to its dealings with its Related Interest (sister companies and their directors, officers and other significant stockholders) is that they should be in the regular course of business and upon terms not less favorable to the Bank than those offered to others.</p> <p>Loans, real estate and chattel transactions of the Bank with its Related Interest require the approval of the majority of the members of the BOD, excluding the concerned director/s.</p>

4) 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:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Alfredo M. Yao & Zesto Corp.	Business	Alfredo M. Yao is the Chairman of the BOD of Zesto Corp

(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
Alfredo M. Yao	Contractual/Business	Credit/Deposit Facility
Zesto Corporation	Business	Credit/Deposit Facility

(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
N/A	N/A	N/A

5) 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	There had been no issues or conflicts yet that the Bank experienced with its stockholders. If ever there will be one in the future, it will be resolved by the BOD through a resolution, which may be implemented by the Board itself or Management.
Corporation & Third Parties	The Bank set up a help/complaint desk for the purpose of receiving and expeditiously addressing customer/third party complaints.
Corporation & Regulatory Authorities	The Bank designated its Chief Compliance Officer as its link to its regulators, such as the Bangko Sentral Ng Pilipinas, Philippine Deposit Insurance Corporation and Securities and Insurance Commission. As such, the CCO maintains a constructive working relationship with the regulators wherein he may consult, whenever necessary, such regulators for clarification of specific provisions of laws and regulations.

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

C. BOARD MEETINGS & ATTENDANCE

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

The schedules of BOD meetings are set during the organizational meeting of the BOD, which is held immediately after the annual stockholders’ meeting.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Francis T. Lee	05.30.14	13	12	92.31
Member	Peter N. Yap	05.30.14	13	11	84.62
Member	Rolando R. Avante	05.30.14	13	13	100
Member	Jeffrey S. Yao	05.30.14	13	10	76.92
Member	Leticia M. Yao	05.30.14	13	11	84.62
Member	Amador T. Vallejos, Jr.	05.30.14	13	11	84.62
Member	Roberto A. Atendido	06.28.13	13	12	92.31
Member	Honorio O. Reyes-Lao	05.30.14	13	12	92.31
Independent	Paterno H. Dizon	05.30.14	13	13	100
Independent	Benjamin R. Sta. Catalina, Jr.	05.30.14	13	11	84.62

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? No

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

No. A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

- 5) Access to Information

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board? At least five (5) days.

(b) Do board members have independent access to Management and the Corporate Secretary? Yes. The Board of Directors (BOD) regularly meets with senior management to engage in discussions, question and critically review the reports and information provided by the latter.

Under the BOD-approved table of organization of the Bank, the Corporate Secretary directly reports to the BOD. Hence, by “default” BOD has independent access to the Corporate Secretary.

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

The Corporate Secretary is the custodian of, and maintains, corporate books and record. He is the recorder of the Bank’s formal actions and transactions. He does not assist the Chairman in preparing the board agenda. Rather, he prepares the agenda based on pre-set rules, i.e., matters that require board action or information that is of

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.

high corporate value is calendared for discussion during board meetings.

Facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes are functions of the Corporate Governance Committee through the Chief Compliance Officer.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. Yes. The Corporate Secretary of the Bank is a lawyer by profession. He is registered as such with the Integrated Bar of the Philippines and has been in the banking industry for more that twenty years with experience in various aspects of banking operations.

(e) Committee Procedures

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

Yes No

Committee	Details of the procedures
Executive	The requirement of "at least five (5) days board documents for board meetings" also applies to all meetings of board committees, such as the Executive, Audit, Risk Oversight, Nomination/Corporate Governance, Trust and Manpower, Remuneration and Compensation Committees. One of the duties and responsibilities of a director is "to attend and actively participate in board and committee meetings, request and review meeting materials, ask questions and request explanations."
Audit	-do-
Nomination	-do-
Remuneration	-do-
Others (specify)	N/A

6) External Advice

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

Procedures	Details
The directors, through the committees they are members, where appropriate can have access to external expert advice.	A professional external advice may be secured by the Risk Oversight Committee, particularly in relation to strategic transactions, such as mergers and acquisitions.

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
10% limit on real estate exposure based on total loan portfolio of the Bank	20% limit on real estate exposure based on total loan portfolio of the Bank.	To meet the growing demand of Bank of clients for real estate credit facility.

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	The Manpower, Remuneration and Compensation Committee (MRCC) approved the compensation package of the CEO and other officers of the Bank.	The Manpower, Remuneration and Compensation Committee approved the compensation (MRCC) package of Bank Officers.
(2) Variable remuneration	None	None
(3) Per diem allowance	None	None
(4) Bonus	Already included in the compensation package approved by MRCC.	Already included in the compensation package MRCC.
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	N/A	N/A

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors (ED)	The Manpower, Remuneration and Compensation Committee (MRCC) approved the compensation package of the Executive Directors and other officers of the Bank.	15-months fixed salary, including bonuses; fixed allowances.	Based on agreed amount as negotiated by the Bank’s hiring person/ body. Subsequent increase is based on the approved package.
Non-Executive Directors (NED)	An NED receives per diem allowance of P20,000.00 for his attendance at each meeting of the Board and P5,000.00 allowance for attendance in a committee meeting. An NED is also entitled to a P5,000.00 monthly gasoline allowance.	Fixed Allowance	Benchmarked with peers

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

Remuneration Scheme	Date of Stockholders' Approval
The Board allocates and receives an amount from the net income of the Bank before income tax during the preceding year. Such compensation is determined and apportioned among the directors (except executive directors).	April 27, 2012 June 28, 2013 May 30, 2014.
Each director receives per diem allowance for his attendance at each meeting of the Board.	April 27, 2012 June 28, 2013 May 30, 2014

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	4,680,000.00		
(b) Variable Remuneration			
(c) Per diem Allowance		1,785,000.00	805,000.00
(d) Bonuses	1,170,000.00		
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)	20,954.40		
Total	5,870,954.40	1,785,000.00	805,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances			
(b) Credit granted			
(c) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium Coverage	21,337.00 4,000,000.00	47,000.00 20,700,000.00	20,000.00 4,700,000.00
(f) Hospitalization Plan	300,000.00	237,314.86 1,800,000.00	128,022.00 600,000.00
(g) Car Plan	3,000,000.00		
(h) Others (Specify)			
Total		284,314.86 22,500,000.00	148,022.00 5,300,000.00

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	N/A	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	N/A	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
Alice P. Rodil	₱ 9,330,320.10
Raymond T. Co	
Joseph Edwin S. Cabalde	
Felipe V. Friginal	
Agustin E. Dingle, Jr.	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	1	-	The Board of Directors shall delegate some of its powers and responsibilities to the Executive Committee as provided for in the by-laws. The Executive Committee shall have at least three (3)	Performs functions delegated by the BOD as provided for in the By-Laws of the Bank.	Supervises other board committees subject to limitations and restrictions as may be imposed by the Board of Directors.	Acts on all corporate matters subject to limitations as may be imposed by the Board of Directors.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				members from the Board of Directors.			
Audit		3	2	The audit committee shall be composed of at least three (3) members of the BOD, two (2) of whom shall be independent directors, including the Chairperson, preferably with Accounting, Auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank. The CEO, CFO and/or Treasurer, or officers holding equivalent positions shall not be appointed as members of the audit committee.	The audit committee provides oversight over the institution's financial reporting policies, practices and control and internal and external audit functions. It shall be responsible for the setting-up of the internal audit department and the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the audit committee. It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the Bank.	<ol style="list-style-type: none"> 1. Review and approve the audit scope and frequency 2. Establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. 	<ol style="list-style-type: none"> 1. Explicit authority to investigate any matter within its terms of reference; 2. Full access to and cooperation by management; 3. Full discretion to invite any director or executive officer to attend its meetings; and 4. Adequate resources to enable it to effectively discharge its functions.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Corporate Governance/ Nomination		2	2	<p>The Corporate Governance/Nomination Committee is a committee created by the Board of Directors of Philippine Business Bank to perform specific functions set out hereunder. It consists of at least three (3) members of the Board of Directors, two (2) of which shall be independent Directors. As such, its regular members (including the chairperson) shall be appointed by the Board of Directors and shall report directly thereto.</p> <p>The Corporate Governance Committee is responsible for the development, implementation and review of the Bank's Corporate Governance Compliance Program, which shall include a set of effective corporate governance policies and procedures applicable to its business.</p>	<p>The committee is responsible for the development, implementation and review of the Bank's Corporate Governance Program, which shall include a set of effective corporate governance policies and procedures applicable to its business.</p>	<ol style="list-style-type: none"> 1. Assist the Board of Directors in fulfilling its corporate governance responsibilities. 2. Pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with the qualifications and disqualifications provided for under 5.2.1.6 and 5.2.1.7. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. 3. Ensure the Board's effectiveness and due observance of corporate governance principles and guidelines 	<ol style="list-style-type: none"> 1. Determine whether or not a Director is able to and has been adequately carrying out his/her duties as Director. 2. Make recommendations to the Board regarding the continuing education of Directors, assignment to Board Committees, succession plan for the Board Members and Senior Officers. 3. Make recommendation to the Board, from time to time, as to changes that the Committee believes to be desirable in the size of the Board or any committee or to the establishment of any new committees thereof.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				It assists the Board of Directors in fulfilling its corporate governance responsibilities by reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors		<p>4. Annually conduct a performance evaluation of the Board and its Committees and Executive Management, and through its chairperson, to communicate such evaluation to the full Board. The Committee shall conduct the performance evaluation in a manner it deems appropriate.</p> <p>5. Conduct an annual self-evaluation of the performance of the Committee at least thirty (30) days prior to the annual stockholders' meeting.</p> <p>6. In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by</p>	

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
						<p>integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.</p> <p>7. It shall consider the following guidelines in the determination of the number of directorships for the Board:</p> <ul style="list-style-type: none"> • The nature of the business of the corporation of which he is a director; • Age of the director; • Number of directorship/ active memberships and officerships in other corporations or organizations; and • Possible conflict of interest. <p>8. Performs compliance</p>	

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
						<p>functions.</p> <ul style="list-style-type: none"> • Oversees the Bank's compliance efforts with respect to the Manual of Corporate Governance, Code of Conduct, "Whistle-Blowing" Program and Complaint Policy and related laws, rules and regulations as well as company policies and procedures; • Meet with compliance officers to review programs designed to raise the culture of ethics and compliance within the Bank, and install an enforcement mechanism to sanction non-compliance and unethical behavior while rewarding the deserving officials and employees; • Review the Bank's Code of Conduct, 	

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
						<p>Manual of Corporate Governance. “Whistle – Blowing” Program and recommend any changes it deems necessary to the Board;</p> <ul style="list-style-type: none"> • Ensure adherence to the Bank’s Code of Conduct and faithful observance on the Manual of Corporate Governance. • Determine if there is any potential conflict of interest by a Director, and institute a process for handling these situations in accordance with existing law, rules and regulations and in line with global as well as ethical and other regulatory standards; • Receive reports from the Chief Compliance Officer and other members of 	

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
						<p>Management regarding compliance issues that may arise; and</p> <ul style="list-style-type: none"> • Provide guidance and support to the relevant work of the Compliance Office. • Prepare and issue the report and evaluation required under the "Committee Reports" 	
Manpower, Compensation and Remuneration	2	2		The Manpower, Compensation and Remuneration Committee shall be composed of at least three (3) members from the Board of Directors.	<ol style="list-style-type: none"> 1. Establish 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 management and other key personnel ensuring that compensation is consistent with the 	<ol style="list-style-type: none"> 1. Ensure that information and proxy statements of a clear, concise and understandable disclosure of compensation of the Bank's executive officers for the previous fiscal year and the ensuing year are included in Bank's annual reports, 2. Ensure that the existing Human Resources Development or Personnel Handbook are reviewed regularly to 	<ol style="list-style-type: none"> 1. Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the bank successfully. 2. Disallow any director to decide his or her own remuneration.

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					<p>bank's culture, strategy and control environment.</p> <p>2. Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</p>	<p>strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</p>	
Others (specify) Trust	1	3		The Trust Committee shall be composed of at least five (5) members including the (1) president OR ANY SENIOR OFFICER OF THE BANK AND (2) the trust officer. The remaining	1. Ensure that fiduciary activities are conducted in accordance with applicable laws, rules, and regulations, and prudent practices;	The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank.	

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				<p>committee members, including the Chairperson, may be any of the following: (1) non-executive directors or independent directors who are both not part of the Audit Committee; or (2) those considered as qualified "INDEPENDENT PROFESSIONALS". Provided, that, in case of more than five (5) Trust Committee membership, majority shall be composed of qualified non-executive members.</p>	<ol style="list-style-type: none"> 2. Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective; 3. Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities; 4. Adopt an appropriate organizational structure/ staffing pattern and operating budgets that shall enable the Trust and Investment Center to effectively carry out its functions; 5. Oversee and evaluate 		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					<p>performance of the Trust Officer;</p> <p>6. Conduct regular meetings at least once every quarter, or more frequently as the Committee deemed it necessary;</p> <p>7. Report regularly to the BOD on matters arising from fiduciary activities.</p> <p>8. Ensure that the responsibilities vested to the Trust Officer are properly performed.</p>		
Risk Oversight	4	-	2	The Risk Oversight Committee shall be responsible for the development and oversight of the risk management program of the Bank and its trust unit. The Committee shall be composed of at least three (3) members of the BOD including at	<p>1. Oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate</p>	<p>1. Responsible for the development and oversight of the risk management program of the Bank and its trust unit.</p> <p>2. Identify and evaluate exposures of the Bank.</p> <p>3. Develop risk</p>	The Risk Oversight Committee shall, where appropriate, have access to external expert advice

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
				<p>least one (1) independent director, and a chairperson who is non-executive member. The members of the Risk Oversight Committee shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.</p>	<p>corrective actions are taken whenever limits are breached.</p> <p>2. Oversee the activities of the Risk Management Center and the Chief Risk Officer relative to the discharge of their functions.</p>	<p>management strategies.</p> <p>4. Oversee the implementation of the risk management program of the Bank.</p> <p>5. Review and revise the program as needed.</p>	

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee

Chairman	Francis T. Lee	05.30.2014	12	11	92	14
Member (ED)	Rolando R. Avante	05.30.2014	12	12	100	3
Member (ED)	Peter N. Yap	05.30.2014	12	11	92	4

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Benjamin R. Sta. Catalina, Jr.	05.30.2014	11	11	100	2 years
Member (NED)	Jeffrey S. Yao	05.30.2014	11	8	73	15 years
Member (NED)	Amador T. Vallejos, Jr.	05.30.2014	11	10	91	17 years
Member (NED)	Roberto A. Atendido	05.30.2014	11	7	64	1.5 years
Member (ID)	Paterno H. Dizon	05.30.2014	11	11	100	8 years

Disclose the profile or qualifications of the Audit Committee members.

- Benjamin Sta. Catalina, Jr. – Graduate of B.S. Management Engineering from Ateneo de Manila University. Former VP of Citibank, N.A. Held positions in various departments of the bank. Area of expertise in banking is in credit operations. Attended various seminars on banking operations, including risk management and corporate governance.
- Jeffrey S. Yao – Graduate of B.S. Management Engineering from Ateneo de Manila University. Holds directorship and top management level positions in various companies owned by his family. Attended various seminars on banking operations, including trust. Also attended trainings on AML, corporate governance and risk management.
- Amador T. Vallejos, Jr. – Graduate of B.A. Economics from Ateneo de Manila University. Holds directorship and top management level positions in several corporations and associations related to food technology. Attended various seminars on banking technology, AML, corporate governance and risk management.
- Roberto A. Atendido – Graduate of B.S. Management Engineering from Ateneo de Manila University. Holds directorship and top management level positions in various corporations. Attended various seminars on banking, AML, corporate governance and risk management.
- Paterno H. Dizon – Graduate of B.S. Economics from Ateneo de Manila University. Currently chairs the Board of Philippine Exporters Confederation, Inc. Attended various seminars on financial management, banking, AML, corporate governance and risk management.

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

The Audit Committee is responsible for the appointment/retention or termination of the external auditor, subject to ratification by the stockholders.

- The following are the Audit Committee’s roles and responsibilities regarding the appointment of the external auditor:
 - a) Subject to ratification by the stockholders, retain or terminate the Bank’s external auditor and pre-approve all audit and non-audit services, including fees and terms thereof, to be performed for the Bank by the external auditor;

- b) Appoint, compensate and provide oversight of the work of the external auditor and resolution of disagreements between management and the external auditor regarding financial reporting. The external auditor shall report directly to the Audit Committee;
- c) The Bank shall provide for the appropriate funding, as determined by the Audit Committee, for payment of compensation for the external auditor for the purpose of rendering or issuing an audit report;
- d) Request the external auditor to attend a meeting of the committee;
- e) Review and discuss with management and the external auditor on the (i) annual audited financial statements, including disclosures made in management’s discussion and analysis, (ii) effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Bank’s financial statements;
- f) Review the experience and qualifications of the senior members of the external auditor team;
- g) Obtain and review a report from the external auditor at least annually regarding (a) the auditor’s internal quality control procedures, (b) any material issues raised by the most recent internal quality control review, or peer review, of the Bank, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditor, (c) any steps taken to deal with any such issues, and (d) all relationships between the external auditor and the Bank.
- h) Assure the regular rotation of those partners of the external auditor as required by regulations;
- i) Meet with the external auditor prior to the audit to discuss the planning and staffing of the audit;
- j) Obtain reports from the external auditor that the Bank is in conformity with applicable legal requirements and the Bank’s Code of Conduct;
- k) Discuss with management and the external auditor any correspondence with regulators or government agencies and any employee complaints or published reports which raise material issues regarding the Bank’s financial statements or accounting policies.

(c) Corporate Governance/Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Paterno H. Dizon	05.30.2014	7	7	100	8 Years
Member (NED)	Amador T. Vallejos, Jr.	05.30.2014	7	7	100	17 Years
Member (NED)	Roberto A. Atendido	05.30.2014	7	4	57.14	1.5 Years
Member (ID)	Benjamin R. Sta. Catalina, Jr.	05.30.2014	7	7	100	2 Years

(d) Manpower, Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Amador T. Vallejos, Jr.	05.30.2014	4	4	100	17 Years
Member (NED)	Francis T. Lee	05.30.2014	4	4	100	14 Years
Member (ED)	Rolando R. Avante	05.30.2014	4	4	100	3 Years
Member (ED)	Peter N. Yap	05.30.2014	4	4	100	4 Years

(e) Trust

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Honorio O. Reyes-Lao	05.30.2014	6	6	100	4
Member (NED)	Francis T. Lee	05.30.2014	6	6	100	10
Member (NED)	Leticia M. Yao	05.30.2014	6	2	33	10
Member (ED)	Rolando R. Avante	05.30.2014	6	3	50	3
Member	Teresita S. Sion	05.30.2014	6	6	100	2

(f) Risk Oversight

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Amador T. Vallejos, Jr.	05.30.2014	11	11	100	4 Years
Member (NED)	Jeffrey S. Yao	05.30.2014	11	9	81.81	4 Years
Member (NED)	Roberto A. Atendido	05.30.2014	11	10	90.90	3 Years
Member (NED)	Honorio O. Reyes-Lao	05.30.2014	11	3	27.27	4 Years
Member (ID)	Benjamin R. Sta. Catalina, Jr.	05.30.2014	11	8	72.72	3 Years
Member (ID)	Paterno H. Dizon	05.30.2014	11	11	100	4 Years

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	N/A	N/A
Audit	N/A	N/A
Corporate Governance/ Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (Risk Oversight)	N/A	N?A

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	Held weekly meetings to review and approve recommendations/proposals from the different units of the Bank which are within the authority of the Committee.	CAPEX, OPEX and other budgetary or financial concerns; operational.
Risk Oversight	1. Monthly committee discussion on risk oversight matters which included the following: a. Identification of risks b. Evaluation of risk exposures	1. Promoted asset/loan portfolio diversification through: a. Provided guidance on internal management of real estate exposure through the implementation of

Name of Committee	Work Done	Issues Addressed
	<ul style="list-style-type: none"> c. Development of risk management strategies d. Oversight of the implementation of risk management strategies e. Best practice on risk management to ensure that the Bank adheres to what is required by regulators at a minimum and implements what is required of it based on its product scope and risk appetite. <p>2. Presented risk oversight reports to the Board and raised critical issues when needed.</p> <p>3. The Committee had deliberations on proposed risk policies covering credit, market & liquidity, operational and other risks.</p>	<p>internal limits. The objective of which is that the Bank's real estate exposure is within levels that management deems practicable.</p> <ul style="list-style-type: none"> b. Provided guidance on exposures of loan portfolio under the "Wholesale and Retail Trade" industry. <p>2. Provided guidance on how the Bank manages its risks with the approval of the revised Risk Management Manuals covering Credit, Market, Liquidity, and Operational and Other Risks in the promotion of Enterprise Risk Management. This manual is now used by the Bank as a guide on how it identifies, assesses, control, and monitor its risk exposures.</p> <p>3. Employed best practice on operational risk assessment with the approval of the operational risk and control self-assessment implementing guidelines for the Bank which was later implemented bank-wide.</p> <p>4. Allowed for the use of a new Treasury system as a tool for the measurement of market risks with the revision of the Treasury limit system and the model used to calculate for market risks (value-at-risk).</p> <p>5. Alerted management on the AFS Loss Limit breach as a result of aversion of domestic and foreign interest rates and ensured that a guided plan is made available by management.</p> <p>6. Ensured that management has a clear definition of "short-term profit taking" for use in its trading activities as required under regulations. This is to provide a clear delineation of which transactions should fall under "trading" activities thus be governed by the Bank's and the regulator's rules covering traded portfolio.</p> <p>7. Ensured the Bank's compliance with regulatory requirement on business continuity management with its approval of the creation of a Business Continuity Task Force with its defined responsibilities and composition.</p>

Name of Committee	Work Done	Issues Addressed
Audit	<p>Monthly discussions on audit findings and resolutions of such audit findings and recommendations to improve internal controls; updates on the Internal Audit's accomplishments.</p>	<ul style="list-style-type: none"> • Branches' operations • Head Office Units' operations, e.g., lending, treasury, trade finance (international and domestic), remittance, trust, clearing, cash management, FCDU, accounting, information technology, legal, remedial management, etc., including risk management and compliance. • Anti-Money Laundering.
Corporate Governance/ Nomination	<ul style="list-style-type: none"> • Monitored the compliance of the Corporate Governance Manual • Reviewed and approved the Revised Corporate Governance Manual; • Reviewed and approved the revised performance appraisal rating system; and • Pre-screened and endorsed persons nominated to the Board as well as candidates for other positions requiring appointment by the Board of Directors. • Reviewed the training program of the Bank for its officers and employees. 	<ul style="list-style-type: none"> • Compliance with the provisions of the Corporate Governance Manual. • Integration of the Corporate Governance Compliance System into the Revised Corporate Governance Manual; • Inclusion of the objectives and key performance indicators; and • Fit and proper, including professional qualifications of candidates seeking election to, and appointment by the Board. • Relevance and sufficiency of topics for a training module.
Remuneration	<ul style="list-style-type: none"> • Aligning the compensation of Senior Officer to the market • Employee Promotion • Implementation of Annual PAR • Update Fringe Benefit Manual 	<ul style="list-style-type: none"> • Addressed the compensation competitiveness of the Bank for senior Officers • Recognized/ Reward deserving employees • Adjustment of annual merit for the PAR coverage from monthly (anniversary date) to annual (calendar year) • Incorporate newly approve policy (eg. 10 days leave for Women & Children Victim of Violence and Crime, update interest rate of Emergency Loan and Educ. Loan from 8% down to 6%)
Others (specify)-Trust	<ul style="list-style-type: none"> • Reviewed and approved the TIC budget for the year 2014 • Regularly review the performance of Trust 	<ul style="list-style-type: none"> • Budget plan for Trust • Entrust Trust income and expenses are within approved budget.

Name of Committee	Work Done	Issues Addressed
	<ul style="list-style-type: none"> • The Trust Committee performed the annual review of the outstanding trust accounts. • The Trust Committee thoroughly reviewed and approved all the investment outlets of Trust • Performed extensive assessment of TIC counter parties 	<ul style="list-style-type: none"> • Comprehensive and periodic independent accounts review. • Proper evaluation of all the risks involved in each investment outlet, including client directed investments. • Avoidance of counter-party risks by ensuring reliability of all TIC counter-parties

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	Review and approve proposals and recommendations from different units of the Bank which are -aimed at improving the operational efficiency of the Bank.	Operational, budgetary and other financial concerns.
Audit	<p>Among the programs of the Audit Committee for the coming year through the Bank's Internal Audit Center:</p> <ul style="list-style-type: none"> • To establish a standard and impartial operating performance evaluation of branches and other auditee units; • To determine compliance with established policies/procedures and regulations set by the bank as well as rules and regulations prescribed by regulatory bodies; • To ensure that internal control is functioning as planned; • To safeguard the assets of the Bank; • To ensure the adequacy and effectiveness of existing policies and procedures. 	<ul style="list-style-type: none"> • To conduct an examination of all auditable units based on various risk factors (i.e., last review date, latest audit rating, total financial exposure/ impact, seminars/ trainings attended, tenure of personnel in present position); • To conduct special audit on auditable units identified as high risk. • To continuously review the Internal Audit Manual and Audit Rating System in order to comply with the Bangko Sentral ng Pilipinas (BSP) and adhere to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA) and other Auditing Standards and regulations. • To enhance and maintain a professional staff with sufficient knowledge and skills, improve the current internal processes and also to instill objectivity and impartiality in the performance of their work, audit personnel to attend seminars conducted by bank organizations and auditing firms.

Name of Committee	Planned Programs	Issues to be Addressed
		<ul style="list-style-type: none"> • To monitor compliance on exceptions noted by the BSP in its examinations. • Others <ul style="list-style-type: none"> ➢ To continuously review expenses (pre-audit/post-audit) of P10,000.00 and above; ➢ To monitor Branch compliance with the reportorial requirements of Internal Audit Center particularly the submission of Monthly Surprise Cash Count; Cash Shortages/Overages; Monthly Proving of Accounts; Sundries; Miscellaneous Expenses and reversal of Accounts Payable; ➢ To review the computation of last pay/separation pay of resigned/separated employees; ➢ To conduct a monthly surprise cash count of Cash Management Unit and MOB; ➢ To conduct a spot audit on Branches profiled as low risk; ➢ To conduct a daily review of TSG and Trust transactions; ➢ To review monthly reconciliation of the "Due from/to Head Office/Branches and Due from Local Bank."
Corporate Governance/ Nomination	<ul style="list-style-type: none"> • Continuous monitoring of compliance by all officers and employees of the Bank, including the members of the Board of Directors with the Corporate Governance Manual. • Adoption by the Bank of relevant training programs for its employees and directors, including orientation program for new employees and yearly seminar for Bank's directors on Corporate Governance to be conducted by SEC-accredited training service providers. 	<ul style="list-style-type: none"> • Compliance with the provisions of Corporate Governance Manual of the Bank. • Sufficiency of knowledge of officers and staff of the Bank on the nature of its business, professional and managerial skills development and compliance with the requirement of SEC Memorandum No. 20 effective January 1, 2014;
Corporate Governance/ Nomination	<ul style="list-style-type: none"> • Identify, address and work towards improving the bank's ASEAN Corporate Governance scorecard. 	<ul style="list-style-type: none"> • Enhance the corporate governance standards of the Bank.
Remuneration	Review the total rewards system of the Bank	<ul style="list-style-type: none"> • To be competitive in the market industry • Employee retention

Name of Committee	Planned Programs	Issues to be Addressed
		<ul style="list-style-type: none"> • Attract new talents
Others (Trust)	<ul style="list-style-type: none"> • Continue performing the annual review of existing trust accounts • Ensure TIC's effective implementation of the revised Risk Management Framework for Trust and Investment Center • Ensure TIC's strict adoption / compliance with the revised Trust Policies and Procedures Manual. 	<ul style="list-style-type: none"> • Comprehensive and periodic independent accounts review. • Adoption of comprehensive policies on risk management. • Expediting the adoption and effective implementation of comprehensive and updated written policies and appropriate procedures on trust operations
(Risk Oversight)	<ol style="list-style-type: none"> 1. Monthly risk oversight reporting and cascading of the same to the Board. 2. Ensure compliance with regulatory requirements. 3. Review of risk policies. 4. Strengthen the Bank's risk awareness program. 	<ol style="list-style-type: none"> 1. Strengthen the credit risk management of the Bank through <ol style="list-style-type: none"> a. scoring process for the varied clientele of the Bank b. establishment of credit review reporting for management to identify key risk areas as a result of the credit review process 2. Ensure that the Bank protects its capital and earnings from uneventful liquidity scenario through <ol style="list-style-type: none"> a. Review of policies and assumptions governing the assessment of liquidity risks b. Review of the liquidity contingency plan for the Bank to make sure that the Bank's liquidity risks are manageable and can be supported with practicable steps to ensure fulfillment of its contractual and fiduciary obligations. 3. Business Continuity Management Review <ol style="list-style-type: none"> a. Review of steps undertaken to protect the Bank's stakeholders in the event of business disruption

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Bank has started with the Enterprise Risk Management in its approach to handling risks. Enterprise risk management (ERM) is the integrated process of planning, organizing, leading, and controlling the activities of an organization in order to minimize the effects of risk on an organization's capital and earnings. Enterprise risk management expands the process to include not just risks associated with accidental losses, but also financial, strategic, operational, and other risks.

The Bank, being in the early stage of ERM adoption, need to continuously apply updated processes and procedures and apply these consistently throughout the extended organization to achieve effective ERM. The complementary functions of risk-taking and risk management must continually be evaluated in order to promote the effectiveness of each business and service segments towards optimizing enhancing profits and managing risk.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and Risk management policies and procedures are continuously reviewed depending on the frequency stated in the policy. The risk oversight committee conducts monthly discussions on the institution's current risk exposure based on regular management reports and assesses how the concerned units or offices reduced these risks.
- (e) Where no review was conducted during the year, an explanation why not.

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 RWA = 31,085MM	The credit risk management policy shall serve as the guiding principles in managing risk inherent in lending for all levels and individual player in the lending activity of the institution.	To maximize the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Thus, to maximize the risk-adjusted profit, the Bank needs to manage the credit risk inherent in the entire portfolio as well as the risks in individual credits or transactions.
Operational and other risks RWA = 1,807MM	Operational risk management policy shall serve as the guiding principle in managing potential loss of earnings or capital as a result of failures or weakness(es) of people, systems and internal processes or events external to the bank through which a bank operates.	The operational risk framework aims to develop an internal risk assessment methodology and operational risk data base management system linked to the operational risk management and business planning process, strengthen the risk control, ensure compliance with other local and global risk and capital regulation and Institutionalize a risk culture and sensitivity to potential losses including people empowerment, accountability and ownership of risks
Market and Liquidity risk RWA = 844MM	The market and liquidity risk management process traces out a complete and coherent risk management plan that is performed at three different levels: 1) strategic level; 2) transactional level; and 3) portfolio level. It provides the minimum criteria that the Bank uses to prudently manage and control its exposure to the abovementioned risks.	To develop risk policies and measurement mechanics including risk approach, risk limits and risk reporting infrastructure in order to analyze the risk-adjusted performance and understand the contribution of market and liquidity risk within the business.

(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
N/A	N/A	N/A

(c) Minority Shareholders

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

Risk to Minority Shareholders
Minority shareholders’ interest may not be given due consideration.

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	The Bank is adopting the following BSP-prescribed reporting tools in identifying credit risk: a) Large Exposure, b) Credit Risk Concentration, c) BSP Risk Asset Classification (RAC) and Adequacy of Allowance for Probable Losses, d) ICRRS and e) Standard Credit Risk Weight	<p>Credit risk management is implemented by multiple units of PBB, with the Board of Directors establishing credit policies and risk parameters including concentration limits to a single counterparty, a group of related counterparties, a particular industry or business sector, and/or types and tenor of loan products that are being offered.</p> <p>The Bank’s Credit Committee comprised of the Chairman and Vice-Chairman of the Board, the President and a regular director, is responsible for the implementation of these credit policies and risk parameters. The Credit Committee reviews all loan applications and ensures the quality of the credit analyses and evaluation of lending officers and Credit Services Group who provide financial analyses, collateral review, documentation review and other aspects of the transaction.</p> <p>The Credit Review Group on the other hand, is tasked to review the Bank’s existing loan portfolio, identify loans at risk, evaluate for any current and potential concentration risk, and recommend changes in lending policies and practices. The Bank’s Risk Management Center, headed by its CRO, as well as the Bank’s Assets and Liabilities Committee, also provide independent review of the existing loan portfolio to identify actual and potential risks. The Bank’s</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
		<p>Legal Services Group is responsible for the management and recovery of distressed loans, including the sale or disposal of acquired assets. Additional controls are contributed by the Internal Audit Center which performs regular independent review of the accounts and the credit process. The Bank's Compliance Officer handles compliance testing.</p>
<p>Market and Liquidity risk</p>	<p>Interest rate risk is managed for both the Bank's trading portfolio and accrual portfolio. For the trading portfolio, the Bank employs a daily monitoring of the VaR which quantifies the potential maximum mark to market loss on the portfolio. The accrual portfolio, on the other hand, uses the EaR to measure the potential loss in the Bank's accrual income due interest rate movements.</p> <p>PBB manages its exposure to foreign currency fluctuations primarily through compliance with existing regulatory guidelines which establish foreign currency exposure limits. In accordance with regulation, at the end of each banking month, PBB reports its foreign currency exposure to the BSP.</p> <p>In addition to regulatory compliance, the Bank assesses its daily exposure to foreign currency risk by establishing the gap between foreign currency denominated assets and foreign currency denominated liabilities, and calculating the VaR on this net position.</p> <p>The Bank manages its liquidity risk through the monitoring of various liquidity ratios, weekly and regular assessment of liquidity gaps by the Treasury unit, and the monthly assessments of the Maximum Cumulative Outflow ("MCO") over specified periods or tenor buckets by the Risk Management Center.</p>	<p>The Bank manages market risk, or the adverse effect on the Bank's financial performance and standing, brought about by changes in the market prices of its investments, through the operations of various units in PBB.</p> <p>The Board of Directors has established policies and controls which define acceptable market risk limits and will continue to review and revise these policies and controls with changes in the market and economic environment. Such limits include value-at-risk ("VaR"), stop loss limits, and position limits for each instrument and investment type that the Bank invests in, earnings at risk ("EaR") limit for interest rate sensitive balance sheet accounts of the Bank.</p> <p>The Bank's Asset and Liability Committee and the Risk Management Committee through PBB's Risk Management Center oversee compliance to these policies and controls and recommend any necessary changes to the policy limits that have been set.</p> <p>The Risk Management Center is responsible for providing risk assessment reports based on stress and sensitivity tests, scenario analyses, maximum loss tests on PBB's investment portfolio. This group also helps in the development of risk reduction strategies especially during periods of market volatility.</p> <p>The Board of Directors establishes, on a periodic basis, liquidity risk and MCO limits, as well as approves contingency and funding plans including the maintenance of unused credit facilities and the use of such contingency funds. The Bank's treasury, its Asset and Liabilities Committee and Risk Management Committee are responsible for the compliance to the liquidity policies and limits established by the Board of Directors; these same parties also recommend any changes to such policies and limits.</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
	<p>The amount of net inflows which is the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicates the Bank's net funding requirements in local and foreign currency.</p>	<p>PBB's treasury is specifically responsible for managing the Bank's liquidity and liquid assets. The treasury is also responsible for the preparation of analyses to test the Bank's ability to generate funds during simulated emergencies and adverse market conditions.</p>
Operational and other risks	<p>ORCSA – is an internally driven process that incorporates checklists and workshops to identify the strengths and weaknesses of the operational risk environment. It aims to provide information on how the day-to-day operations of the Bank have or will affect capital whenever certain unexpected scenarios or events take place. It is also a means to identify the probability and frequency as well as the severity impact of these risk exposures which is important for the Bank to be able to allocate a portion of its capital for sustaining potential losses related thereto that may arise.</p> <p>Branch operations are periodically audited to ensure compliance and the level of compliance is a key measure in the performance evaluation of branch officers.</p>	<p>To mitigate operations risk, as a general policy, the Bank has standardized transaction, reviews and evaluation, security, approval and other business processes; these are contained in departmental or unit operating manuals disseminated to the various groups within the Bank.</p> <p>Employee training on these standards is conducted on a periodic basis. Review of these standardized processes is also conducted with appropriate improvements documented and implemented as necessary.</p> <p>Also, once identified and measured by all units & branches of the Bank their key risk indicator(s) in the ORCSA form, both existing and proposed controls are also evaluated by the management to treat or mitigate identified risks. Priority is given to those rated Medium to High.</p> <p>In addition, as a general policy, the Bank has adopted a multi-level approval process for all its financial transactions, with each level reviewing the transaction and its documentation before eventual approval. Dual signatories are always required for such transactions.</p> <p>Also as a general policy, all critical business processes of the Bank are subject to internal review by an internal audit group reporting directly to the Board of Directors. In addition, the Bank's information system and its operations are also subject to operations and security audit</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
		conducted by the Bank's Risk Management Center. Regular training on information security and risk awareness is also conducted to mitigate this risk. Moreover, the Bank has policies on business continuity and disaster preparedness which are regularly tested to ensure that management could protect its stakeholders during untoward events.

(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)
Credit	The Bank is adopting the following BSP-prescribed reporting tools in identifying credit risk: a) Large Exposure, b) Credit Risk Concentration, c) BSP Risk Asset Classification (RAC) and Adequacy of Allowance for Probable Losses, d) ICRRS e) Standard Credit Risk Weight , and (f)	<p>Credit risk management is implemented by multiple units of PBB, with the Board of Directors establishing credit policies and risk parameters including concentration limits to DOSRI, a single counterparty, a group of related counter-parties, a particular industry or business sector, and/or types and tenor of loan products that are being offered.</p> <p>The Bank's Credit Committee comprised of the Chairman and Vice-Chairman of the Board, the President and a regular director, is responsible for the implementation of these credit policies and risk parameters. The Credit Committee reviews all loan applications and ensures the quality of the credit analyses and evaluation of lending officers and Credit Services Group who provide financial analyses, collateral review, documentation review and other aspects of the transaction.</p> <p>The Credit Review Group on the other hand, is tasked to review the Bank's existing loan portfolio, identify loans at risk, evaluate for any current and potential concentration risk, and recommend changes in lending policies and practices. The Bank's Risk Management Center, headed by its CRO, as well as the Bank's Assets and Liabilities Committee, also provide independent review of the existing loan portfolio to identify actual and potential risks. The Bank's Legal Services Group is responsible for the management and recovery of distressed loans, including the sale or disposal of acquired assets. Additional controls are contributed by the Internal Audit Center which performs regular independent review of the accounts and the</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
		credit process. The Bank's Compliance Officer handles compliance testing.

(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 members of the risk oversight committee shall possess a range of expertise as well as adequate knowledge of the institution's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It shall oversee the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.	<ul style="list-style-type: none"> a. Identify and evaluate exposures. The committee shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are the most likely to occur and are costly when they happen. b. Develop risk management strategies. The risk oversight committee shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real. c. Oversee the implementation of the risk management plan. The risk oversight committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and assess how the concerned units or offices reduced these risks. d. Review and revise the plan as needed. The committee 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 committee shall report regularly to the board of directors the entity's overall risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

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 the process effected by a company's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies.

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

The review and evaluation of the adequacy and effectiveness of the internal control system of the Bank are being performed by the Audit Committee through the internal and external auditors. The Committee provides oversight on the Bank's financial reporting policies, practices and control and internal and external auditors. The Committee receives audit reports and there was no major internal control issue reported both by the internal and external auditors of the Bank.

- (c) Period covered by the review;

All audit reports of the Bank's Internal Auditor for the year 2014 as well as External Auditor's Report covering the same year had been received and reviewed by the Audit Committee.

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

The Bank's internal controls are reviewed at least annually.

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

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Control	Effectiveness and efficiency of operations; Reliability of financial reporting; Compliance with laws and regulations, and internal policies	In-house	Ms. Laurence R. Rapanut, AVP	Reported to the Board of Directors through the Audit Committee
Risk Management	Monitor and evaluate the effectiveness of the organization's risk management processes	In-house	Ms. Laurence R. Rapanut, AVP	Reported to the Board of Directors through the Audit Committee
Corporate Governance	Participation in meetings and discussions with members of the Board of Directors.	In-house	Ms. Laurence R. Rapanut, AVP	Reported to the Board of Directors through the Audit Committee

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? Yes
- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Auditor submits periodic reports to the Audit Committee and Executive Management on the status and results of the internal audit program, significant control issues and the overall adequacy of the control environment. Reports relating to individual audits are addressed to applicable Senior Officers who are required to respond as to corrective actions taken. In addition, the Auditor reviews and discusses with the Audit Committee, summaries of significant control issues reported by regulatory authorities and the external auditors.

Yes, the internal auditor has direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel.

- (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.

Internal Audit Center resignations (2014):

Name of Audit Staff	Reason
Reilan V. Rosendo	Work opportunity abroad
Rose Ann C. Calderon	Work opportunity in another bank
Michelle S. Fabian	Work opportunity in another bank
Rose Camille D. Santos	Work opportunity in another bank
Merven R. Garcia	Work opportunity in another bank

- (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	Total audited units/branches are 87 (br-70+HO-17) vs. total number of units/branches of <u>83 (br-65+HO-18)</u> , per 2014 audit plan or 104.81% attainment rate.
Issues⁶	There is no significant issues that arise from adopting different interpretations, as all audit findings pertains to lapses/non-observance of Bank’s internal policies, procedures, rules and regulations.
Findings⁷	Findings have substantially been corrected/acted on by the concerned units. Those that remain uncorrected are being monitored and updates thereon are reported to the Audited Committee during the latter’s regular monthly meeting.
Examination Trends	Among the pervasive audit findings are: HEAD OFFICE <ul style="list-style-type: none"> Insurance documents of mortgaged improvements are either expired, not secured, procured from non-accredited insurance companies, not available for verification or official receipt supporting insurance

⁶ “Issues” are compliance matters that arise from adopting different interpretations.

⁷ “Findings” are those with concrete basis under the company’s policies and rules.

- premium payment was not secured/not available for verification;
 - There are no updated legal documents executed by clients (i.e., latest Credit/Line Agreement, Deed of Assignment, Bills Purchase Agreement, etc.);
- Collateral documents, such as TCTs/CCTs contained uncanceled encumbrances/ annotations, such as, subject to Sec. 4 Rule
- 74, Sec. 7 RA 26 on reconstitution of title, notice of adverse claim/ lis pendens/levy on attachment;
 - There are no updated financial documents/business permit submitted by borrowers, (i.e., latest audited F/S, latest ITR and/or SAL of borrower and/or sureties/co-maker, latest copy of SEC's GIS, latest mayor's permit);
 - Mortgaged real estate collateral has unupdated real estate tax payments/Tax Clearance and/or Tax Declaration (TD) or corresponding updated real estate tax receipts (RETR)/TD were not available for verification;
 - Loan was granted to several accounts with unfavorable financial conditions, i.e., negative retained earnings/net worth, continuous net losses/low net income, among others, which may affect its repayment capacity
 - Documents not conducted/submitted to ensure proper evaluation and documentation of the account, i.e., no updated credit checkings (residence/business/Bank/trade), no notarized affidavit of denial executed or updated court clearance for CMAP/NFIS positive borrowers;
 - No latest Credit Facility Letter was prepared by the Account Officer as notice of loan approval;
 - No latest annual appraisal report on mortgaged collateral conducted to determine its latest MVs/LVs;

BRANCHES

- The Compliance Coordinator/Branch Operations Officer failed to conduct consistently the testing/review of transactions/processes of the Branch that resulted to several unreported findings/violations noted/verified by the auditor.
- Incomplete account opening documentary requirements/documentary deficiencies noted on individual and corporate accounts./Acct opening documents not presented for audit verification.
- Change in address/authorized signatories of account without supporting written request from the depositor/s and/or supporting Secretary's Certificate/Board Resolution for corporate account.
- Late opening and closing of vault door
- Exceptions on account opening of clients classified as "High Risk Accounts" (e.g. Walk-in clients)
- Accounts are noted availing the Bank's Case-to-case BP accommodation for five (5) times in the past three (3) months, without Branch's proper evaluation and recommendation for BP credit facility.
- Case-to-case BP Accommodation/BP Availments in excess of line/Availments against expired LAM without approval from authorized approving officers.
- CCTV camera has no playback mode or can only retrieve 2 weeks recording of the branch's past activities.
- Reversal/Waiver/Uncollected ARCC/ARCM/ MBP charges without

	<p>supporting Head Office approval.</p> <ul style="list-style-type: none"> • Several expense not supported by written approval from HO approving body. • Improper booking of Forex Transaction • Incomplete information noted on signature cards/AIS or CARA of the following individual and corporate accounts (AIS/SSC not properly filled up) • Payment Order Forms (POF) or transaction/posting media to support several branch expenses were not presented for audit verification.
--	---

[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
Internal Audit Manual	Implemented
2014 Audit Plan	Implemented
Audit Customer Satisfaction Questionnaire	Implemented
Audit Rating System	Implemented
Conduct an examination of all auditable units of the Bank based on the identified risk factors	Implemented
Conduct spot audit and monthly surprise cash counts of selected branches including CMU	Implemented
Conduct special examinations/investigations on units identified as high risks	Implemented
Enhancement of the system of monitoring/tracking of audit findings	Implemented
Review/Update the Internal Audit Manual to adhere/comply with the BSP Regulations.	Implemented
Review/Update the Internal Audit Manual to adhere/comply with the BSP Regulations, ISPPIA and other auditing standards and regulations at least once a year or as the need arises	Implemented
Internal Audit Risk Assessment Tool (RAT)/Audit Procedures	Implemented
Conduct secondary risk assessment on auditable units/branches	Implemented
Sending monthly reminder letters to concerned units/branches audited on their compliances (via Bank’s email) addressed to the Head of auditee units/branches	Implemented
Conduct pre-audit of all expenses amounting to P10,000.00 and above	Implemented
Review computation of last pay/separation pay of resigned employees/reversal of Accounts Payable within three (3) days	Implemented
Review and monitor of daily, weekly, monthly reportorial requirements of Internal Audit Center submitted by branches/units, particularly on the submission of Monthly Surprise Cash Count; Cash Shortages/Overages; Monthly Proving of Accounts; Sundries; Miscellaneous Expenses and reversal of Accounts Payable	Implemented

Policies & Procedures	Implementation
Review of TSG and Trust transactions	Implemented
Review monthly reconciliation of the Due to/from Head Office/Branches and Due from Local Bank accounts	Implemented
Conduct briefings on audit processes and procedures separately for a group of Branch Managers and a group of BOOs and also with the newly hired BMs/BOOs/MOs on their pre-posting orientation	Implemented
Professional development of Internal Auditors by attending related trainings and seminars of at least two (2) days conducted by the Bank, auditing firms and other organizations (50% of audit personnel).	Implemented
Participate in other activities of the Bank on various system implementations for newly acquired and for system enhancements/upgrade of various software/systems of the Bank	Implemented
Monitor compliance on exceptions noted by the BSP in its examinations of the Bank	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><u>Internal Auditors</u></p> <p>Auditors are not to engage in developing or installing procedures or preparing records, or in any other activity, which would normally be the subject of audits. Auditors are not to have direct responsibility or any authority over any of the activities or operations that they review. Auditors will assist Management in maintaining adequate and effective systems of controls through objective appraisals, recommendations and control consultations.</p>	N/A	N/A	The Bank does not in any way interfere with the rating conducted by independent rating agencies or in any way connected with any rating agencies that renders its rating whenever the Bank secures one.
<p><u>External Auditor</u></p> <p>External Auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee through the Board of Directors.</p> <p>The External auditor of the Bank shall not, at the same time, provide non-audit services to the Bank. However, in case the same cannot be avoided, the Bank shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor. The Bank's external auditor shall be changed every five (5) years or earlier. If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports. (corporate governance)</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.

We, Francis T. Lee (Chairman) and Rolando R. Avante (President and CEO) attest to the company’s full compliance with the SEC Code of Corporate Governance. We further 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 compliance.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>Philippine Business Bank has a responsibility to manage its impacts on stakeholders and consider their interests in decision-making. PBB defines stakeholders as groups or individuals who are affected by or can affect the achievements of the bank’s objectives.</p> <p>At PBB, we distinguish the following groups of stakeholders: Clients, Employees, Shareholders, Investors, Regulators, Government, Suppliers, Creditors and Society at Large (including NGO’s and media). The Bank recognizes their important roles to its business and in return its obligations to them.</p> <p>It is the policy of the Bank to protect the rights and interests of its stakeholders.</p> <p>PBB aims to be transparent and constantly engage with all its stakeholders. Engagement takes place in different forms, from ongoing dialogue to direct feedback requests. PBB takes feedback seriously and constantly and carefully balance the interests of our various stakeholders, recognize their contributions to the Bank’s growth and attainment of the corporate objectives - as their support is necessary for our long term success.</p> <p><u>Customers’ Welfare</u></p> <p>It is the policy of the Bank to be transparent in all its dealings. Thus, any changes in its policies that may affect customer relationship are immediately and fully disclosed.</p> <p>The Bank ensures that its customers are afforded quality, innovative and responsive products. It nurtures long-term customer relationship founded on mutual trust and confidence. It also ensures that customers are provided with quality service aimed at improving customer satisfaction, retain clients, increase customer base and uphold and preserve Bank’s reputation.</p> <p>The Bank is committed to continuously serve its customers with utmost respect and high esteem, recognizing their individualities and qualities as it provide service distinctive to each of them. It likewise continues to strive hard</p>	

	Policy	Activities
		<p>to attain growth to be able to expand its branch network and improve its information technology and serve its customers wherever they are.</p> <p>In 2013, the Bank attained its target growth as it opened a total of 100 branches in the different parts of the country with each branch capable of providing banking service to customers and non-customers alike even in the remote areas through improved information and communication technologies. Thus, on July 18, 2013, PBB was awarded the Philippines Domestic Technology and Operations Bank of the Year by Asian Banking and Finance, in a prestigious awards night held at the Shangri-La Hotel in Singapore.</p> <p>PBB also participated in the Philippine Franchise Association Exposition held on July 19, 2013 at the SMX Center, Pasay City by the Philippine Franchise Association and in the “Let’s Talk Business: Invest in Batangas City Forum” hosted by the City of Batangas in collaboration with the United States Agency for International Development</p>
Supplier/contractor selection practice		<p>The Bank has procurement policies on fixed assets; furniture, fixture and equipment; supplies; IT software and hardware; security, janitorial and messengerial services and other similar contractual services, such that procurement of the same, if the amount warrants, will undergo the bidding process wherein the required number of pre-qualified bidders should be at least three (3).</p> <p>Only accredited suppliers, contractors and other similar service providers can participate in the bidding process mentioned above.</p>
Environmentally friendly value-chain		<p>The Bank acknowledges its responsibility to the country, particularly on its contribution to the growth of the nation’s economy, adherence to various government policies on the preservation of environment, respect to the efforts of local government units and various non-governmental organizations to protect the natural resources; the communities and customers it serves, as fundamentals to its long-term sustainability.</p>
Community interaction		<p>As an overview, Philippine Business Bank (PBB) made a donation thru its CSR arm AMY Foundation to KAISA para sa Kaunlaran for its Bangkabuhayan Project on December 17, 2013. Said donation would cover the cost of ten (10) bancas that would be given to the pre-identified victims in the fishing communities which were severely affected by the Typhoon Yolanda.</p> <p>This project became a reality on July 31, 2014 when the donated bancas were finally turned over to the recipients from Camotes Island. Present during the ceremonial turnover were the four (4) Mayors of the following Municipalities of Camotes Island namely: Hon. Erwin Yu of Tudela, Hon. Jesus Fernandez Jr. of Pilar, Hon. Aly Arquillano of San Francisco and Hon. Luciano Rama Jr. of Poro, together with KAISA Incumbent Board of Director and past President Mr. Ganny Tan and KAISA Program Coordinator Ms. Eleanor Gonzales, with Mr. Rick Jordan Benarao, Branch Operations Officer of a PBB branch in Cebu, attended on behalf of the Bank and AMY Foundation. AMY Foundation is one of the active members of KAISA.</p>
Anti-corruption programmes and procedures		<p>It is the policy of PBB to be transparent in all its dealings. It does not want to enter into banking relationship or be associated with persons, organizations or entities with questionable character or background. It is committed to conform to the highest standards of ethics and to comply with all the governing laws, rules and regulations and standards of practice.</p>

	Policy	Activities
	PBB adopts and strictly implements its Money Laundering and Terrorist Prevention Program (MLPP), including training program for its employees on AML.	
Safeguarding creditors' rights	Philippine Business Bank's stakeholder community includes its customers, shareholders, employees, regulators, suppliers, creditors and communities. The Bank recognizes their important roles to its business and in return its obligations to them. It is the policy of the Bank to protect the rights and interests of its stakeholders. The Bank works with and holds dialogue with them as it recognizes their contributions to its growth and attainment of its corporate objectives.	

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

Yes. Social Corporate Responsibility is part of PBB's Annual Report.

3) Performance-enhancing mechanisms for employee participation.

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

- i) Company Clinic was set up staffed with a duly registered Physician (Internist) on retainer basis and a duly registered nurse of a full-time basis.
- ii) Annual Physical Examination/Executive Check up is enforced every year to promote health and wellness.
- iii) Health insurance coverage and medical allowance for permanent employees and defray expenses incurred as a result of hospitalization/medical treatment and consultation.
- iv) Policy on prevention and control of communicable diseases, i.e., Pulmonary Tuberculosis (PTB), Hepatitis B and HIV/AIDS which is aimed at creating awareness in the organization by disseminating information to employees on how these diseases would affect their life and job and how the spread of said diseases in their work of place and home could be prevented.

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

- Employee availment of the Annual Physical Examination decreased to 82% for 2014.
- 100% health insurance coverage for employees was registered.
- Low monthly consultation rate at an average of 38% bank-wide due to the increase in the health awareness of the PBB community thru the major presence of HRG clinic.

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

Training Program/Seminar	Program/Seminar Objectives	Target Participants
AMLA Seminar	Provides participants with knowledge on the pertinent aspects of the Anti-Money Laundering Act	All Employees
Managing Customer Service Through Behavioral and Process Improvement	Provides participants with insights on customer service on a behavioral level and provides guidelines as to how to improve customer service through process improvement	Selected officers from branches and support units
Counterfeit Detection Seminar	Provides participants with the necessary	Tellers, CSAs

Training Program/Seminar	Program/Seminar Objectives	Target Participants
	knowledge and skill in identifying counterfeit bills and coins	
Signature Verification Seminar	Provides participants with the necessary knowledge and skill in identifying and detecting forged signatures	Tellers, CSAs, Signature Verifiers
Professional Image Seminar	Provides participants with pointers on proper officer attire, decorum and behavior, and overall interaction with people	All Employees
Seminar on Selling Bank Services	Provides participants with knowledge and pointers/guides on effective selling	Branch Heads, Account Officers, Marketing Officers
Branch-Based Selling Seminar	Provides participants with knowledge and pointers/guides on effective selling at the branch level	CSAs, BOOs
Core Credit Course	Provides participants with the necessary technical knowledge pertaining to the lending and credit process	Account Officers
Branch Officers' Training Program	Provides participants with the necessary knowledge and preparation in becoming branch officers	Selected qualified rank-and-file employees who were nominated/who applied for inclusion in the Program
Executing Customer Service Scripts for Branches	Cascades established customer service scripts for use in branch operations situations	Branch Heads
Leadership Seminar	Provides participants with knowledge and guidelines pertaining to effective leadership	Officers identified as possible successors
Basic Supervisory Skills Workshop	Provides participants with the basic principles and knowledge on supervision	Senior rank-and-file employees being groomed for officership, first-level officers
Workshop on Establishing Service Level Agreements (SLAs) Between Branches and Their Internal Service Providers	Establishes service level agreements (SLAs) between branches and support units who are their internal service providers	Selected Cluster/Branch Heads, selected officers from various support units
Fraud and Risk Awareness Seminar	Provides participants with the knowledge and skills in determining fraudulent documents that may be presented during branch operations	Tellers, CSAs, BOOs
New Employees' Orientation	Introduces participants to the Bank, its existing policies, its products and service, and its benefits package; Provides participants with initial/preparatory training prior to deployment to their branches.	Newly-hired employees

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

Financial Reward (short-term, e.g. additional bonuses) is Management's discretion depending on the financial performance of the company.

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

The Bank's Policy on Disposition of Administrative Case defines the offenses covered in the policy, penalties to be impose, members of the committee and its responsibilities and policy guidelines. Offenses or irregularities upon discovery either through Audit Findings or outright behavioural misdemeanour should be reported to the Center Head and Group Head copy furnish Human resources and shall be subject to investigation. the members of the committee is responsible to (1) review and evaluate the complete facts of the case, the exact nature of the infraction and extent of the effect of the infraction (2) Consider all aggravating and/or mitigating factors (3) call all those involved in the case for investigation when necessary (4) Prepare a written report stating the facts of the case , the violation/ infraction and the corresponding disciplinary action after the proper investigation (5) submit the report to President/Vice Chairman and Chairman for approval.

The Bank's Policy on Grievance and Employee Complaints define the actions and responsibilities of all concerned personnel in the proper handling of employee complaints and grievance. The policy is designed to address legitimate grievance and complaints by the employees and not for the purpose of supporting baseless allegations and complaints. The Management provide a venue for employees to seek redress for alleged unfairness or dissatisfaction through the grievance procedure. It also gives fair and due process where there is a listening, serious attention, validation of facts and immediate response and corrective action. Retribution by Supervising Officer or Retaliation for Employee complaints shall be subject to corresponding disciplinary action in accordance with the Code of Conduct

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Alfredo M. Yao Stockholder 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City	159,892,207	37.26%	The record owner is the beneficial owner of the shares indicated
Zest-O Corporation (Represented by Carolyn S. Yao) 574 EDSA Caloocan City Stockholder	108,035,282	25.17%	The record owner is the beneficial owner of the shares indicated
Francis T. Lee Chairman of the Board 15 Masigla St. East Avenue, Quezon City	30,375,000	7.08%	The record owner is the beneficial owner of the shares indicated

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Rolando R. Avante	125,072	N/A	0.03
Peter N. Yap	209,810	N/A	0.05
Alice P. Rodil	N/A	N/A	negligible
Raymond T. Co	N/A	N/A	N/A
TOTAL	334,882		0.08

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	No
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	No

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

Details of whistle-blowing policy are posted in the Bank's intranet while the training program for BOD as embodied in the Manual of Corporate Governance, is included in the respective directors' bio-data that are annually submitted to the BSP. Remuneration of top five highest paid senior officers was disclosed in aggregate amount for security reason. For BOD, the nature of their compensation was described without specifying the amount also for security reason.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo and Associates	Php2,475,405.57	N/A

4) Medium of Communication

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

- Company web-site
- E-mail
- Memorandum (for internal)
- Company intranet
- Annual Report
- Investors' briefing
- Regulatory disclosures (SEC and PSE)
- Meetings (for internal and external)
- Seminars/trainings/briefings (for internal)
- Newspaper publications

5) Date of release of audited financial report: April 11, 2014

6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	No
Shareholding structure	Yes
Group corporate structure	No
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	No

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

Analysts and members of the media are provided with hard copy of the briefing materials during the actual date of the briefing. Group corporate structure is reported to the Bangko Sentral Ng Pilipinas every quarter. Members of the Group where PBB belongs are disclosed in the company website as partners.

Company's By-Laws and Articles of Incorporation can be accessed and downloaded from the SEC website.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Alfredo M. Yao	Chairman Emeritus	Loan	150,000,000.00
Asiawide Airways, Inc.	Alfredo M. Yao Group of Companies	Loan	500,000,000.00
Alfredo M. Yao	Chairman Emeritus	Loan	\$2,050,000.00
Zest Airways, Inc.	Alfredo M. Yao Group of Companies	Loan	40,000,000.00
Zest Airways, Inc.	Alfredo M. Yao Group of Companies	Loan	60,000,000.00
Zest Airways, Inc.	Alfredo M. Yao Group of Companies	Loan	150,000,000.00
Zest Airways, Inc.	Alfredo M. Yao Group of Companies	Loan	200,000,000.00
Sps. Amor M. Salud Jr. and Dulce Gidget Salud	Dulce Salud is VP-Marketing	Loan	370,000.00 \$16,595.61
PBB Employee - Officers Loans	PBB Employee Loans under Fringe Benefit	Loan	34,421,950.59
<i>Contingent Accounts</i>			
ARC Refreshments	Alfredo M. Yao Group of Companies	Bank Guaranty	17,000,000.00
Mega Asia Bottling Corp.	Alfredo M. Yao Group of Companies	Bank Guaranty	1,500,000.00
Zest-O Corporation	Alfredo M. Yao Group of Companies	Bank Guaranty	5,000,000.00

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? The dealings of the Bank with RPTs are always conducted at arms-length and are covered as well by its DOSRI policies and procedures, i.e., subject to prior approval by the BOD and director concerned does not participate in the deliberation of the transaction, and if the transaction is lending, the amount is subject to ceiling of limit.

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	Majority of outstanding capital stock
------------------------	---------------------------------------

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Open voting
Description	By motion and approval

(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 <u>not</u> in The Corporation Code
With pre-emptive rights	No pre-emptive rights

Dividends

Declaration Date	Record Date	Payment Date
N/A	N/A	N/A

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
<p>Notice for regular or special meetings of the stockholders are sent by the Secretary either by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder or record at the last known post office address, or via facsimile transmission or electronic mail or by publication in the newspaper of general circulation. The notice shall state the place, the date and hour of the meeting, and the purpose to which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of the meeting is also posted on the company's website as disclosure to PSE inside the "About Us" page.</p> <p>Any stockholders who wish to meet up with the Chairman of the Board or any of the directors of the Bank may set an appointment with the Office of the Corporate Secretary at telephone numbers posted on</p>	<p>Any stockholders who wish to meet up with the Chairman of the Board or any of the directors of the Bank may set an appointment with the Office of the Corporate Secretary at telephone numbers posted on the Bank's website.</p>

Measures Adopted	Communication Procedure
the Bank's website.	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution – amendments are subject to stockholders' approval
 - b. Authorization of additional shares – subject to stockholder's approval
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company – subject to stockholders' approval
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes.
 - a. Date of sending out notices: May 09, 2014
 - b. Date of the Annual/Special Stockholders' Meeting: May 30, 2014

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

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

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the 2013 Annual Stockholders' Meeting	77.57%	N/A	N/A
Approval on the Operations and Actions done by the Management for the year 2013	77.57%	N/A	N/A
Ratification of the Audited Financial Statements for the year ending December 31, 2013	77.57%	N/A	N/A
Ratification of the Acts and Resolutions of the Board of Directors and Management for 2013	77.57%	N/A	N/A
Election of the Members of the Board of Directors including two (2) Independent Directors to serve for 2014-2015	77.57%	N/A	N/A
Approval of the Dividend Policy	77.57%	N/A	N/A
Re-appointment of Punongbayan & Araullo (P&A) as the Bank's external auditor for the year 2014-2015	77.57%	N/A	N/A
Election of Directors for 2014-2015	77.57%	N/A	N/A

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
May 30, 2014

(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
N/A	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	Francis T. Lee Peter N. Yap Rolando R. Avante Honorio O. Reyes-Lao Jeffrey S. Yao Roberto A. Atendido Leticia M. Yao Amador T. Vallejos, Jr. Paterno H. Dizon Benjamin R. Sta.Catalina, Jr. Laurence R. Rapanut Amelita H. Carrillo Ma. Consorcia G. Lagunzad Felipe V. Friginal Keith S. Chan	5.30.14	Open Voting	77.57%		77.57%
Special	N/A	N/A	N/A	N/A	N/A	N/A

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? No

(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	Should be signed and validated by the transfer agent
Notary	Should be duly notarized
Submission of Proxy	Should be submitted before the cut-off date.
Several Proxies	N/A
Validity of Proxy	For that specific ASM only.
Proxies executed abroad	N/A
Invalidated Proxy	N/A
Validation of Proxy	Should be done/validated by STSI.
Violation of Proxy	N/A

(h) Sending of Notices

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

Policies	Procedure
15 Trading days before the date of ASM	15 Trading days before the date of ASM

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	Depends on the masterlist given by STSI.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	15 Trading days before the date of ASM
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	15 Trading days before the date of ASM
State whether CD format or hard copies were distributed	Hard Copies
If yes, indicate whether requesting stockholders were provided hard copies	N/A

(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.	N/A
Documents required for proxy vote.	Yes

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
No discrimination whether majority or minority stockholders.	No discrimination whether majority or minority stockholders.

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

K. INVESTORS RELATIONS PROGRAM

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

The company's external communications is being handled by the Corporate Information Officer in the person of the Bank's Corporate Secretary, he is primarily responsible for the disclosure of material information as required by the PSE and the SEC. This communication materials are being reviewed by the the Investor Relations Officer and the Office of the President and sign off before forwarding for disclosure to the CIO.

For the company's internal communication, the HRG for personnel matters handles all the announcements after review and sign off by the Office of the President.

As PBB has just been listed last year, a policy and manual of procedures is prepared specific to the uniform policy on the bank's external and internl communications.

- 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 communicate on a timely manner important company undertakings,activities which materially impacts the price of the bank shares primarily for the public investors.
(2) Principles	
(3) Modes of Communications	<ol style="list-style-type: none"> 1. Disclosure via EDGE System of PSE 2. Disclosure via media using newspaper and public announcements thru its branches 3. Posting of vital announcement to the branch and head office perimeter areas 4. If needed, radio and tv announcements 5. Announcements by individual mail , when needed
(4) Investors Relations Officer	<ul style="list-style-type: none"> • Current – President Rolando R. Avante-363-33-33/FAX 363-21-29 • OIC – Alice P. Rodil and Atty. Roberto Santos 363-33-33/3632129

- 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?

Currently, all the above items, when being decided rests initially to the Executive Committee for approval and elevated to the Board of Directors for approval. All the major decisions regarding shares/capital and the like are elevated to the Board of Directors for approval.

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

The bank's Independent Directors are Paterno H. Dizon and Benjamin Sta Catalina. Jr., who are primarily responsible for fair decisions and transparency of all the decisions made and approved by the Bank's Board.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
Officers and staff of Philippine Business Bank recently raised through concerted efforts a total of Php100,000 for donation to Philippine Red Cross (PRC). The said donation was coursed thru AMY Foundation, the CSR arm of the Bank. On August 15, 2014,	Philippine Red Cross (PRC) Caloocan

<p>PBB officers and staff who are also active volunteers of AMY Foundation together with Ms. Alice P. Rodil, SVP and Controller of PBB and at the same time Executive Director of the Foundation, went to PRC-Caloocan to personally deliver their donation which was received by Mr. Russel C. Ramirez, Chairman of the Board of Directors of PRC – Caloocan Chapter.</p>	
<p>In a program held at Philippine Normal University's Geronima Pecson Hall last February 21, 2014 dubbed as "Flashback Friday" - a day of endless gratitude, scholarship donors and student benefactors of PNU were given a tribute and recognition by the scholars, in coordination with the Office of Student Affairs and Student Services.</p> <p>AMY Foundation has been in partnership with PNU since 2007 in providing scholarships to the economically deprived but academically deserving students of the said school. Currently, AMY Foundation has ten (10) slots under its roster of scholars for PNU.</p> <p>The certification of appreciation was received by the Coordinator for Volunteers, Ms. Luningning T. Ramos, on behalf of the Foundation.</p>	<p>Philippine Normal University</p>
<p>As an overview, Philippine Business Bank (PBB) made a donation thru its CSR arm AMY Foundation to KAISA para sa Kaunlaran for its Bangkabuhayan Project on December 17, 2013. Said donation would cover the cost of ten (10) bancas that would be given to the pre-identified victims in the fishing communities which were severely affected by the Typhoon Yolanda.</p> <p>This project became a reality on July 31, 2014 when the donated bancas were finally turned over to the recipients from Camotes Island. Present during the ceremonial turnover were the four (4) Mayors of the following Municipalities of Camotes Island namely: Hon. Erwin Yu of Tudela, Hon. Jesus Fernandez Jr. of Pilar, Hon. Aly Arquillano of San Francisco and Hon. Luciano Rama Jr. of Poro, together with KAISA Incumbent Board of Director and past President Mr. Ganny Tan and KAISA Program Coordinator Ms. Eleanor Gonzales, with Mr. Rick Jordan Benarao, Branch Operations Officer of a PBB branch in Cebu, attended on behalf of the Bank and AMY Foundation.</p> <p>After the MOA signing, the respective mayors of each municipality made a commitment message which was eventually followed by the blessing of the bancas. The fishermen-beneficiaries excitedly jumped in to their new bancas and tested them in the nearby sea. They said that the bancas were just light and good that it can just ride with the sea waves. Mr. Rick Jordan capped the ceremony by giving a speech and a sumptuous lunch was prepared for everybody to partake.</p> <p>AMY Foundation is one of the active members of KAISA.</p>	<p>Victims of Typhoon Yolanda</p>

<p>Bad weather could not stop the good hearts of AMY Foundation's officers, staff and volunteers from making the street children enjoy the Christmas Party prepared for them. In fact, more than a hundred kids from Barangays 103, 121, 122 and 124 joyfully participated in the said event.</p> <p>Ms. Linalyn Gabrido, one of the active volunteers of AMY Foundation and also the Barangay Chairman of Barangay 121 led the affair. Although the initial plan to have parlor games for the kids did not push through due to the inclement weather, still, the kids happily clapped and cheered to the amusement of the volunteers.</p> <p>The entire community enjoyed the party especially the kids who received loot bags containing candies, toys and school kit for them to bring home.</p> <p>The party would not be complete without the merienda which was shared by everybody.</p>	<p>Street children</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, the CEO/President, Treasurer, Corporate Secretary and the Internal Auditor.

	Process	Criteria	
		Rating	Description
Board of Directors	To evaluate the performance of the Board of Directors as a body as well as those of its committees, the individual directors and the chief executive, the Self-Evaluation Form shall be used. The self-evaluation shall be conducted every year, the result of which shall be submitted to the Compliance Office for consolidation thirty (30) days prior to the date of yearly Stockholders' Meeting.	Five (5) - highest	Leading practice or principle is adopted in the Manual and full compliance with the same has been made
Board Committees		Four (4)	Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness.
Individual Directors		Two (2) to Three (3)	Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness.
CEO/President		One (1) - lowest	Leading practice or principle is adopted in the Manual but compliance has not yet been made.

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
Non-observance of the provisions of the Revised Corporate Governance Manual	a) In case of first violation, the subject person shall be reprimanded. b) Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation. c) For third violation, the maximum penalty of removal from office shall be imposed.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Caloocan on _____, 2015.

SIGNATURES

FRANCIS T. LEE

Chairman of the Board

ROLANDO R. AVANTE

Chief Executive Officer

PATERNO H. DIZON

Independent Director

BENJAMIN R. STA. CATALINA, JR.

Independent Director

AGUSTIN E. DINGLE, JR.

Chief Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of _____ **2015**, affiant(s) exhibiting to me their TIN Nos. as follows:

Name	TIN
Francis T. Lee	113-336-814
Rolando R. Avante	106-968-623
Paterno H. Dizon	118-192-581
Benjamin R. Sta. Catalina, Jr.	106-906-404
Agustin E. Dingle, Jr.	135-949-807

NOTARY PUBLIC

Doc. No. _____
 Page No. _____
 Book No. _____
 Series of 2015