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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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(Company's Full Name)

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(Business Address: No., Street City/ Town / Province)

FVP Ma. Fe P. Salamatin

Contact Person

8949000 loc 9090

Company Telephone Number _____

Month

Day

	A	C	G	R	

FORM TYPE

Month

Day
Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section



Total No. of Stockholders

Total Amount of Borrowings

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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STAMPS



03 March 2015

DIRECTOR JUSTINA F. CALLANGAN
Corporate Governance and Finance Department
Securities and Exchange Commission
SEC Building, EDSA, Greenhills,
Mandaluyong City

RE: *Annual Corporate Governance Report:
Consolidated Changes for the Calendar Year 2014*

Dear Madame:

We submit herewith the summary of the changes/updates in the ACGR to reflect data for the calendar year 2014:

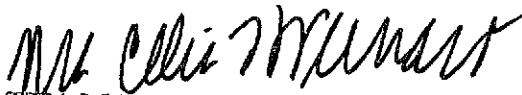
1. Board of Directors (p.4-5)
2. Corporate Governance Policy (pp. 5-6)
3. Directorship in the Company's Group (pp. 7-10)
4. Directors' Shareholding in the Company (pp. 12-13)
5. Changes in the Board of Directors (p.17)
6. Voting Result of the Last Annual General Meeting (p. 21)
7. Orientation and Education Program (pp.22-23)
8. Company's Policies on Conflict of Interest (p.23)
9. Dissemination and Compliance with Code of Conduct (p.28-29)
10. Policy on Related Party Transactions (pp. 29-30)
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18. Changes in Committee Membership (p. 49)
19. Work Done and Issues Addressed (p.49-53)
20. Committee Program (pp.53-54)
21. Risk Management System (p. 55-62)
22. Internal Audit and Control: Resignation, Re-assignment and Reasons (p.64)

23. Audit Control Policies and Procedures (p. 65)
24. Role of Stakeholders (p.p. 66-68)
25. Ownership Structure (p. 71-72)
26. Release of audited financial report (p. 73)
27. Dividends (p. 79)
28. Questions and Answers During the Annual Stockholders' Meeting (p.80)
29. Result of Annual/Special Stockholders' Meetings Resolutions (pp.80-81)
30. Stockholders Attendance (pp.81-83)
31. Definitive Information Statements and Management's Report (p. 85)

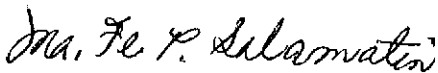
Please allow us to update similar data reportable under the Annual Financial Statements and Annual Report for 2014 once these are approved by the Board for submission to the regulators.

The copy of the ACGR as of 31 December 2014 is also available in the Bank's website.

Very truly yours,



ATTY. MARIA CELIA H. FERNANDEZ-ESTAVILLO
Corporate Secretary



FVP MA. FE P. SALAMATIN
Compliance Officer

SECURITIES AND EXCHANGE COMMISSION
SEC FORM – ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year Consolidated Changes for the Calendar Year 2014
2. Exact Name of Registrant as Specified in its Charter **RIZAL COMMERCIAL BANKING CORPORATION**
Yuchengco Tower, RCBC Plaza, 6819 Ayala Ave. cor.
Gil Puyat Avenue, Makati City
3. Address of Principal Office **0727**
Postal Code
4. SEC Identification Number **17514**
5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number **320-000-599-760**
(02) 8949000
7. Issuer's Telephone number, including area code
N/A
8. Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation 15

Actual number of Directors for the year 15

(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)	Elected when (Annual/Special Meeting)	No. of years served as director
Amb. Alfonso T. Yuchengco	NED	N/A	Corporate Governance Committee	Honorary Chairman (May 27, 2002-June 2004; June 2005)	June 30, 2014	Annual SH Meeting June 30, 2014	11 years
Helen Y. Dee	NED	N/A	Corporate Governance Committee	Board Chairperson (June 2005) Director (March 2005)	June 30, 2014	Annual SH Meeting June 30, 2014	9 years
Lorenzo V. Tan	ED	N/A	Corporate Governance Committee	Director / President and CEO (February 1 2007/April 1, 2007)	June 30, 2014	Annual SH Meeting June 30, 2014	7 years
Cesar E.A. Virata	NED	N/A	Corporate Governance Committee	Director (1995) Corporate Vice-Chairman (June 22, 2000)	June 30, 2014	Annual SH Meeting June 30, 2014	19 years
Atty. Teodoro D. Regala	NED	N/A	Corporate Governance Committee	June 28, 1999	June 30, 2014	Annual SH Meeting June 30, 2014	15 years
Atty. Wilfrido E. Sanchez	NED	N/A	Corporate Governance	Director March 27,	June 30, 2014	Annual SH Meeting	8 years

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

			Committee	2006		<u>June 30, 2014</u>	
Atty. Ma. Celia H. Fernandez-Estavillo	ED	N/A	Corporate Governance Committee	Director (June 2005) Corporate Secretary (February 2005)	<u>June 30, 2014</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>9 years</u>
Medel T. Nera	NED	N/A	Corporate Governance Committee	July 25, 2011	<u>June 30, 2014</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>3 years</u>
Minki Brian Hong	NED	Hexagon Investments B.V.	Corporate Governance Committee	June 27, 2011	<u>June 30, 2014</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>3 years</u>
Tze Ching I. Chan	NED	Hexagon Investments B.V.	Corporate Governance Committee	November 28, 2011	<u>June 30, 2014</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>3 years</u>
Francis G. Estrada	NED	N/A	Corporate Governance Committee	December 17, 2012	<u>June 30, 2014</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>11/2 years</u>
<u>Richard G. A. Westlake</u>	<u>NED</u>	<u>IFC</u>	<u>Corporate Governance Committee</u>	<u>September 29, 2014</u>	<u>September 29, 2014</u>	<u>Regular Meeting of the Board, September 2014</u>	<u>3 mos.</u>
Armando M. Medina	ID	N/A	Eduardo S. Lopez / not related	Independent Director (February 26, 2003 to present)	<u>June 30, 2014; 2 years</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>11 years</u>
Francisco C. Eizmendi, Jr.	ID	N/A	Eduardo S. Lopez / not related	Independent Director May 26, 2006	<u>June 30, 2014; 2 years</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>8 years</u>
Antonino L. Alindogan, Jr.	ID	N/A	Eduardo S. Lopez / not related	Independent Director September 24, 2007	<u>June 30, 2014; 2 years</u>	<u>Annual SH Meeting June 30, 2014</u>	<u>7 years</u>

(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 latest revised Corporate Governance Manual was approved by the Board of Directors last 28 July 2014, a copy of which is attached hereto as Annex "A" and made an integral part hereof. The Manual was also submitted to the SEC and posted in the Bank's website. The revised Manual incorporates provisions from SEC Memorandum Circular No. 9, series of 2014 amending SEC's Revised Code of Corporate Governance to include references to stakeholders, BSP Circular No. 749 as amended by Circular No. 757 re: "Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions," other applicable laws and regulatory issuances, as well as principles from the "Principles for Enhancing Corporate Governance" issued by the Basel Committee on Banking Supervision and the Maharlika Board listing and disclosure rules.

As a policy statement under the Bank's Corporate Governance Manual, the Bank has structured itself to ensure that men and women who comprise it adhere to the basic principles of good governance, namely:

- a. **Transparency** or the availability of information through expansion of public disclosure requirements;
- b. **Accountability** which involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the company; and
- c. **Fairness/equity** which implies that the rights of all concerned parties are protected. Directors shall not only promote the interest of stockholders but also that of other stakeholders such as depositors, investors and borrowers.

As a policy, the Board of Directors shall insist on strict adherence to the Bank's Corporate Governance Manual, which shall guide all relations with the Bank's major and other stakeholders and with the general public.

The Manual provides for the powers and authority, general responsibility, duties and functions of the Board and the duties and responsibilities of the individual director which are based on regulations and international best practices.

Under Section II.A.2.2.5 of the Manual, it is the responsibility of the Board of Directors to identify the Bank's major and other stakeholders (i.e. shareholders, depositors, investors, borrowers, clients, other relevant stakeholders and market participants) and formulate a clear policy on communicating or relating with them through an effective investor relations program. The Board shall be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants. The objective of transparency in the area of corporate governance is to provide these parties, consistent with national law and supervisory practice, with key information necessary to enable them to assess the effectiveness of the Board and senior management governing the Bank. The Board shall ensure the disclosure of relevant and useful information that supports the following key areas of corporate governance:

- (1) Board practices
- (2) Senior management
- (3) Risk management and internal controls
- (4) Compensation
- (5) Complex or opaque corporate structures
- (6) Disclosure and transparency

Such disclosure should be proportionate to the size, complexity, structure, economic significance and risk profile of the Bank.

The Board's commitment to fully disclose material information dealings at all times and to cause the timely filing of all required information for the interest of the stakeholders is reiterated and spelled out further under Section III.G of the Manual.

Under Section III.H of the Manual, the Board shall respect the rights of the shareholders as provided for in the Corporation Code, namely:

1. Right to vote on all matters that require their consent or approval;
2. Right to inspect the books and records of the Bank;

3. Right to information;
4. Right to dividends; and
5. Appraisal right.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

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

The Vision and Mission statements are meant to guide the Bank over a long term period. The frequency of review and approval are dependent on changes in the environment and the over-all strategic view of the Board. Accordingly, the Vision is reviewed every time there is a presentation to the Board or Board Committee regarding strategic plans or proposals.

(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.
Amb. Alfonso T. Yuchengco	<ul style="list-style-type: none"> • Pan Malayan Management and Investment Corporation (PMMIC) • YGC Corporate Services, Inc. • Luisita Industrial Park Corporation • Y Realty Corporation • RCBC Land, Inc. • RCBC Realty Corporation • ET Yuchengco, Inc. • Pan Malayan Realty Corporation • House of Investments, Inc. • EEI Corporation (EEI) • Honda Cars Kalookan Inc. • Malayan Colleges Inc. • Malayan Colleges Laguna Inc. • GPLHoldings, Inc. • Sun Life Grepa Financial, Inc. • MICO Equities Inc. (MEI) • Malayan Insurance Company, Inc. (MICO) • Malayan Insurance Co. (HK) Ltd. 	<ul style="list-style-type: none"> • Executive, Chairman and Chief Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Executive, Chairman and CEO • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive, Vice-Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive

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

	<ul style="list-style-type: none"> • GPLHoldings, Inc. • Sun Life Grepa Financial, Inc. ("Sun Life Grepa"; formerly Grepalife Financial, Inc.) • Grepa Realty Holdings Corporation • PetroEnergy Resources Corporation • MICO Equities Inc. (MEI) • Malayan Insurance Company, Inc. (MICO) 	<ul style="list-style-type: none"> • Executive, President • Non-Executive • Executive, President & Chairperson • Non-Executive, Chairperson • Non-Executive • Non-Executive, Chairperson
Mr. Lorenzo V. Tan	<ul style="list-style-type: none"> • RCBC Capital Corporation (RCAP) • RCBC Forex Brokers Corporation • RCBC Savings Bank (RSB) • Merchants Savings and Loan Association, Inc./Rizal Microbank • RCBC Leasing and Finance Corporation (RLFC) • RCBC Rental Corporation • RCBC Telemoney Europe SpA • RCBC International Finance, Ltd. (RIFL) • RCBC Investments, Ltd. • Niyog Property Holdings, Inc. • YGC Corporate Services, Inc. 	<ul style="list-style-type: none"> • Non-Executive • Non-Executive • Non-Executive, Vice Chairman • Non-Executive, Chairman • Non-Executive, Vice Chairman • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive
Mr. Cesar E.A. Virata	<ul style="list-style-type: none"> • <u>RCBC Bankard Services Corporation</u> • RCBC Forex Brokers Corporation • RCBC Savings Bank (RSB) • RCBC International Finance, Ltd. (RIFL) • RCBC Investments, Ltd. • Niyog Property Holdings, Inc. • YGC Corporate Services, Inc. • Luisita Industrial Park Corporation • RCBC Land, Inc. • RCBC Realty Corporation • Malayan Colleges Inc. • Malayan Insurance Company, Inc. (MICO) • <u>AY Foundation, Inc.</u> 	<ul style="list-style-type: none"> • <u>Non-Executive, Chairman</u> • Non-Executive, Chairman • Non-Executive • Non-Executive • Non-Executive • Non-Executive • Non-Executive • Non-Executive, Vice Chairman • Non-Executive, Chairman • Non-Executive • Non-Executive • Non-Executive • <u>Non-Executive, Director</u>
Atty. Teodoro D. Regala	<ul style="list-style-type: none"> • MICO Equities Inc. (MEI) • Malayan Insurance Company, Inc. (MICO) 	<ul style="list-style-type: none"> • Non-Executive • Non-Executive
Atty. Wilfrido E. Sanchez	<ul style="list-style-type: none"> • House of Investments, Inc. 	<ul style="list-style-type: none"> • Non-Executive

Atty. Ma. Celia H. Fernandez-Estavillo	<ul style="list-style-type: none"> • EEI Corporation • YGC Corporate Services, Inc. • Philippine Integrated Advertising Agency, Inc. • Luisita Industrial Park Corporation • <u>Yuchengco Center</u> 	<ul style="list-style-type: none"> • Non-Executive • Non-Executive • Non-Executive • Non-Executive • <u>Trustee</u>
Mr. Medel T. Nera	<ul style="list-style-type: none"> • RCBC Forex Brokers Corporation • YGC Corporate Services, Inc. • RCBC Realty Corporation • Seafront Resources Corporation • House of Investments, Inc. • EEI Corporation (EEI) • EEI Realty Corporation • Al Rushaid Construction Corporation • Landev Corporation • Greyhounds Security and Investigation Corporation • Zamboanga Industrial Finance Corp. • Honda Cars Kalookan Inc. • Xamdu Motors, Inc. • Hi-Esai Pharmaceutical, Inc. • iPeople Inc. • Malayan Colleges Laguna Inc. • Investment Managers, Inc. • Hexagon Lounge, Inc. • <u>Manila Memorial Park Cemetery, Inc.</u> 	<ul style="list-style-type: none"> • Executive, Treasurer • Non-Executive • Executive, President • Non-Executive • Executive, President and CEO • Non-Executive • Non-Executive, Chairman • Non-Executive • Non-Executive • Non-Executive, Chairman • Non-Executive, Chairman • Executive, President • Executive, President • Non-Executive • Non-Executive • Non-Executive • Non-Executive, Chairman • <u>Non-Executive</u>
Mr. Francis G. Estrada	<ul style="list-style-type: none"> • <u>EEI Corporation</u> 	<ul style="list-style-type: none"> • <u>Non-Executive</u>
Mr. Armando M. Medina	<ul style="list-style-type: none"> • RCBC Savings Bank • RCBC Capital Corporation • Malayan Insurance Company, Inc. 	<ul style="list-style-type: none"> • Independent • Independent • Independent
Mr. Antonino L. Alindogan, Jr.	<ul style="list-style-type: none"> • <u>RCBC Bankard Services Corporation</u> • RCBC Forex Brokers Corporation • House of Investments, Inc. • Great Life Financial Assurance Corporation 	<ul style="list-style-type: none"> • <u>Independent</u> • Independent • Independent • Independent
Mr. Francisco C. Eizmendi, Jr.	<ul style="list-style-type: none"> • Sun Life Grepa Financial, Inc. • Great Life Financial Assurance Corporation 	<ul style="list-style-type: none"> • Independent • Independent

(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.
Helen Y. Dee	Philippine Long Distance Telephone Company	Non-Executive Director
	National Reinsurance Corporation of the Philippines	Non-Executive, <u>Chairperson</u>
Cesar E.A. Virata	Lopez Holdings Corporation	Independent Director
	Belle Corporation	Independent Director
Wilfrido E. Sanchez	LT Group, Inc.	Independent Director
	Universal Robina Corporation	Independent Director
Medel T. Nera	National Reinsurance Corporation of the Philippines	Non-Executive Director
Francis G. Estrada	Ayala Land Inc.	Independent Director
Francisco C. Eizmendi, Jr.	Makati Finance Corporation	Independent Director
Antonino L. Alindogan, Jr.	PAL Holdings, Inc.	Independent Director
	LT Group, Inc.	Independent Director

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Amb. Alfonso T. Yuchengco	Pan Malayan Management and Investment Corporation	Chairman and Chief Executive
Ms. Helen Y. Dee	Pan Malayan Investment and Management Corporation	Vice Chairperson

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

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	Section II.A.2.4 of the Corporate Governance Manual provides that the Chief Executive Officer and other executive directors may submit themselves to an indicative limit on membership in other corporate Boards. The same limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence and	Section II.A.2.4 of the Corporate Governance Manual provides that directors shall limit their outside board seats to six (6), unless there is good justification for a greater number of outside board seats and these do not interfere with the amount and quality of time and attention of the director to the bank.

	<p>efficiency shall not be compromised.</p> <p>Section 5.9.c of the Bank's Corporate Governance Committee Charter provides:</p> <p>The Committee shall consider the following guidelines in the determination of the number of directorships of a nominee for the Board:</p> <p>c.1 The nature of the business of the Corporations which he is a director;</p> <p>c.2 Age of the Director;</p> <p>c.3 Number of directorships/active memberships and officerships in other corporations or organizations; and</p> <p>c.4 Possible conflict of interest.</p> <p>The optimum number shall be related to the capacity of a director to perform his duties diligently in general.</p>	
Non-Executive Director	<p>See discussion under Executive Director.</p> <p>For independent directors, the limits prescribed under SEC Memorandum No. 9, s. 2011 shall apply. See discussion under A.4.</p>	See discussion under Executive Director.
CEO	See discussion under Executive Director.	See discussion under Executive Director.

(c) 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
Alfonso T. Yuchengo	3,997	72,108 - RCBC Sec.	0.006%%
Helen Y. Dee	438	212,731-RCBC Trust /PMMIC	0.02%

Cesar E. A. Virata	167	50,000-RCBC Trust	0.00%
Lorenzo V. Tan	5	-	0.00%
Teodoro D. Regala	1	-	0.00%
Antonino L. Alindogan Jr.	1	-	0.00%
Minki Brian Hong	1	-	0.00%
Ma. Celia Fernandez- Estavillo	14	379,200 – RCBC Trust 100,000 - Abacus Sec	0.04%
Francisco Eizmendi	1	-	0.00%
Armando M. Medina	195	-	0.00%
Wilfrido E. Sanchez	1	30,000- RCBC Sec.	0.00%
Medel T. Nera	1	-	0.00%
Francis G. Estrada	3	-	0.00%
Richard G.A. Westlake	1	-	0.00%
Tze Ching Chan	1	-	0.00%

*As of 31 December 2014

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 ☐ (v)

Identify the Chair and CEO:

Chairman of the Board	Ms. Helen Y. Dee
CEO/President	Mr. Lorenzo V. Tan

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<p>Article IV, Section 1.d. of the Bank's By-Laws provides that the Chairman, and in his absence or ability, the Corporate Vice Chairman of the Board of Directors, shall preside at all meetings of the stockholders.</p> <p>Article V, Section 9 of the Bank's By-Laws provides that the Chairman, and in his absence or ability, the Corporate Vice Chairman, shall be the Presiding Officer of the Board of Directors and shall decide on all matters to be included in the Agenda.</p>	<p>Article VIII, Section 1 of the Bank's By-Laws provides that the President shall be the Chief Executive Officer of the Bank and shall execute and administer the policies approved by the Board. He shall have direct and immediate supervision over the operations and management of the Bank, and in general perform all duties incident to the office of the President and Chief Executive Officer. He shall be a member of the Executive Committee and of all major management committees. He shall also exercise such other powers as may be vested upon</p>

		him by the Board not incompatible with law or the By-Laws.
Accountabilities	<p>Section II.A.3.1.1 of the Bank's Corporate Governance Manual provides that the Chairperson shall assist in ensuring compliance with and performance of the corporate governance policies and practices.</p> <p>Section II.A.3.2 of the Bank's Manual provides that the Chairperson shall have the following duties and responsibilities:</p> <p>3.2.1 Mainly responsible for the proper governance of the Bank through the Board of Directors.</p> <p>3.2.2. Provide leadership in the Board of directors. The Chairperson shall be responsible for the efficient functioning of the Board including maintaining a relationship of trust with the members of the Board. The Chairperson will decide on all matters to be included in the agenda and preside at meetings of the stockholders and Board of Directors.</p> <p>3.2.3. Ensure that the Board takes an informed decision.</p> <p>(a) Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors.</p> <p>(b) Encourage and actively solicit views and opinions of other members of the Board in the process of arriving at a decision.</p> <p>(c) Ensure that all members of the Board are given sufficient information and time to enable them to study carefully and responsibly issues that come up to the Board.</p> <p>(d) Allow for, and even encourage, the expression of independent views that may be different from those proposed by top management.</p> <p>3.2.4. Ensure that the meetings of the Board are held in</p>	<p>Section II.A.3.4 of the Bank's Corporate Governance Manual provides that the Chief Executive Officer (CEO) will be in-charge of and will exercise general management responsibilities over management development, public relations and advertising relations with the BSP and other offices, agencies and instrumentalities on the Philippine government, relations with the Bankers' Association of the Philippines and other industry associations, and relations with other ASEAN countries. He will be a member of the Executive Committee and of all major management committees, and will exercise such other powers and perform such other duties as the Board of Directors may prescribe from time to time.</p> <p>He shall ensure that, and be accountable for, the business and affairs of the Bank are managed in a sound and prudent manner and that operational, financial and internal control are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.</p> <p>The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Bank's performance, financial condition, results of operations prospects on a regular basis.</p>

	<p>accordance with the By-laws and annual schedule approved by the Board or as the Chairperson may deem necessary.</p> <p>3.2.5. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors.</p> <p>3.2.6. Ensure and maintain quality and timely lines of communication and flow of information between the Board and Management.</p> <p>3.2.7. Ensure that the Board has free access to people who can answer their questions, preventing the need for back channels.</p>	
Deliverables	As discussed above.	As discussed above.

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

Under Section 5.4 of the Bank's Corporate Governance Committee Charter, it is the Corporate Governance Committee that makes recommendations to the Board regarding the succession plan for the Board members and senior officers, and their remuneration commensurate with corporate and individual performance.

4) Other Executive, Non-Executive and Independent Directors

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

Yes. Under Section II.A.2.3.1 of the Bank's Corporate Governance Manual, one of the duties and functions of the Board of Directors is to implement a process of selection from a broad pool of qualified candidates to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. The selection process shall ensure that a sufficient number of qualified non-executive members are elected to promote the independence of the board from the views of senior management.

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

Yes. Section II.A.1.3 of the Bank's Corporate Governance Manual provides that non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

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

	Executive	Non-Executive	Independent Director
Role	The Bank's Corporate Governance Manual defines executive directors as those who are part of the day to day management of banking operations.	The Bank's Corporate Governance Manual defines non-executive directors as those who are not part of the day to day management of banking operations and includes independent directors.	The Bank's Corporate Governance Manual defines independent directors as directors who, apart from their fees and shareholdings, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their responsibilities as directors.
Accountabilities	The general responsibilities, duties and functions of the Board and the duties and responsibilities of the individual directors under the Bank's Corporate Governance Manual attached as Annex "A" hereto apply.	The general responsibilities, duties and functions of the Board and the duties and responsibilities of the individual directors under the Bank's Corporate Governance Manual attached as Annex "A" hereto apply.	The general responsibilities, duties and functions of the Board and the duties and responsibilities of the individual directors under the Bank's Corporate Governance Manual attached as Annex "A" hereto apply.
Deliverables	-do-	-do-	-do-

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

Independence is defined as independence from management and freedom from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out responsibilities as executive directors.

The Bank's independent directors possess all the qualifications and none of the disqualifications provided under SEC and BSP issuances.

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.

Independent directors serve as such in accordance with the term limits prescribed in SEC Memorandum Circular No. 9. Series of 2011 re: Term Limits for Independent Directors. Under the said circular, ID's can serve as such for five (5) consecutive years, after which the ID shall be ineligible for election in the same company as such unless he has undergone a two (2) year cooling off period. An ID re-elected as such in the same company after the two (2) year cooling off period can serve for another five (5) consecutive years. After serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company.

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
Yvonne S. Yuchengco	Director	20 September 2014	Election of Mr. Richard G. A. Westlake, IFC nominee

(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	<p>In accordance with Section 5.9.a. of the Bank's Corporate Governance Committee Charter, to the extent practicable, the members of the Board are selected from a broad pool of qualified candidates. The Committee pre-screens and shortlists all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications enumerated in the Bank's Corporate Governance Manual.</p> <p>The nominees for directors are reported to the shareholders in the Information Statement.</p> <p>Under Section 2, Article V of the By-Laws, directors shall be elected at the annual meeting of the stockholders, each of whom shall hold office for a term of one (1) year or until his successor shall have been chosen and qualified. The fifteen candidates</p>	<p>In accordance with Section II.A.2.3.1 of the Corporate Governance Manual, the members of the Board must be chosen from broad pool of qualified candidates to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p> <p>Under Section 2, Article V of the By-Laws, no person shall be qualified or be eligible for nomination or election to the Board of Directors if he is engaged in any business that competes with or is antagonistic to that of the corporation, its subsidiaries or affiliates, as may be determined by the Board of Directors, in the exercise of its judgment in good faith, by at least a majority vote. A person is deemed to be so engaged based on the qualifications provided in the By-Laws.</p>

	receiving the highest number of votes shall be elected.	
(ii) Non-Executive Directors	See discussion above.	Section II.A.2.3.1 of the Corporate Governance Manual, the selection process shall ensure that a sufficient number of qualified non-executive members are elected to promote the independence of the board from the views of senior management.
(iii) Independent Directors	The Bank complies with the procedure set forth under Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.	In addition to the discussion above, the independent directors shall possess all of the qualifications and none of the disqualifications provided for under applicable laws and regulations as well as the Bank's Corporate Governance Manual.
b. Re-appointment		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
c. Permanent Disqualification		
(i) Executive Directors	<p>The Bank complies with Section X143.3 of the BSP Manual of Regulations for Banks (MORB) as amended by BSP Circular No. 758, s. of 2012 which provides that directors of the Bank are subject to Monetary Board confirmation. A director who possesses any disqualification as provided for in the MORB shall not be confirmed and shall be removed from office even if he/she has assumed the position to which he/she was elected/appointed.</p> <p>The Bank likewise complies with Section X143.4 of the MORB on the disqualification procedures of directors. A copy of X143.4 of the MORB is attached hereto as Annex "B" and made an integral part hereof.</p>	<p>The Bank complies with the provisions of Sec. X143.1.a of the MORB and the SEC Revised Code of Corporate Governance on grounds for permanent disqualification of a director.</p> <p>Section II.B.3.1 of the Bank's Corporate Governance Manual attached as Annex "A" hereto provides for grounds for permanent disqualification.</p>
(ii) Non-Executive Directors	See discussion above.	See discussion above.

(iii) Independent Directors	See discussion above.	<p>Section II.B.4 of the Bank's Corporate Governance Manual provides for the following qualifications of an independent director:</p> <p>4.1 Is not or has not been an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;</p> <p>4.2 Was not a regular director who resigned or whose term ended within the last two (2) years.</p> <p>4.3 Was not appointed the Chairman "Emeritus", "Ex-Officio" Directors/Officers or Members of any Executive Advisory Board, or otherwise, appointed in a capacity to assist the Board in the performance of its duties and responsibilities within the last one (1) year.</p> <p>4.4 Is not a director or officer of the related companies of the Bank's majority stockholder;</p> <p>4.5 Is not a stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies;</p> <p>4.6 Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common law of any director, officer or shareholder holding shares of stock sufficient to elect one seat in the Board of the Bank or any of its related companies;³</p> <p>4.7 Is not acting as a nominee or representative of any director, officer or substantial shareholder of</p>
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³ This has been amended by BSP Circular 793, s. 2013 dated 05 July 2013. The amendment reads "An independent director shall mean a person who xxx (4) Is not a relative, legitimate or common-law of any director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law;"

		<p>the Bank or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;</p> <p>4.8 Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment; and</p> <p>4.9 Is not a director, officer, principal stockholder, among others, of securities brokers-dealers. However, this does not apply to brokers-dealers of fixed income securities.</p>
d. Temporary Disqualification		
(i) Executive Directors	<p>In accordance with Section II.B.3.2 of the Bank's Corporate Governance Manual, a temporarily disqualified director shall, within sixty (60) days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>	<p>The Bank complies with the provisions of Sec. X143.1.b of the MORB and the SEC Revised Code of Corporate Governance on grounds for temporary disqualification of a director.</p> <p>Section II.B.3.2 of the Bank's Corporate Governance Manual attached as Annex "A"</p>

		hereto provide for the grounds for temporary disqualification.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
e. Removal		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
f. Re-instatement		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.
g. Suspension		
(i) Executive Directors	See discussion above.	See discussion above.
(ii) Non-Executive Directors	See discussion above.	See discussion above.
(iii) Independent Directors	See discussion above.	See discussion above.

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Please see reply below.	Please see reply below.

During the last annual shareholders' meeting held on 30 June 2014, all of the directors received votes of stockholders representing a total of 940,919,864 common and preferred shares of stocks or 73.76 % of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote.

6) Orientation and Education Program

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

Newly-appointed directors attend a seminar on corporate governance within six (6) months from the date of their election and/or appointment, in compliance with the BSP requirement.

(b) State any in-house training and external courses attended by Directors and Senior Management⁴ for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Directors	November 28, 2011	AML Training (Functions of the AMLC; Covered and suspicious transactions; Updated AML Rules and	Speaker: Atty. Richard David Funk II, Deputy Director and Head of the Compliance and Investigation Group of the

⁴ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

		Regulations (BSP Circular No. 706); Frequently asked questions involving Politically Exposed Persons (PEPs); Responsibility of the Board of Directors of the Bank on AML Compliance; and Other Highlights of BSP Circular No. 706	AMLC Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC
<u>Directors and Senior Officers</u>	<u>August 27, 2013</u>	<u>SEC Corporate Governance Initiatives/Trends in Regulatory Framework</u>	<u>Speakers:</u> <u>SEC Chairperson Teresita J. Herbosa – brief remarks:</u> <u>SEC Corporate Governance and Finance Department Dir. Justina Callangan – seminar proper</u> <u>Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC</u>
<u>Directors and Senior Officers</u>	<u>September 30, 2013</u>	<u>Updates on the Anti-Money Laundering Act of 2013, as amended</u>	<u>Speaker:</u> <u>Mr. Arnold Frane of the Legal Services Group, Anti-Money Laundering Council Secretariat, BSP</u> <u>Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC</u>
<u>Directors and Senior Officers</u>	<u>October 29, 2013</u>	<u>Basel III and Financial Regulatory Reform</u>	<u>Speaker:</u> <u>Mr. Christian G. Lauron, Partner, Financial Services Risk Management, SGV&Co.</u> <u>Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC</u>
<u>Directors and Senior Officers</u>	<u>November 25, 2013</u>	<u>Evaluating Risks in Project Finance Transactions</u>	<u>Speaker:</u> <u>Atty. Laurence Rogero, Consultant for local and international water and power companies and former consultant for the Asian Development Bank and World Bank</u> <u>Program facilitated by Regulatory Affairs Division, Legal and Regulatory Affairs Group, RCBC</u>
<u>Directors and Officers SVP's and Up of RCBC and RCBC Subsidiaries: Directors and key officers of RCBC</u>	<u>March 22, 2014</u>	<u>Corporate Governance *pursuant to SEC Memorandum Circular No. 20 effective January 1, 2014</u>	<u>SGV & Co.</u>

affiliates *SVP's who failed to attend the March 22, 2014 seminar were required to attend training seminars provided by accredited training institutions during the year.			
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(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
		Please see reply in item (b) above.	

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	<p>The Bank has approved its revised Policy on Related Party Transactions last <u>26 September 2014</u> and <u>29 October 2014</u> requiring directors to disclose potential related party transactions as well as details of their other directorships and any shareholdings owned by them or members of their family.</p>	<p>The Bank's Code of Conduct sets forth the policy on conflict of interests which covers all employees. As a policy, all employees are prohibited from competing with or unduly benefiting from the Bank or any of the companies in the conglomerate and from allowing business dealings on behalf of RCBC be influenced by personal or family interests.</p>	<p>Please see discussion under Senior Management.</p>

	<p>Under Section II.B.1.2 of the Bank's Corporate Governance Manual, one of the duties of the director is as follows:</p> <p>1.2 To conduct fair business transactions with the Bank and to ensure that his personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.</p>		
(b) Conduct of Business and Fair Dealings	See discussion above.	The Bank's Code of Conduct provides that employees should strive to build good working relationships with shareholders and	Please see discussion under Senior Management.

		suppliers, They should be treated in the same manner as co-associates - with utmost courtesy and respect as they are also expected to achieve the highest standards of service quality to clients.	
(c) Receipt of gifts from third parties	See discussion above.	Under the Bank's Code of Conduct, generally, employees can accept if it is unsolicited and not given to influence one's judgment. Otherwise, employees should decline it and explain RCBC's policy to the gift-giver. The Bank does not allow solicitation of gifts, directly or indirectly, from customers or suppliers. Under no circumstance do employees accept, directly or indirectly, payments, loans, kickbacks, special privileges or services in exchange for favors.	Please see discussion under Senior Management.
(d) Compliance with Laws & Regulations	Under Section B. 1.8 of the Bank's Corporate Governance Manual, directors are required to have a working knowledge of the statutory and regulatory requirements affecting the Bank and its operations, including the contents of its Articles of Incorporation and By-laws, the rules and regulations of the SEC and BSP, and where applicable, the requirements of other regulatory agencies having jurisdiction over the Bank, and keep abreast with industry developments and	Under the Bank's Code of Conduct, all employees must ensure understanding of and compliance with all Bank policies and Philippine laws directly affecting his/her employment. As a banking institution, the Bank is governed by special laws as well as regulation issued by the BSP, SEC, PSE, DOLE and by the Government of the Republic of the Philippines as a whole. It is the duty of all employees to abide by the provisions thereof lest sanctions be imposed by the Bank. Questions regarding any provision of law may be address to the	Please see discussion under Senior Management.

	<p>business trends.</p> <p>Section II.A.2.3.4 of the Corporate Governance Manual further provides that it is the responsibility of the Board of Directors to ensure that the Bank complies with all relevant laws, regulations and endeavors to adopt best business practices.</p>	<p>respective Group Head or the Legal Affairs Division.</p>	
(e) Respect for Trade Secrets/Use of Non-public Information	<p>Under Section II.B.1.9 of the Bank's Corporate Governance Manual, one of the duties and responsibilities of a director is as follows:</p> <p>1.9 To observe and safeguard confidentiality of non-public information acquired by reason of his position as a director. A director may not disclose said information to any other person without the authority of the Board.</p>	<p>Under the Bank's Code of Conduct, all employees are mandated to protect the Bank's assets and to use the same for authorized business purposes only. Guidelines for the treatment of bank assets include guidelines on proprietary information which includes confidential and material non-public information. As a general rule, proprietary information shall not be disclosed unless authorized by the Bank and the law.</p>	<p>Please see discussion under Senior Management.</p>
(f) Use of Company Funds, Assets and Information	<p>See discussion above.</p>	<p>All bank associates, which include the Senior Management, are governed by the Bank's Code of Conduct. Under the Code, they are mandated to protect bank funds, assets and information, and to use the same for authorized business purposes only.</p> <p>All employees are responsible for safeguarding and making proper and efficient use of Bank funds and assets. Guidelines for the treatment of bank assets are divided into</p>	<p>Please see discussion under Senior Management.</p>

		four (4) major categories: (1) Proprietary Information; (2) Bank Funds and Property; (3) Bank Records; and (4) Goodwill and Reputation.	
(g) Employment & Labor Laws & Policies	See discussion under Compliance with Laws and Regulations.	Please see discussion under Compliance with Laws and Regulations.	Please see discussion under Compliance with Laws and Regulations.
(h) Disciplinary action	Disciplinary action is based on grounds and procedures under applicable laws and regulations issued by regulatory authorities, particularly the BSP, PSE, and SEC.	The Bank has a Code of Discipline which sets forth the types of penalties which may be imposed for violation of the Code of Conduct ranging from reprimand, suspension, termination depending on the gravity of offenses which may be minor, serious or grave offenses, after observance of due process.	Please see discussion under Senior Management.
(i) Whistle Blower	Under the leadership of the Chairperson who is responsible for ensuring the efficient functioning of the Board of Directors, directors are tasked with and the Chairperson is duty bound to ensure the expression of views and independent judgment of the members of the Board.	To give all employees the confidence to raise concerns about behavior and practice and to mitigate risks and losses through the early discovery of irregular activities, the Bank commits itself to break down communication barriers and provide a safe internal communication channel for all employees to express their concerns through the enactment of the Open Communication Policy, which allows for anonymous disclosures and the protection of informants from sanctions under specific conditions. The policy covers all reports or information in relation to actual or suspected criminal	Please see discussion under Senior Management.

		activities, unlawful acts or omissions, fraud, violations of the Code of Conduct and other bank policies, danger to health and safety, improprieties or malpractice in the workplace, including those related to matters of financial reporting, internal control and/or auditing.	
(i) Conflict Resolution	<p>Under Section II.B.1.7 of the Corporate Governance Manual, a director is duty bound to carefully evaluate the situation and state his position when a disagreement with others occurs. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.</p> <p>Conflicts are resolved under the leadership of the Chairperson who ensures the efficient functioning of the Board of Directors.</p>	<p>Under the Code of Conduct, the Bank condemns certain acts such as, but not limited to, threatening or violent behavior, insubordination or willful disobedience, uttering obscene, insulting or offensive words against associates, making racist, sexist or ethnic jokes or politically incorrect comments about associates, and rumor-mongering. These are dealt with in accordance the Code of Discipline.</p>	Please see discussion under Senior Management.

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

The Corporate Governance Manual has been presented to and approved by the Board. It has been disseminated to all bank associates in the Bank's intranet system as well as posted in the Compliance Office Library (COOL). All associates of the Bank are also required to complete the corporate governance e-learning course, the latest of which was rolled out in December 10, 2013.

The Bank's Code of Conduct, including updates thereto, are made available and readily accessible by all associates online through the intranet service of the Bank.

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

Under Section III.A.1.2.1 of the Bank's Corporate Governance Manual, the compliance officer is tasked to monitor compliance with the provisions and requirements of the Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Chairman and Corporate

Governance Committee and recommend the imposition of the appropriate disciplinary action for such violation and the adoption of measures to prevent a repetition of the violation, subject to review and approval by the Board.

Under the Bank's Code of Conduct, it is the responsibility of the unit heads to ensure that his/her people comply with the Code of Conduct, as well as policies directly affecting their jobs. Violation of the Code of Conduct is reported to the Human Resources Group, the Internal Audit Group, and/or the Security Department.

The Personnel Evaluation and Review Committee, which is a Board Committee, is tasked to evaluate and review employee discipline cases. It has the following powers and authorities under its Charter:

1. Affirm, review, revise, reverse or modify any resolution arrived at or action taken by management in connection with employee administrative cases involving any of the following:
 - 1.1 Dishonesty
 - 1.2 Fraud
 - 1.3 Negligence, violation of any internal Bank policy, rule or procedure or any act which results to an actual or potential loss to the Bank of at least One Million Pesos (P1,000,000.00)
2. Report to the Board of Directors the actions taken against employees involved in the cases mentioned above.
3. Advise management to take certain corrective and preventive measures for the protection of the Bank's interests in relation to any of the cases mentioned above.
4. Direct the Security Department to take police action, the Legal Affairs Division to take legal action, or any other unit of the Bank to take appropriate action for the protection of the Bank's interests, whenever it deems it necessary, with regard to any of the cases mentioned above.
5. Ensure that in all cases involving employee discipline, the requirements of due process are strictly observed and the employee concerned is granted opportunity to defend or explain his side.
6. Exercise such other powers and authorities as the Board of Directors may impose.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p><u>Under the Bank's Revised Policy on Related Party Transactions, a related party transaction is defined as any transaction or relationship directly or indirectly involving a related party, where the amount involved is at least One Million Pesos (PhP 1,000,000.00).</u></p> <p><u>The Bank adopts an expanded definition of related parties to include, among others: i. second degree relatives by consanguinity or affinity of a director, officer, or stockholder of the Bank; ii. advisory board members and consultants; and iii. directors and key officers of</u></p>

	<p>entities within the conglomerate of which the Bank is a member.</p> <p>The Policy requires the related parties, through the persons handling the account or transaction, to notify the Related Party Transactions Committee of any potential related party transaction. The report on the transaction shall be submitted to the RPT Committee for review and evaluation to determine whether or not said transaction is on terms no less favorable to the Bank than terms available to any unconnected third party under the same or similar circumstances. In the determination thereof, the RPT Committee shall be provided with adequate resources and authority to procure the services of independent experts.</p> <p>The Policy also provides that RPT's shall be approved by a majority of all directors, including a majority of independent directors, <i>provided that</i>, mergers and acquisitions, divestitures and transactions of a similar nature which are not in the normal course of business as may be determined by the RPT Committee and where the amount involved is at least one percent (1%) of the unimpaired capital of the Bank, which are presented to the Board for approval, shall be accompanied by a fairness opinion issued by an independent adviser as well as other reports as the RPT Committee may deem necessary.</p> <p>Any member of the Board who has an interest in the transaction under discussion shall not participate in discussions and shall abstain from voting on the approval of the Related Party Transaction.</p> <p>The Chairperson shall not participate in the discussions and shall abstain from voting on the approval of Related Party Transactions involving the Yuchengco Group of Companies.</p> <p>The Bank's stockholders shall confirm by majority vote, in the annual stockholders' meeting, the Bank's transactions with its related parties.</p> <p>This requirement also appears under Section A.2.3.8 of the Corporate Governance Manual which provides that the Bank's stockholders are required to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties.</p> <p>Lastly, Compliance Office, as part of compliance testing, and Internal Audit, as part of its audit work program, shall include a review of related party transactions to determine compliance with regulatory requirements and internal policies.</p>
(2) Joint Ventures	The Bank's policy applies to its joint ventures.
(3) Subsidiaries	The Bank's policy applies to its subsidiaries.
(4) Entities Under Common Control	The Bank's policy applies to entities under common control.
(5) Substantial Stockholders	The Bank's policy applies to its DOSRI as defined in the MORRB. Under Section 326.1.c of the MORB,

	stockholders are defined as "any stockholder of record in the books of the bank, acting personally, or through an attorney-in-fact, or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or similar contracts, whose stockholdings in the lending bank, individual and/or collectively with the stockholdings of: (i) his spouse and/or relative within the first degree of consanguinity or affinity or legal adoption; (ii) a partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; (iii) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the bank.
(6) Officers including spouse/children/siblings/parents	The Bank's policy applies to DOSRI as defined in the MORB and key management personnel and close members of the family of its key management personnel as defined in the policy.
(7) Directors including spouse/children/siblings/parents	The Bank's policy applies to DOSRI as defined in the MORB. This includes directors and his/her spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director of the Bank.
(8) Interlocking director relationship of Board of Directors	The Bank's policy applies to DOSRI as defined in the MORB. The definition of related interest under Section X326.1.e of the MORB covers interlocking directors.

(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None. Please see reply below.
Name of Officer/s	None. Please see reply below.
Name of Significant Shareholders	None. Please see reply below.

The Bank fully complies with the approval and disclosure requirements of the BSP for credit exposures of its DOSRI as well as significant intra-group transactions as well as the Bank's policy for approval of related party transactions.

(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	Section 4.2 of the Bank's revised Policy on Related Party Transactions provides that each of the directors and officers shall disclose to the Board, through the Bank's corporate secretary, details of their other directorships and any shareholdings owned by them or

	<p>members of their family. Furthermore, any changes to this information shall be immediately communicated to the Board through the corporate secretary.</p> <p>As mentioned, if a transaction is determined to be a related party transaction, the same shall be submitted to the <u>RPT Committee</u> for analysis and evaluation and thereafter submitted to the Board for approval.</p>
Group	The Bank's Policy on Related Party Transactions is for the guidance of the Bank and/or its subsidiaries.

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁵ 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
None.		

- (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
None.		

- (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
PMMIC HIBV	<p>PMMIC (42.14%) HIBV (11.6%) *directly owned shares only</p>	Shareholders Agreement among PMMIC, Hexagon Investment B.V. and RCBC dated 12 May 2011 was entered into to set out certain rights and obligations of the parties when HIBV acquired shares in RCBC pursuant to the Share Acquisition Agreement and Share Purchase Agreement executed on the same date
PMMIC	PMMIC (47.81%)	Amended and Restated

⁵ Family relationship up to the fourth civil degree either by consanguinity or affinity.

IFC Fund IFC	IFC Fund (5.57%) IFC (6.10%) *both directly and beneficially owned	Policy Agreement among RCBC, PMMIC, IFC and IFC Capitalization (Equity) Fund, LP dated 15 February 2013 was entered into for purposes of regulating their relations within the Company when IFC subscribed to shares in RCBC (Share Acquisition Agreement) and when IFC Fund subscribed (Subscription Agreement)
Hexagon Investments B.V. (an entity controlled by funds advised by CVC Asia Pacific Limited); IFC	IFC 11.34%, CVC 10.91% to IFC 7.71%, CVC 1.44%	In 17 December 2014, Cathay Life Insurance Co., Ltd., a wholly owned subsidiary of Cathay Financial Holding Co., Ltd., signed respective Share and Purchase Agreements with HIBV and IFC as part of a transaction to acquire an approximately 20% stake in RCBC. The transaction involves the signing of said Share Purchase Agreements and a Share Subscription Agreement with RCBC. The transaction will close upon securing regulatory approvals.

6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
Corporation & Stockholders	The Bank adopts an arbitration system to resolve any dispute, controversy or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004.
Corporation & Third Parties	Under the Bank's Corporate Governance Manual, the Corporate Governance Committee shall be responsible for the amicable resolution of disputes and/or settlement of conflicts or differences between the Bank and third parties.
Corporation & Regulatory Authorities	Under the Bank's Corporate Governance Manual, the Corporate Governance Committee shall be

	responsible for the amicable resolution of disputes and/or settlement of conflicts or differences between the Bank and regulatory authorities.
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C. BOARD MEETINGS & ATTENDANCE

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

The Board of Directors' meetings are scheduled before the beginning of the year.

2) Attendance of Directors: For the period January – December 2014, the total number of meetings is 16, including Special Board, Stockholders' and Organizational Meetings of the Board.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Honorary Chairman	Alfonso T. Yuchengco	June 30, 2014	16	14	87.50
Chairperson	Helen Y. Dee	June 30, 2014	16	16	100
Member	Lorenzo V. Tan	June 30, 2014	16	15	93.75
Member	Cesar E. A. Virata	June 30, 2014	16	16	100
Member	Teodoro D. Regala	June 30, 2014	16	15	93.75
Member	Wilfrido E. Sanchez	June 30, 2014	16	16	100
Member	Ma. Celia H. Fernandez-Estavillo	June 30, 2014	16	16	100
Member	Minki Brian Hong	June 30, 2014	16	14	87.50
Member	T.C.Chan	June 30, 2014	16	13	81.25
Member	Tim-Chiu Richard Leung*	June 24, 2013	8	5	62.50
Member	Medel T. Nera	June 30, 2014	16	16	100
Member	Francis G. Estrada	June 30, 2014	16	15	93.75
Independent	Francisco C. Eizmendi, Jr.	June 30, 2014	16	15	93.75
Independent	Armando M. Medina	June 30, 2014	16	15	93.75
Independent	Antonino M. Alindogan, Jr.	June 30, 2014	16	16	100
Member	Yvonne S. Yuchengco**	June 30, 2014	4	4	100
Member	Richard Westlake***	June 30, 2014	4	2	50

*Mr. Richard Leung was not reappointed at the June 30, 2014 Stockholders' Meeting.

**Ms. Yvonne Yuchengco was appointed at the June 30, 2014 Stockholders' Meeting and resigned effective October 1, 2014.

***Mr. Richard Westlake was appointed effective October 1, 2014.

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

Section II.A. 2.3.14 of the Bank's Corporate Governance Manual provides that non-executive board members shall meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions. No meeting was held this year.

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

No. Per Section 6, Article V of the By-Laws "A majority of the incumbent Directors shall constitute a

quorum at any meeting and a majority of the members in attendance at any Board meeting shall decide its action."

5) Access to Information

- (a) How many days in advance are board papers⁶ for board of directors meetings provided to the board?**

At least three (3) days before the meeting.

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

Yes.

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

Section 6, Article VIII of the By-Laws states the following:

"The Secretary shall give due notice and keep the Minutes of all meetings of the stockholders of the Bank and of the Board of Directors; have custody of the Stock Certificate Book, Stock and Transfer Book and the Corporate Seal; prepare ballots for the annual election and keep a complete and up-to-date roll of the stockholders and their respective addresses. He shall perform such duties as are incident to his office and those which may be required of him by the Board of Directors."

Section II.D.5 of the Corporate Governance Manual sets forth the following duties and responsibilities of the Corporate Secretary:

1. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as the other official documents, records and other information essential to the conduct of his duties and responsibilities to the Bank.
2. Inform the members of the Board of the schedule and agenda of their meetings and ensure that the members have before them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval.
3. Serve as an adviser of the Board, and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
4. Work fairly and objectively with the Board, Management and stockholders and other stakeholders.
5. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same.
6. Submit to the SEC, on or before January 30 of the following year, an annual sworn certification as to the attendance of the directors during Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.
7. In all transactions which may lawfully come to the knowledge of the Corporate Secretary involving transfer of voting shares of stock or registration of voting trust agreements, or any form of agreement vesting the right to vote the voting shares of stock of the Bank, the Corporate Secretary shall:
 - a. Ascertain the identity and citizenship of the transferee, voting trustee, proxy or person vested with the right to vote, and his relation to existing stockholders, and for this purpose, he shall require the transferee, voting trustee, proxy or the person vested with the right to vote to submit proof of citizenship, which may consist, in case of a corporation, of a certified true copy of the Articles of Incorporation, accompanied by the affidavit of the Corporate Secretary of the corporation, certifying to the correctness and accuracy of the list of stockholders, their citizenship, and the percentage of shares owned by them.

⁶ 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.

- b. Require the transferee, voting trustee, proxy or person vested with the right to vote, at the time of the receipt of the request for transfer or registration, or at any time thereafter, to disclose all information with respect to persons related to the transferee, voting trustee, proxy or person vested with the right to vote, within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, as well as corporations, partnerships or associations where the transferee, voting trustee, proxy or person vested with the right to vote has controlling interest, and the extent thereof.
- c. Require the transferee to execute an affidavit stating, among other things, that the transferee is a bona fide owner of shares of stock and that he acknowledges full awareness of the requirements of the law and the prohibitions against exceeding ownership of voting stocks beyond the prescribed limitations.
- d. If the request for transfer or the arrangement sought to be registered will patently cause the voting stocks of a person or a corporation, to exceed the limits prescribed by law, the Corporate Secretary shall deny the transfer or registration and forthwith inform the parties to the transaction in writing. Simultaneous with the notice to the parties, the Corporate Secretary shall submit a written report to the Governor of the BSP of the attempted illegal transfer or arrangements, together with the names, addresses of parties and other pertinent data with respect to the particular stock transaction.

In the event the Corporate Secretary has reason to doubt the legality of the transfer or of the arrangement sought to be registered, he may commence an action before the appropriate body.

- e. Promptly inform stockholders who have reached any of the ceilings imposed by law, of their ineligibility to own or control more than the applicable ceiling.
8. Ensure that all Board procedures, rules and regulations are strictly followed by the members.⁷

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

Yes.

(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 Committee	Please see reply below.
Audit Committee	Please see reply below.
Trust Committee	Please see reply below.
Personnel Evaluation and Review Committee	Please see reply below.
Risk Oversight Committee	Please see reply below.
Corporate Governance Committee	Please see reply below.
Technology Committee	Please see reply below.

II.A.2.5 of the Corporate Governance Manual provides:

"2.5 Adequate and Timely Information

- 2.5.1 To enable the members of the Board to properly fulfill their duties and responsibilities, the Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.
- 2.5.2 Since reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board, the members shall be given independent access to Management and the Corporate Secretary. Such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.
- 2.5.3 The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice. The cost of which shall be shouldered by the Bank."

6) External Advice

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

Procedures	Details
Section II.A.2.5.3 of the Bank's Corporate Governance Manual provides that the members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice, the cost of which shall be shouldered by the Bank	
Section II.D.3.1 of the Corporate Governance Manual provides that the Risk Oversight Committee shall have access to independent external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.	
Section II of the Audit Committee Charter grants the Committee the power to retain outside advisors as it deems necessary to carry out its duties. Section IV.F. of the Audit Committee Charter, the Audit Committee, where necessary, may require and institute special investigations, and, if appropriate, hire external counsel of experts to assist.	
Section 2.3 of the Corporate Governance Committee Charter provides that the Board may appoint one or more individuals to serve as advisor(s) to the Committee. The advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.	
Section 4.2 of the RPT Committee provides	

that the Committee shall be provided with adequate resources and shall have the authority to procure the services of independent experts in carrying out its mandate.	
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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
Policy on Social and Environmental Management System	Environmental and Social (E&S) due diligence and/or principles (Approved: ExCom July 25, 2012; BOD August 28, 2012)	To ensure that: <ul style="list-style-type: none"> bank lending operations are consistent with the Performance Standards, applicable Social and Environmental (S&E) regulations of the country and the exclusion list RCBC's staff and partners will have a clear reference point as to its position and requirements in relation to S&E management
Policy on Related Party Transactions	<ul style="list-style-type: none"> Audit Committee analysis and evaluation prior to submission to BOD for approval All RPT's instead of only RPT's where the amount involved is more than 2.5% of net assets will require approval of majority of BOD (Approved: BOD September 24, 2012)	<ul style="list-style-type: none"> Strengthen/rationalize procedure for review and approval of related party transactions
Trust Policy Manual	Incorporate provisions under new regulatory issuances (Approved: BOD 2/26/2013)	Compliance with regulatory requirements
Trust Risk Policy Manual	Incorporate provisions under new regulatory issuances (Approved: BOD 2/26/2013)	Compliance with regulatory requirements
Corporate Governance Manual (26 March 2012, 28 May 2012; 28 Jan 2013)	Incorporate provisions under new regulatory issuances	Compliance with regulatory requirements

	(Approved: BOD 2/26/2013)	
<u>Corporate Governance Manual</u>	<u>Incorporate provisions under new regulatory issuances</u> (Approved: BOD 7/28/2014)	<u>Compliance with regulatory requirements</u>
<u>Revised Policy on Related Party Transactions</u>	<ul style="list-style-type: none"> • <u>Definition of related party transaction</u> • <u>Definition of related parties</u> • <u>Report on RPT's submitted by the proponents to the RPT Committee</u> • <u>Review and approval process</u> (Approved: BOD 8/26/2014)	<u>To address BSP findings</u>
<u>Revised Money Laundering and Terrorist Financing Prevention Program Manual</u>	<u>Several changes were made to address BSP findings and changes in policy.</u> <ul style="list-style-type: none"> • (Approved: BOD 11/24/14) 	<u>To address BSP findings and changes in policy</u>

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	Negotiation	Negotiation
(2) Variable remuneration	None	None
(3) Per diem allowance	None.	None
(4) Bonus	Performance based & Company's profitability	Performance based & Company's profitability
(5) Stock Options and other financial instruments	N/A	N/A
(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	i. Executive Directors are entitled to remuneration as officers of the Bank. ii. The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus as provided for in Section 2 Article XI of the By-Laws of the Bank.	Please refer to left column.	Please refer to left column.
Non-Executive Directors	i. Non-executive directors are entitled to reasonable per diem. ii. The members of the Board of Directors, the Advisory Board, the Executive Committee and the Officers of the Bank are entitled to profit sharing bonus as provided for in Section 2 Article XI of the By-Laws of the Bank.	Please refer to left column.	Please refer to left column.

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

No. These are provided for in Section 2 Article XI of the By-Laws of the Bank.

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

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	N/A	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per diem Allowance	N/A	Php 6,207,000.00 (aggregate amount for	See reply under NED.

		NED's, ID's and Advisory Board Members for the Board and Committees for the year 2013)	
(d) Bonuses		Php 24,237,656.00 (aggregate amount for the year 2013; directors' bonuses are given to executive, non-executive and independent directors based on the formula provided for in the Bank's By-Laws)	
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
Total	Php 30,444,656.00		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
	*Entitled to benefits as officers of the Bank		
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contributions	N/A	N/A	N/A
(d) Pension Plans, Obligations incurred	N/A	N/A	N/A
(e) Life Insurance Premium	Applicable	N/A	N/A
(f) Hospitalization Plan	Applicable	N/A	N/A
(g) Car Plan	Applicable	N/A	N/A
(h) Others (Specify)	N/A	N/A	N/A
Total	N/A	N/A	N/A

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
	Please see table below

Information as to the aggregate compensation paid or accrued to the Bank's Chief Executive Officer and four other most highly compensated executive officers follows (in thousand pesos) as disclosed in SEC 17-A:

Names	Principal Position	Year	Aggregate Compensation (net of bonuses)	Bonuses
Lorenzo V. Tan	President & Chief Executive Officer	2013		
Redentor C. Bancod	Senior Executive Vice President			
John Thomas G. Deveras	Executive Vice President			
Jose Emmanuel U. Hilado	Senior Executive Vice President			
Ismael R. Sandig	Senior Executive Vice President			
			40,139	227,382

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:

	Executive Director (ED)	Non-executive Director (NED) (no. Includes ID's)	Independent Director (ID)	Committee Charter	Functions	Key Responsibilities	Powers
Executive	1	4	1	None. Its powers and functions are spelled out in the Bank's By-Laws and Corporate Governance Manual.	See discussion under powers.	See discussion under powers.	Article V, Section 10 of the Bank's By-Laws provides that the Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board of Directors. This is also provided for under Section II.D.1 of the Bank's Corporate Governance Manual. The provision in the Manual also provides that the Committee shall likewise have the power to review an asset or loan to ensure timely recognition and resolution of impaired assets.
Audit	0	4	2	Yes.	Please refer to Section I of the Audit Committee Charter attached as Annex "C" hereto and made an integral part hereof.	Please refer to Section IV of the Audit Committee Charter.	Please refer to Section II of the Audit Committee Charter.
Risk Oversight	1	5	2	Yes.	Please refer to	Please refer to	Please refer to Section E of the

					Section A of the Risk Oversight Committee Charter attached as Annex "D" hereto and made an integral part hereof.	Section E of the ROC Charter which discusses its responsibilities.	ROC Charter which sets forth its scope of authority.
Corporate Governance	1	4	2	Yes.	Please refer to Section 5 Duties and Responsibilities of the Corporate Governance Committee Charter attached as Annex "E" hereto and made an integral part hereof.	Please refer to Section 5 Duties and Responsibilities of the Corporate Governance Committee Charter.	Please refer to Section 1.0 General Purpose and Authority of the Corporate Governance Committee Charter.
Trust	1	3	0	Yes.	Please refer to Section 3 of the Trust Committee Charter attached as Annex "F" hereto and made an integral part hereof.	Please refer to Section 3 of the Trust Committee Charter attached as Annex "F" hereto and made an integral part hereof.	Please refer to Section 3 of the Trust Committee Charter attached as Annex "F" hereto and made an integral part hereof.
Technology	1	4	1	Yes.	Please refer to Section A Principal Purpose/Objective of the Technology Committee Charter attached as Annex "G" hereto and made an integral part hereof.	Please refer to Section E Responsibility of the Technology Committee Charter.	Please refer to Section E Scope of Authority of the Technology Committee Charter.

Personnel Evaluation and Review Committee (PERC)	0	1	0	Yes	Please refer to Section III. Purpose of the PERC Charter attached hereto as Annex "H" and made an integral part hereof.	Please refer to Section VI. Powers and Authorities of the PERC Charter.	Please refer to Section VI. Powers and Authorities of the PERC Charter.
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2) Committee Members

Committee members are appointed during the organizational meeting of the Board of Directors. The information below covers the calendar year 2014.

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	<u>30 June 2014</u>	<u>46</u>	<u>39</u>	<u>84.78</u>	<u>9 yrs</u>
Member (ED)	Lorenzo V. Tan	<u>30 June 2014</u>	<u>46</u>	<u>39</u>	<u>84.78</u>	<u>7 yrs</u>
Member (NED)	Cesar E. A. Virata	<u>30 June 2014</u>	<u>46</u>	<u>44</u>	<u>95.65</u>	<u>19 yrs</u>
Member (ID)	Armando M. Medina	<u>24 June 2013</u>	<u>23*</u>	<u>20</u>	<u>86.96</u>	<u>11 yrs</u>
Member (ID)	Antonino L. Alindogan, Jr.	<u>30 June 2014</u>	<u>46</u>	<u>39</u>	<u>84.78</u>	<u>7 yrs</u>
Member (NED)	Minki Brian Hong	<u>30 June 2014</u>	<u>46</u>	<u>22</u>	<u>47.83</u>	<u>3 yrs</u>

*Mr. Armando Medina was not re-appointed during the 30 June 2014 General Stockholders' Meeting.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Armando M. Medina	<u>30 June 2014</u>	<u>13</u>	<u>13</u>	<u>100</u>	<u>7 yrs</u>
Member (ID)	Francisco C. Eizmendi, Jr.	<u>30 June 2014</u>	<u>13</u>	<u>8</u>	<u>61.5</u> <u>4</u>	<u>1 year 4 mos</u>
Member (NED)	Minki Brian Hong	<u>30 June 2014</u>	<u>13</u>	<u>6</u>	<u>38.4</u> <u>6</u>	<u>3 yrs</u>
Member (NED)	Medel T. Nera	<u>30 June 2014</u>	<u>13</u>	<u>14</u>	<u>84.6</u> <u>2</u>	<u>2 yrs 11 mos</u>

Disclose the profile or qualifications of the Audit Committee members.

Dir. Armando M. Medina, 65, Filipino, is an Independent Director of the Bank. He is a member of various board committees of the Bank, including the Audit Committee, and Risk Oversight Committee and the Corporate Governance Committee. He is also an Independent Director of RCBC

Savings Bank, RCBC Capital Corporation, and Malayan Insurance Co., Inc. He graduated from De La Salle University with a Bachelor of Arts degree in Commerce and Economics and a Bachelor of Science in Commerce with a major in Accounting.

Mr. Francisco C. Eizmendi, Jr., 79, Filipino, is an Independent Director of the Bank. Mr. Eizmendi is also the Chairman of Dearborn Motor Co., an Independent Director of Sunlife Grepa Financial Inc. and Makati Finance Corporation and Trustee at the Institute of Corporate Directors. He served as President and Chief Operating Officer of San Miguel Corporation from 1987 to 2002. He graduated from the University of Sto. Tomas with a Bachelor of Science degree in Chemical Engineering.

Mr. Minki Brian Hong, 42, American, is currently a Managing Director of CVC Asia Pacific Limited and a Director of Hexagon Investments Holdings Limited. He graduated from the Brown University with double degree in Political Science and Business Economics. Other present directorship positions include Capital Asia Funds Limited, Best Moment Holdings, WiniaMando, Inc., Spare Group Limited, Spare Holdings Limited.

Mr. Medel T. Nera, 59, Filipino, joined the Bank in July 2011. Presently, he is the Chairman of the Risk Oversight Committee and member of Audit and Technology Committees. Mr. Nera graduated from the Far Eastern University with a degree in BS Commerce Major in Accountancy. He completed his post graduate studies at the New York University with a Master of Business Administration degree. He is presently a Director of Philippine National Reinsurance Corporation, Director and President of House of Investments, Inc., and Director and President of RCBC Realty Corporation. He also has directorship positions in Honda Cars Kalookan, iPeople, Inc., Landev Corporation, Hi-Eisai Pharmaceutical, Malayan Colleges Laguna Inc., and YGC Corporate Services.

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

- i. Recommend to the Board the selection of the external auditors, considering professional qualification, independence and effectiveness, and recommend the fees to be paid. Recommend any replacement of the external auditors.
- ii. Consult with external auditors without management's presence about internal controls and the accuracy of the financial statements.
- iii. Prior to the commencement of the audit, discuss with the external auditor the nature, scope, approach and expenses of the audit, including coordination of audit efforts with Internal Audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- iv. Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor both in relation to Bank's total expenditure on consultancy.
- v. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. If allowed, the non-audit work shall be disclosed in the Company's Annual Report.
- vi. Ascertain the rotation of audit partner or external audit firm as required by regulations.
- vii. Ascertain that management responds to recommendations by external auditors and is taking appropriate corrective actions in a timely manner.

(c) Nomination Committee

The Nomination and Remuneration Committees are merged under the Corporate Governance Committee.

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

Member (ED)						
Member (NED)						
Member (ID)						
Member						

(d) Remuneration Committee

The Nomination and Remuneration Committees are merged under the Corporate Governance Committee.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Francisco C. Eizmendi, Jr.	30 June 2014	<u>10</u>	<u>10</u>	<u>100</u>	<u>7 yrs</u>
Member (NED)	Helen Y. Dee	30 June 2014	<u>10</u>	<u>10</u>	<u>100</u>	<u>9 yrs</u>
Member (NED)	Wilfrido E. Sanchez	30 June 2014	<u>10</u>	<u>10</u>	<u>100</u>	<u>7 yrs</u>
Member (ID)	Antonino L. Alindogan, Jr.*	30 June 2014	<u>7</u>	<u>7</u>	<u>100</u>	<u>1 year 4 mos.</u>
Member (ED)	Atty. Ma. Celia H. Fernandez-Estavillo	30 June 2014	<u>10</u>	<u>10</u>	<u>100</u>	<u>3 yrs</u>
Member (ID)	Armando M. Medina	26 August 2014	<u>2</u>	<u>2</u>	<u>100</u>	<u>4 mos.</u>

*Resigned effective 31 July 2014

(e) Others (Specify)

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

Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Teodoro D. Regala	<u>30 June 2014</u>	<u>12</u>	<u>11</u>	<u>92</u>	<u>15 yrs</u>
Member (NED)	Cesar E.A. Virata	<u>30 June 2014</u>	<u>12</u>	<u>12</u>	<u>100</u>	<u>7 yrs.</u>
Member	Wilfrido E. Sanchez	<u>30 June 2014</u>	<u>12</u>	<u>12</u>	<u>100</u>	<u>10 yrs. 11</u>

(NED)						mos.
Member (ED)	Lorenzo V. Tan	<u>30 June 2014</u>	<u>12</u>	<u>11</u>	<u>92</u>	<u>6 yrs. 11 mos.</u>
Member (Trust Officer)	Lourdes M. Ferrer	<u>1 Sep 00</u>	<u>12</u>	<u>12</u>	<u>100</u>	<u>13 yrs. 9 mos.</u>

Risk Oversight Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Medel T. Nera	<u>30 June 2014</u>	<u>10</u>	<u>10</u>	<u>100</u>	<u>2 yr 11 mos</u>
Member (NED)	Helen Y. Dee	<u>30 June 2014</u>	<u>10</u>	<u>8</u>	<u>80</u>	<u>5 yrs</u>
Member (ED)	Lorenzo V. Tan	<u>30 June 2014</u>	<u>10</u>	<u>10</u>	<u>100</u>	<u>7 yrs</u>
Member (NED)	Cesar E.A. Virata	<u>30 June 2014</u>	<u>10</u>	<u>9</u>	<u>90</u>	<u>13 yrs</u>
Member (ID)	Armando M. Medina (Vice Chair)	<u>30 June 2014</u>	<u>10</u>	<u>9</u>	<u>90</u>	<u>11 yrs</u>
Member (ID)	Antonino L. Alindogan, Jr.	<u>24 June 2013*</u>	<u>6</u>	<u>5</u>	<u>83.33</u>	<u>5 yrs</u>
Member	Francis G. Estrada	<u>30 June 2014</u>	<u>4</u>	<u>3</u>	<u>75</u>	<u>6 months</u>

*Mr. Alindogan was not re-appointed.

Technology Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Helen Y. Dee	<u>30 June 2014</u>	<u>8</u>	<u>5</u>	<u>62.5</u>	<u>6yrs 6 mos</u>
Member (ED)	Lorenzo V. Tan	<u>30 June 2014</u>	<u>8</u>	<u>4</u>	<u>50</u>	<u>6yrs 6 mos</u>
Member (NED)	Cesar E.A. Virata	<u>30 June 2014</u>	<u>8</u>	<u>5</u>	<u>62.5</u>	<u>6yrs 6 mos</u>
Member (NED)	Medel T. Nera	<u>30 June 2014</u>	<u>8</u>	<u>7</u>	<u>87.5</u>	<u>6yrs 6 mos</u>
Member (ID)	Armando M. Medina	<u>30 June 2014</u>	<u>8</u>	<u>6</u>	<u>75</u>	<u>6yrs 6 mos</u>

PERSONNEL EVALUATION AND REVIEW COMMITTEE

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ms. Helen Y. Dee	June 2005	<u>6</u>	<u>6</u>	<u>100</u>	<u>8 yrs</u>
Member	Head – Human Resources Group	-	<u>6</u>	<u>6</u>	<u>100</u>	-
Member	Head – Retail Banking Group	-	<u>6</u>	<u>6</u>	<u>100</u>	-

Member	Head – Controllership Group	-	6	6	100	-
Member	Head – Legal and Regulatory Affairs Group	-	6	6	100	-
Member	Head – Corporate Risk Management Group	-	6	6	100	-

RELATED PARTY TRANSACTIONS COMMITTEE

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Antonino L. Alindogan, Jr.	26 August 2014	6	6	100	4 mos.
Member (ID)	Francisco C. Eizmendi, Jr.	26 August 2014	6	5	83.33	4 mos.
Member (NED)	Wilfrido E. Sanchez	26 August 2014	6	4	66.67	4 mos.
Member (NED)	Teodoro D. Regala	26 August 2014	6	6	100	4 mos.
Member (NED)	Francis G. Estrada	26 August 2014	6	4	66.67	4 mos.
Alternate Member (ED)	Ma. Celia F. Fernandez-Estavillo	24 November 2014	1	0	0	1 mo.

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
Corporate Governance Committee	Resignation of Mr. Antonino L. Alindogan, Jr.; Appointment of Mr. Armando M. Medina effective 26 August 2014	To address BSP findings on concurrent membership in the Executive Committee.

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	<ul style="list-style-type: none"> Discussed various policies issued by regulatory agencies Approved non-DOSRI loans over P100 million up to below 15% of the Bank's unimpaired capital Evaluated and approved various operations/product manuals Reviewed and endorsed for Board approval various 	Compliance with laws and regulatory issuances; fulfillment of responsibilities under the Bank's By-Laws and Corporate Governance Manual

	management matters	
Audit	<ul style="list-style-type: none"> • <u>Performance of oversight functions over the internal and external auditors and ensuring that they acted independently from each other and both auditors were given unrestricted access to records, properties and personnel in the discharge of their functions.</u> • <u>Review of audit reports of both internal and external auditors and engaging in discussions of the results of audits during Audit Committee meetings to evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting and information technology security. This also included the review of the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters:</u> <ul style="list-style-type: none"> • <u>Any changes in accounting policies and practices;</u> • <u>Significant adjustments arising from audit;</u> • <u>Compliance with accounting standards;</u> • <u>Compliance with tax, legal and regulatory requirements;</u> • <u>Going concern assumptions;</u> • <u>Major judgmental areas; and</u> • <u>Completeness of disclosures of material information including subsequent events and related party transactions.</u> • <u>Review of the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function and approved the annual audit plan to ensure its conformity with the objectives of the Bank. This also included quarterly review of audit plan accomplishment /</u> 	<ul style="list-style-type: none"> • <u>Providing the Internal Audit function with sufficient manpower complement thru approval and endorsement of the additional manpower requirement of IAG brought about by the continuing expansion of the bank.</u> • <u>Approval on the outsourcing of 60 business centers, various IT-related Audits (i.e. General Controls and Application Review), 2014 financial statements review and independent review of ICAAP to ensure adequate audit coverage.</u> • <u>The Committee instructed Retail Banking Group and Human Resources Group to upgrade the screening process of branch personnel particularly the Branch Managers, to improve competency of the new hires thru adequate training prior to deployment and to require existing personnel to continually enhance their process knowledge and strict execution of controls</u> • <u>The Committee recommended the reiteration of various policies in the BC as well as implementation of stringent controls on critical processes.</u>

	<ul style="list-style-type: none"> status including capacity and manpower complement. Review of the compliance reports of the Compliance Officer during Audit Committee meetings to assess compliance with laws, rules and regulations. This also included the review of findings of any examinations by regulatory agencies (e.g., BSP). Review of the Audit Committee and Internal Audit Charters. 	
Risk Oversight	<ul style="list-style-type: none"> Review and approval of: <ul style="list-style-type: none"> portfolio and risk limits ICAAP Document and Roadmap Approval of: <ul style="list-style-type: none"> Consolidated Risk Appetite Statement Increase in industry concentration limits Various revisions to credit policies and internal SBL Various liquidity and other risk limit amendments Revisions to market risk models and the contingency funding plan Amendments to the QRMD framework and various guidelines on KRI, RCSA and Loss Events reporting Amendments to Trust Risk Policy Manual and other manuals Notation and approval/disposition/action of/on: <ul style="list-style-type: none"> Results of the risk materiality survey Results of the BSP uniform stress testing for banks; credit stress testing results Updates on the Bank's SEMS initiatives Risk profile of subsidiaries Reports on subsidiary 	<ul style="list-style-type: none"> ICAAP Credit Risk Management Market and Liquidity Risk Management Operational Risk Management & Risk Management Systems Contingency Management and IT Risk

	<u>credit risk oversight</u> <u>Disaster Recovery Test</u> <u>reports;</u> <u>various</u> <u>contingency initiatives and</u> <u>report on impact</u> <u>assessment of recent</u> <u>calamities.</u>	
Corporate Governance	<ul style="list-style-type: none"> • <u>Review and evaluation of the qualifications of persons nominated to the Board as well as new officers with rank of Assistant Vice President and up requiring appointment by the Board;</u> • <u>Review and evaluation of the results of the annual self-assessment of the Board as a whole, of themselves as the individual members and as members of the Board committees; and</u> • <u>Review of the annual performance evaluation of senior management and those recommended for promotion.</u> • <u>Review/evaluation of certain findings of the BSP in the recent examination</u> 	<u>Fulfillment of responsibilities under its charter and the Corporate Governance Manual</u>
Trust		
	<ul style="list-style-type: none"> • <u>Approve revisions to the Trust Policy and Risk Manuals; issue new policies and guidelines for new products and activities and to further streamline controls.</u> 	<ul style="list-style-type: none"> • <u>To ensure that policies and guidelines are revised to keep up with the changing market conditions and regulatory environment</u>
	<ul style="list-style-type: none"> • <u>Review and approve annual business plan for the Trust and Investments Group.</u> 	<ul style="list-style-type: none"> • <u>To promote the growth of the trust business in terms of volume of trust assets and revenues</u>
	<ul style="list-style-type: none"> • <u>Review and discuss financial performance, the impact of new regulations, industry landscape and trends, new product offerings, among others.</u> 	<ul style="list-style-type: none"> • <u>To monitor performance of the trust business in relation to the approved business plan and against competition</u>
	<ul style="list-style-type: none"> • <u>Review investment performance of various accounts managed as well as compliance with regulatory limits, internal policies and client prescribed parameters.</u> 	<ul style="list-style-type: none"> • <u>To ensure that accounts are managed in accordance with regulations and client prescribed guidelines</u>
	<ul style="list-style-type: none"> • <u>Approve credit lines, new investment outlets and accreditation of counterparties.</u> 	<ul style="list-style-type: none"> • <u>To ensure that investments of accounts managed are done prudently and through accredited parties.</u>
	<ul style="list-style-type: none"> • <u>Discuss and review risk management reports.</u> 	<ul style="list-style-type: none"> • <u>To monitor, measure and control levels of risk</u>

		<u>undertaken by Trust in relation to the client's requirements</u>
	<ul style="list-style-type: none"> • <u>Monitor and review compliance with and impact of applicable laws and regulations and implementation of approved policies and guidelines.</u> 	<ul style="list-style-type: none"> • <u>To ensure compliance with new regulations which impact the trust business.</u>
Technology	<ul style="list-style-type: none"> • Approved major IT investments. • Managed and aligned IT initiatives across the Group. • Reviewed status of major projects. • Prioritized IT initiatives • Evaluated emerging IT solutions for use of the Group. • Reviewed and resolved IT risks and other IT related issues raised in the TechCom. • Ensured compliance to BSP rules and regulations relating to Information Technology 	Fulfillment of management and oversight responsibilities over IT initiatives of the Group
PERC	<ul style="list-style-type: none"> • Reviewed disciplinary cases. • Ensured that appropriate, corrective and disciplinary measures are imposed on cases involving dishonesty, fraud, negligence, or violation of any internal Bank policy, rule or procedure committed by an RCBC employee. 	Fulfillment of responsibilities under its Charter
RPT	<ul style="list-style-type: none"> • <u>Constitution of the RPT Committee</u> • <u>Review of the Charter and policies on RPT</u> • <u>Review of related party transactions</u> 	<u>Fulfillment of responsibilities under the Charter and relevant regulations.</u>

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	N/A. This will be done at the board level.	N/A. This will be done at the board level.
Audit	<ul style="list-style-type: none"> • <u>Evaluation and approval of the outsourcing of sixty (60) business center to an external service provider in case additional manpower</u> 	<ul style="list-style-type: none"> • <u>To address the 2014 backlog in the audit plan.</u> • <u>To address the manpower deficiency of IT Audit and regular audit.</u>

	<p>requirement is not on board by 1st quarter of 2015.</p> <ul style="list-style-type: none"> • <u>Evaluation of the outsourcing of some of the IT Audit plan</u> • <u>Review of the Audit Committee and Internal Audit process</u> • <u>Review of selection process and criteria on the assessment of the external auditor and conduct of the annual assessment.</u> 	<ul style="list-style-type: none"> • <u>To expedite the Audit Committee meetings and focus on addressing significant issues requiring management attention.</u> • <u>To recommend external auditor in consideration of the qualification, independence and effectiveness.</u>
Nomination	<ul style="list-style-type: none"> • Functions have been merged under the Corporate Governance Committee 	
Remuneration	<ul style="list-style-type: none"> • Functions have been merged under the Corporate Governance Committee 	
Trust	<p><u>Policy Formulation</u></p>	<ul style="list-style-type: none"> • <u>Review policies to keep up with the changing market conditions and regulatory environment</u> • <u>Review procedures and guidelines in areas which require streamlining of processes</u> • <u>Address any audit and compliance issues that may be raised</u>
	<p><u>Strategy Formulation and Performance</u></p>	
	<p>a. <u>Volume Growth</u></p>	<p><u>To increase trust assets to P88B by end 2014</u></p>
	<p>b. <u>Revenue Contribution</u></p>	<ul style="list-style-type: none"> • <u>To generate P278M in trust fees in 2014</u>
	<p>c. <u>Product Development</u></p>	<ul style="list-style-type: none"> • <u>To develop at least one product in 2014</u>
	<p><u>Operational Efficiency and Controls</u></p>	<ul style="list-style-type: none"> • <u>Implement the Trade and Order Monitoring System to strengthen risk management in handling of accounts</u> • <u>Maximize use of the Administrative Review Monitoring System and generate required reports</u>
	<p><u>Risk Management</u></p>	<ul style="list-style-type: none"> • <u>Streamline risk management reports to facilitate Trust Committee review and action</u>
	<p><u>Audit</u></p>	<ul style="list-style-type: none"> • <u>Achieve satisfactory audit rating</u>

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Group recognizes that risk is an inherent part of its activities, and that Banking is essentially a business of managing risks. Ultimately, therefore, the Group views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.

This corporate risk philosophy further translates to:

- Prudential risk-taking and proactive exposure management as cornerstones for sustainable growth, capital adequacy, and profitability;
- Standards aligned with internationally accepted practices and regulations in day to day conduct of risk and performance management; and
- Commitment to developing risk awareness across the Group, promoting the highest standards of professional ethics and integrity, establishing a culture that emphasizes the importance of the risk process, sound internal control, and advocating the efficient use of capital.

Concretely, the Group's risk management system aims to:

- Identify, measure, control, and monitor the risk inherent to the Group's business activities or embedded in its products and portfolio;
- Formulate, disseminate, and observe the corporate risk philosophy, policies, procedures and guidelines;
- Assist risk-taking units in understanding and measuring risk-return profiles in their various business transactions; and
- Continually develop an efficient and effective risk management infrastructure.

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

The Board, via the Risk Oversight Committee as its designated oversight body, reviews the effectiveness of the risk management system on a continuing basis. Such review covers, among others, the risk management framework; i.e., the manner by which the Bank identifies, measures, controls, and monitors its material risks. The document that essentially embodies this review is the annual Internal Capital Adequacy Assessment Process (ICAAP) document submitted to the BSP every 31st January. The Board had done so for 2014, and deemed the effectiveness of the risk management system to be adequate.

(c) Period covered by the review;

Please see item (b) above.

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

Further to the discussion in item (b) above, the effectiveness of the risk management system is assessed via the ROC's regular examination of where the Bank is with respect to the approved risk appetite / risk-reward framework. Breaches of risk appetite benchmarks as well as of approved risk controls / limits trigger reviews of both the Bank's business and risk direction, and the bases for the very same breached risk thresholds.

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

N/A

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
Please refer to reply in item b below.	Please refer to reply in item b below.	Please refer to reply in item b below.

(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
Please see reply below.	Please see reply below.	Please see reply below.

The Group's Risk Management Framework, provides the engine for the determination of the Group's material risks, its appetite for said risks, and the overall execution of the risk management cycle of identifying, assessing or measuring, controlling and monitoring risk exposures. Risks are identified using various tools and techniques. Metrics, both adopted from regulation and best practice and internal to the Group are then used to measure these risks. Limits are then set to control them; and later monitored regularly to ascertain whether the same risks are still within the prescribed limits.

Risk Identification and Materiality

The risk identification & assessment process in the Group is carried out mainly via three means. "Top-down" risk assessment is from a macro perspective, and generally occurs during the risk appetite setting exercise of the Board and Senior Management. "Bottom-up" risk assessment on the other hand is the micro perspective. It involves identification and assessment of existing risks or those that may arise from new business initiatives and products, including material risks that originate from the Group's Trust business, subsidiaries and affiliates. The final means by which risk identification is carried out is via independent assessments. These include assessments and validations made by the Group's internal audit group, by the BSP, other regulators, the customers themselves, and other stakeholders.

On top of these risk identification methodologies, the Group likewise performs a perception check of the material vulnerabilities it faces. On an annual basis, the Board and the members of the Senior Management Committee undergo a Risk Materiality Survey to assess risk appreciation.

Risk Assessment

Pillar 1 Risks

The measurement of Pillar 1 risks is through proper risk measurement tools and methodology aligned with best practices and acceptable per regulatory standards. Minimum approaches are as prescribed under Basel II and BSP Circulars 360, 538, 544 and 545, with the objective of building on these regulatory prescriptions towards better internal models.

- Credit Risk – It is the risk that the borrower, issuer or counterparty in a transaction may default and cause a potential loss to the Group. The assessment of this risk is governed by the Standardized Approach, as prescribed under Basel II and BSP Circular 538.
- Market Risk – It is the risk resulting from adverse movements in the general level or volatility of market rates or prices or commodity/equity prices possibly affecting the Group's financial condition. The assessment of this risk likewise follows the Standardized Approach.
- Operational Risk – It is the risk arising from the potential that inadequate information system, operations or transactional problems (related to service or product delivery), breaches in internal controls, fraud or unforeseen catastrophes will result in unexpected loss. IT Risk assessment is currently subsumed under this risk category. The Group uses the Basic Indicator Approach in its assessment of this risk.

Pillar 2 Risks

The tools used to measure most of Pillar 2 risks on the other hand are, in general, still evolving, and shall still undergo refinement moving forward. Following is a brief summary of how the Group appreciates these risks, and the tools employed for quantifying the same in 2014.

- Liquidity Risk – It is the risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without incurring unacceptable losses. This risk is measured using the established Maximum Cumulative Outflow (MCO) method, which in turn is based on historical observations and simulations of prospective liquidity risk events.
- Interest Rate Risk in the Grouping Book (IRRBB) – It is the current and prospective negative impact to earnings and capital arising from movements or shifts in interest rates. IRRBB becomes inherent in the current and prospective interest gapping of the Group's balance sheet. For the Group, this risk is measured via the Capital-at-Risk (CaR) and Net Interest Income (NII)-at-Risk methods.
- Concentration Risk – It is the current and prospective negative impact to earnings and capital arising from over-exposure to specific industries or borrowers / counterparties. Other than the various measures of risk concentration, the Group measures credit concentration risk using a simplified application of the Herfindahl-Hirschman Index (HHI) approach.
- Reputation Risk – It is the current and prospective negative impact to earnings and capital arising from negative public opinion. The Group recognizes this risk as one of the most difficult to quantify. In 2011, the Group adopted a reputation monitoring and escalation framework, which studies have shown to be just as effective. Driving the management of this risk is the Group's Public Relations Committee. The assessment of extreme reputation risk however is folded into the assessment of liquidity risk stress.
- Compliance Risk – It is the current and prospective negative impact to earnings and capital arising from violations of laws, regulations, ethical standards, and the like. The quantification of this risk is for now highly dependent on an analysis of historical operational losses and regulatory penalties / fines. Moving forward, a more robust operational risk management system could surface a better estimation method.

- Strategic Business Risk – It is the current and prospective negative impact to earnings arising from adverse business decisions, improper implementation of decisions, lack of responsiveness to industry changes. The Group currently treats this risk as a catch-all risk, and expresses its estimate as a cap on additional risk weighted assets given other risks and a desired minimum capital adequacy ratio.

Risk Control

The Board establishes the Group's strategic directions and risk tolerances. In carrying out these responsibilities, the Board approves policies, sets risk standards, and institutes risk limits. These limits are established, approved, and communicated through policies, standards, and procedures that define responsibility and authority. The same are evaluated at least annually for relevance, and to ensure compatibility with decided business strategy.

Risk Monitoring and Reporting

The Group monitors risk levels to ensure timely review of risk positions and exceptions versus established limits and ensure effectiveness of risk controls using appropriate monitoring systems. Reports are prepared on a regular, timely, accurate, and informative manner; and distributed to the risk taking units and appropriate oversight body to ensure timely and decisive management action. The RCBC ALCO is apprised weekly of the Parent's risk positions, performance, and limit compliance. The ROC on the other hand is apprised monthly of the same, but this time including those of the subsidiaries'. The Chair of the ROC in turn reports the committee's findings to the immediately following Board meeting.

Risk Mitigation and Management

In the end, risk management as a value proposition does not equal risk avoidance. The risk process adopted by the Group is not designed to eliminate risks, but rather to mitigate and manage them so as to arrive at an optimum risk-reward mix.

The Group understands efficient risk mitigation as one that is brought about by an active and consistent application and enforcement of policies, with a view of facilitating value-adding growth. It is also a process by which contingencies are laid out and tested in the hope of serving the Group in good stead during unforeseen crisis events.

(c) Minority Shareholders

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

Risk to Minority Shareholders
None. Notwithstanding exercise of controlling shareholders' voting power, rights of minority shareholders are protected.

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)
Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.

(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)
Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.	Pls. see discussion on Risk Policy.

(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:

The risk management infrastructure of the Group follows a top-down approach, whereby the Board takes ultimate accountability for the risks taken, the tolerance for these risks, business strategies, operating budget, policies, and overall risk philosophy.

In the interest of promoting efficient corporate governance, however, the Board constitutes committees to perform oversight responsibilities. These committees perform oversight functions either in the area of risk policy formulation, decision-making, or risk portfolio management. Assisting these committees in turn are dedicated management units.

The Risk Oversight Committee (ROC)

The ROC is constituted by the Board, and exercises authority over all other risk committees of the various RCBC business groups and subsidiaries, with the principal purpose of assisting the Board in fulfilling its oversight responsibilities relating to:

- Evaluation and setting of the Group's risk appetite;
- Review and management of the Group's risk profile;
- Implementation and continuous improvement of a sound framework for the identification, measurement, control, monitoring, and reporting of the principal risks faced by the Group;
- Capital planning and management.

The ROC is primarily tasked to develop and implement the institution's risk management program. 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. The committee shall likewise enable the Board to establish the Group's risk tolerance within a risk-reward framework and ensure that a risk

management strategy is in place that adheres to this framework. More particularly, the committee shall:

- Identify the Group's risk exposures and 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 most likely to occur and are costly when they happen.
- Develop a written plan defining the strategies for managing and controlling major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.
- Cause the implementation of the plan, communicating the same and loss control procedures to affected parties. The committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and direct concerned units or offices on how to reduce these risks.
- Evaluate the risk management plan to ensure its continued relevancy, 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 and entity's over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

Other than the ROC, the Board had constituted other committees that are nonetheless crucial to the risk management process. Primarily responsible for providing oversight with respect to the Group's risk-taking function are the following committees:

The Executive Committee

The Executive Committee has the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board. More specifically, it reviews and approves loans and other credit-related matters, investments, purchase of stocks, bonds, securities and other commercial papers for the Bank.

The Credit and Collection Committee

The Credit and Collection Committee, aside from the exercise of credit authority, is responsible for the regular review of past due accounts, reports / recommends to the Executive Committee, and takes immediate measures to enable reduction of the level of past due accounts.

The Asset and Liability Committee

The Asset and Liability Management Committee manages the asset / liability structure primarily of the parent Bank in order to:

- Achieve maximum but stable net interest margin.
- Maximize after-tax return on assets and on equity.
- Assure adequate capital to satisfy regulatory requirements as well as internal standards.
- Assure adequate liquidity.

The following in turn are primarily responsible for validation and ensuring compliance to regulatory and internal policies:

The Audit Committee

The Audit Committee is a Board-level committee constituted to perform the following core functions:

- Oversight of the institution's financial reporting and control, and of internal and external audit functions. This includes responsibility for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the Audit Committee.

- Investigation of any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings and adequate resources to enable it to effectively discharge its functions.
- The review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, to be conducted at least annually.

The Corporate Governance Committee

The Corporate Governance Committee is constituted by the Board to assist in performing its corporate governance responsibilities. It is tasked to ensure the Board's effectiveness and due observance of corporate governance and principles, as embodied in the Group's Corporate Governance Manual approved and adopted by the Board. Furthermore, it is tasked to:

- Decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation).
- Decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.
- Oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.
- Prepare internal guidelines that shall be adopted which address the competing time commitments that are faced when directors serve on multiple boards.
- Make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.

The Related Party Transactions Committee

The RPT Committee is a Board-level committee headed by an independent director and composed of members with the least connection to the YGC conglomerate. The Committee meets monthly and as necessary, and reviews RPT's to determine whether or not the transaction is on terms no less favourable to the Parent Company than terms available to any unconnected third party under the same or similar circumstances. On favourable review, the RPT Committee endorses transactions to the Board for approval.

The Corporate Risk Management Services Group (CRISMS)

CRISMS' responsibilities cover risk management functions that are exclusive to an organizational unit independent of the unit responsible for the origination of the relevant risk exposure. Included are the following:

- Design and implementation of the internal credit risk rating system.
- Design or selection, and implementation of market risk measurement models / methodologies (e.g., value-at-risk, earnings-at-risk), monitoring / reporting of results, and the back-testing of the models / methodologies.
- Design or selection, and implementation of liquidity risk measurement methodologies (e.g. maximum cumulative outflow) and the monitoring / reporting of results.
- Design and implementation of stress testing market risk positions and liquidity.
- Formulation or selection of valuation methods for assets / liabilities carried at fair value

Along with Corporate Planning, CRISMS is also a lead unit in the implementation of the Group ICAAP. It is also acts as a main conduit of risk information from line management to the ROC, and eventually to the Board.

Committee/Unit	Control Mechanism	Details of its Functions

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;

The Bank adopts the definition under the SEC Revised Code of Corporate Governance. Under the Corporate Governance Manual,^a internal control system is defined as the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed.

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

The Audit Committee has the following roles and responsibilities under the Audit Committee Charter:

- Monitor and evaluate the adequacy and effectiveness on internal control system and risk management including financial reporting control and information technology security.
- Evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and ascertain that all officers and employees have an understanding of their roles and responsibilities in the Bank's risk and control system.
- Ascertain whether internal control recommendations made by internal and external auditors and regulating bodies have been implemented by management.

(c) Period covered by the review;

The review may cover the period from the last year to the current year. In the case of audit reports, evaluation is done considering the last audit cut-off with the present cut-off of examination performed by auditors. At least annually or when deemed necessary (e.g., change of corebanking system), the review is done to determine the adequacy and effectiveness of the Bank's internal control system, including financial reporting, operational and compliance controls, risk management, and information technology security.

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

Frequency:

Monthly - Audit Reports;

Quarterly - Financial Statement Review; and

Yearly - Annual Internal Report

Criteria:

^a Definition of Terms, par. j.

Control Environment
 Risk Assessment Process
 Control Activities
 Information and Communication System
 Monitoring

(e) Where no review was conducted during the year, an explanation why not. N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal Audit – provide value added audit & consulting services by evaluating and improving the effectiveness of control, risk management and governance process.	Examination and evaluation of all business systems, processes, operation, function and activities within the Bank including the organization's outsourced functions, its subsidiaries and branches.	In-House	FSVP Ana Luisa S. Lim/Internal Audit Group	<ul style="list-style-type: none"> • Prepare a flexible annual audit plan using an appropriate risk-based methodology. • Provide periodic reports to the Audit Committee summarizing the Internal Audit performance and activity as well as highlighting significant emerging business risks, regulatory changes, internal control issues, corporate governance issues and accounting developments. • Provide an annual assessment on the adequacy and effectiveness of the Bank's process for controlling its activities and managing its risks.

(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. This is provided for under the Audit Committee Charter.

- (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?

Under the Audit Committee Charter attached hereto as Annex "C", the Audit Committee shall ensure functional reporting of the Internal Audit to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties. The Audit Committee shall likewise ensure that the internal and external auditors act independently from each other, and that both external and internal auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
Gershon Bautista	accepted COA's job offer
Kristine Ciriaco	accepted EastWest Bank's job offer
Saphire Buenafe	accepted EastWest Bank's job offer
Estella Maria Delos Reyes	accepted EastWest Bank's job offer
Patricia Tapalla	transferred to RCBC The Fort JY Campos BC
Jovine Asuncion	accepted COA's job offer
Joannes Errol Taguinod	accepted COA's job offer
Imee Mansibang	accepted EMAPTA's job offer (BPO)
Rachelina Bernal	transferred to RCBC Boni BC
Juan Miquel Mababa	accepted COA's job offer

(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	
Issues	
Findings	
Examination Trends	

[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;

An audit plan is prepared annually based on risk scoring criteria. Quarterly status of the plan is reported for the information of the Audit Committee.

- 2) Conduct of examination based on the plan;

Examination is based on the annual audit plan while a portion of the plan is allotted for special or unscheduled audits. Revisions or adjustments in the annual plan are presented for the approval of the Audit Committee.

⁹ "Issues" are compliance matters that arise from adopting different interpretations.

¹⁰ "Findings" are those with concrete basis under the company's policies and rules.

3) Evaluation of the progress in the implementation of the plan;

A quarterly evaluation of the progress in the implementation of the plan is performed by the Internal Audit Head prior to reporting of the status to the Audit Committee.

4) Documentation of issues and findings as a result of the examination;

Results of the examination are documented through preparation of audit report per auditable unit. Reports are presented for approval of the Audit Committee.

5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

Common and significant findings are summarized in the Annual Internal Audit Report.

6) Conduct of the foregoing procedures on a regular basis.]

The foregoing procedures are conducted 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
PPP 2014-04: Revised Policies and Procedures on Exception and Management Issue Tracking (EMIT)	Implemented
PPP 2014-05: Policies and Procedures on Customer Satisfaction Survey Questionnaire	Implemented
PPP 2014-07: Revised Post activity & Report Transmittal (PORT) Format	Implemented
PPP 2014-09: Audit Examination Policy	Implemented
PPP 2014-09.1: Audit Examination - Annex 11 - Submission of Audit Reports for Presentation to the Audit Committee	Implemented

(g) Mechanism and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
As stated in the Internal Audit Charter and to maintain objectivity, Internal Audit is not involved in day to day operations.	N/A	N/A	N/A

(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.

Chairperson: Ms. Helen Y. Dee
President and CEO: Mr. Lorenzo V. Tan

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Employee's Code of Conduct under Treatment of Clients.	<p>There are different venues where the Bank receives customer complaints:</p> <ul style="list-style-type: none"> • Branch / Account Officers • Customer Contact Center • Social Media (Facebook/ Twitter) <p>Complaints received through the contact center are sent to the branches concerned for their proper handling. The Branch Support Department of the Retail Banking Group is also copy furnished regarding the concern and follows up on the resolution of the concern.</p> <p>Complaints received through social media are also monitored by the Branch Support Department and is also forwarded to the branch concerned or unit concerned for proper resolution and action.</p> <p>The Branch Support Department then follows up with the branch on actions taken regarding the concern, and then validates with the client if the feedback of the branch is correct.</p> <p>The RBG Operations and Process Review Committee reviews the short and long term solutions on client concerns.</p> <p>The main focus of the Bank's</p>

		<p>service culture program is providing the standard service for clients. e.g. proper spiels, turn around time in account opening and tellering transactions, proper cross selling skills and kyc. proper way of speaking and interacting with the customer.</p> <p>Incorporated in the training programs is the HR guide on handling customer complaints e.g. "Taking the HEAT"</p> <p>H-ear them out E-mpathize A-pologize T-ake Action</p>
Supplier/contractor selection practice	The supplier/contractor selection process is being handled by House of Investments (HI). There are Procurement Shared Polices (PSS), Supplier Management, Choosing A Supplier and Code of Ethics for Suppliers policies.	
Environmentally friendly value-chain	The Bank has a Policy on Social and Environmental Management System. Said policy includes a Credit Approval Process.	
Community interaction	Please see discussion under Corporate Social Responsibility Initiatives.	Please see discussion under Corporate Social Responsibility Initiatives.
Anti-corruption programmes and procedures?	This is embedded in the Bank's Code of Conduct and Corporate Governance Manual.	
Safeguarding creditors' rights	The Bank has a policy on Transparency/Commitment to Disclose Material Information under the Bank's Corporate Governance Manual.	

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

Yes.

3) Performance-enhancing mechanisms for employee participation.

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

RCBC is committed to maintain a safe and healthy working environment. The Bank has the following policies in accordance with labor laws and regulations:

1. Family Welfare Policy. This policy is intended to chart programs the Bank will implement to

support employees to build strong and healthy families.

2. Tuberculosis Workplace Policy Program. This policy was adopted to address the stigma attached to TB and to ensure that the worker's right against discrimination, brought by the disease, is protected.
3. HIV/Aids Workplace Policy Program. This policy was issued for the following purposes:
 - i. To educate the employees on the intricacies of HIV/Aids
 - ii. To inform and guide employees in the diagnosis, treatment and prevention of HIV/Aids in the workplace
 - iii. To address the stigma attached to HIV/AIDS and to ensure non-discrimination in any form from pre-employment to post-employment; and
 - iv. To show support in addressing HIV/AIDS as an international pandemic problem.

Procedures are in place to protect all associates from generally recognized workplace hazards such as fire, earthquake, robberies and other natural and man-made calamities.

The Bank likewise has substance abuse policies and inspection and search procedures.

1. Substance Abuse Policies

Employees who work while under the influence of drugs or alcohol present a safety and operational hazard to themselves and their colleagues as well as pose a risk to the trustworthy and professional image of the Bank. Thus, the Bank enacted of the following policies:

- 1.1 RCBC's Drug-Free Workplace Policy & Programs
- 1.2 Policy Against Alcohol Abuse
- 1.3 Policy on Off-Duty Substance Abuse

2. Inspection & Search Procedures

Employees are mandated to notify security personnel if they see anything suspicious, including the presence of strangers and unattended bags or packages on the premises.

Employees are likewise mandated to subject themselves, their personal belongings and the Bank assets under Bank custody to intensive inspection and search procedures by security personnel, upon entering, while within and upon leaving Bank premises.

Bank premises include parking lots, whether owned or leased by the Bank. Personal belongings shall pockets, bags, storage media, cars and any other personal property that may be used as repository of cash, jewelry, documents, keys, data and other valuable items.

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

The Bank's Human Resources Group budgeted P70 Million in 2013 for the medical benefits of employees.

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

The Bank's training programs for employees across job levels are as follows:

1. Executive Development Program
2. Leadership Development Program
3. Middle Management Development Program
4. Supervisory Development Program
5. Officers Development Program

The Bank also has the following training and development programs for its employees which are coordinated with the HRG-Training Department for specific target participants:

1. Customer Service Programs
2. Leadership Development Programs
3. Risk Management
4. Sales Planning and Management
5. Operations Core-Competency
6. Product Knowledge
7. Technical Competency
8. E-Learning on the following:
 - a. Information Security Awareness
 - b. Corporate Governance
 - c. Crisis Management
 - d. Anti-Money Laundering

The different Groups also have their own training initiatives as well as external training seminars which are arranged as associates enroll in the course.

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

The Bank's Compensation and Incentive Program provides as follows:

The Bank commits to pay its employees salaries/compensation consistent with job performance and the requirements of the law and one that is competitive with the banking industry. The Bank gives importance to equitable pay differentials for different types of work and hence pays within an established salary structure for the different job levels. The Bank likewise provides officers with incentives and rewards for contribution to the business objectives of the Bank.

1. The Bank implements and maintains a sound ***Compensation and Incentive Program***, with the following objectives:

- To establish a basis for determination and management of compensation, salary increase, and performance incentives.
- To provide financial incentives through the proper administration of salaries and other means of compensation for each individual to motivate them to do their best on their job.
- To maintain competitive salary levels/structures consistent with those in the banking industry.
- To ensure retention and attraction of performing and key talents in the organization.

2. To guide the Bank in managing the compensation levels of its employees, a salary structure was designed and developed using the following parameters:

a. Position Evaluation. Position evaluation is a systematic procedure for analyzing, measuring and classifying positions in terms of common job elements or factors found in every position. The current salary structure is based on the existing job grading system for Officer levels ranging from First Officer up to the Senior Executive Vice President. The Human Resources Group (HRG) has the responsibility of ensuring that jobs are rated properly and continuously as they change over time due to reconfiguration of functions or reorganizations.

b. Target Market Group. The salary structure was based on market data of banks deemed as peers by RCBC. Data on these peer banks are obtained from industry and national surveys conducted by private consultancy companies and trade and employee associations.

- c. **Target Positioning Objective.** In terms of target positioning objectives, the Bank receives instruction from management on the desired positioning in relation with the Target Market Group or the banking industry in general. This positioning is targeted at both the market's guaranteed pay and total annual cash compensation.
3. The salary structure is reviewed regularly by HRG to maintain its relevance and competitiveness internally and externally.
4. In case surveys and studies reveal that the salary structure is grossly sliding off as compared to the industry or its Target Market Group, it is incumbent upon HRG to come up with recommendations to correct the disparity and to discuss said recommendations with management.
5. Final approval of recommendations with regard to changes in the compensation structure and policies will need to be secured from the Corporate Governance Committee.
6. Administration, implementation and maintenance of the Bank's Compensation and Incentive Program shall be the direct responsibility of HRG, particularly by its Group Head, Department Head for Compensation and Benefits and Department Head for Career Management.
7. The Compensation and Incentive Program shall be composed of:
 - a. **Basic Pay.** This refers to the employee's monthly take-home pay, exclusive of allowances and overtime pay.
 - b. **Guaranteed Pay.** Refers to the guaranteed annual pay/compensation regardless of whether the company meets its target or not. For Non-Officers, guaranteed pay totals 17 months, which includes the 13th month pay. For Officers, guaranteed pay totals 16 months inclusive of the 13th month pay.
 - c. **Variable Pay.** This refers to additional bonuses or incentives given to eligible employees depending on their contributions to the Bank's overall objectives. The incentives or rewards may include the Performance Incentive Bonus (for Officers), Merit Increase (for Officers) and Promotional Increase (for Non-Officers and Officers).
- 4) **What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.**

The Bank's Open Communication Policy provides as follows:

All employees, regardless of position or rank, who are witnesses to anomalies in the workplace are obliged to speak up and report the same personally or in writing to his/her unit head or any of the following officers, verbally or in writing:

The Internal Audit Division Head
 The Human Resources Group Head
 The Legal & Regulatory Affairs Group Head

The Compliance Officer,
 The Bank Security Officer

The above officers are duty-bound to:

- (a) Acknowledge receipt of the report and to communicate to the reporting employee the status of the complaint and manner by which the concern is being handled;
- (b) Oversee the implementation of this policy; and
- (c) Utilize the resources of the Internal Audit Division, the Human Resources Group and the Legal & Regulatory Affairs Group in investigating the veracity of the reports, conducting administrative investigations and filing and prosecuting the necessary criminal and/or civil cases in relation thereto.

CONFIDENTIALITY OF REPORTS & CONSEQUENCES OF REPORTING

All disclosures received by any of the above authorized persons shall be treated with confidentiality. In any case, the identity of the informant will not be revealed without his/her prior conforme.

All informants shall be protected by the Bank from harassment, reprisal and/or retaliation.

If the informant is somehow involved in the anomaly, s(he) will be exempt from administrative sanctions and/or criminal prosecution, if and when all of the following conditions concur:

- (a) The report was made voluntarily and in good faith;
- (b) There is absolute necessity for the testimony of the informant in order for the Bank to build an administrative/criminal case;
- (c) There is no other direct evidence available for the proper prosecution of the anomaly committed;
- (d) The testimony or information can be substantially corroborated in its material points;
- (e) The informant does not appear to be the most guilty; and
- (f) The informant actively cooperates and assists in the prosecution of the accused or perpetrator of the anomaly/irregularity.

Exemption from administrative sanction and/or criminal prosecution shall be upon the recommendation of the Investigative Committee and final approval of the Personnel Evaluation & review Committee (PERC).

OFFENSES & SANCTIONS

If an employee makes an allegation in good faith and said allegation is not confirmed by subsequent investigation, no action shall be taken against that employee. If the allegation is, however, proven to be malicious or vexatious, the same may be considered a form of misconduct depending on the circumstances of the case.

Any act of retaliation, reprisal or harassment against informant-employees in relation to their act of reporting anomalies is tantamount to grave misconduct – a gross/terminable offense.

Any act of misrepresentation, forgery or deceit that an employee may initiate in order to intentionally harm a co-employee constitutes dishonesty and grave misconduct, which are grounds for termination of employment.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
PAN MALAYAN MANAGEMENT & INVESTMENT CORP.	473,963,632	37.15%	PAN MALAYAN MANAGEMENT & INVESTMENT CORP.
PCD NOMINEE CORP. (NON-FILIPINO)	383,551,994	30.07%	VARIOUS
PCD NOMINEE CORP (FILIPINO)	381,478,168	29.90%	VARIOUS

*As of 31 December 2014

Name of Senior Management	Number of Direct Shares	Number of Indirect shares/ Through (name of record owner)	% of Capital Stock
<u>Lorenzo V. Tan</u>	<u>5</u>	<u>=</u>	<u>0.00%</u>
<u>Ma. Celia H. Fernandez-Estavillo</u>	<u>14</u>	<u>379,200 – RCBC Trust 100,000 – Abacus Sec</u>	<u>0.00</u>
<u>Alfredo S. Del Rosario</u>	<u>=</u>	<u>17,400 – RCBC Sec.</u>	<u>0.00%</u>
<u>Edgar Anthony Villanueva</u>	<u>=</u>	<u>200 – RCBC Sec.</u>	<u>0.00%</u>
<u>Koji Onozawa</u>	<u>=</u>	<u>2,000 – RCBC Sec.</u>	<u>0.00%</u>
<u>Rommel S. Latinazo</u>	<u>=</u>	<u>7,400 – RCBC Sec.</u>	<u>0.00%</u>
<u>Evelyn Nolasco</u>	<u>=</u>	<u>2,700 - RCBC Sec</u>	<u>0.00%</u>

**As of 31 December 2014*

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 (dividends paid)
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo – Parent	P750M	P1,675M
Punongbayan & Araullo - Group	P1,881M	P1,675M

**2013 figures*

4) Medium of Communication

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

RCBC Website
Disclosures to the PSE
Press Releases

5) Date of release of audited financial report: April 16, 2014 disclosure to the PSE under SEC Form 17-A.

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	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	The AOI and By-Laws will be made available in the third quarter of this year as part of the website updating.

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

7) Disclosure of RPT

RPT	Relationship	Natures	Value
Related parties under PAS 24		The significant transactions of the Bank and its subsidiaries (collectively referred to as the "Group") with its related parties as of end December 2013 included loans and receivables and deposit liabilities.	Total amount of loans outstanding was at P5,730 Billion and deposit liabilities was at P4,008 Billion as of end December 2013.
Directors, officers, stockholders, related interests (DOSRI) under BSP regulations		Loans, credit accommodations, guarantees	The total amount of DOSRI loans was at P6,416 Billion as of end December 2013.
RCBC Savings Bank (RSB), Malayan Insurance Company, Inc. (MICO), Grepalife Financial, Inc.	RSB is a subsidiary of RCBC. Goldpath is 100% owned by RSB. MICO and Grepalife are affiliates.	In October 1, 2009, RCBC entered into a joint development agreement with RSB, MICO, Grepalife,	

<p>(Grepalife), Bankard Inc. (Bankard) and Hexagonland, Inc. (Hexagonland), with the conformity of Goldpath Properties Development Corporation (Goldpath), the parent company of Hexagonland</p>	<p>Please see following discussion on sale of Bankard and discussion on right column on liquidation of Hexagonland.</p>	<p>Bankard and Hexagonland, with the conformity of Goldpath, the parent company of Hexagonland, to form a consortium for the pooling of their resources and establishment of an unincorporated joint venture (the "UJV") for the construction and development of a high rise, mixed use commercial/office building, now operated by the Group as RSB Corporate Center.</p> <p>In 2011, RCBC acquired the rights and interest of Grepalife in the UJV. Also in 2011, RSB was able to acquire the rights and interest of Hexagonland after the latter's liquidation and partial return of capital to Goldpath. RSB, accordingly, contributed the land amounting to P383 million to the Project.</p> <p>On October 2, 2012, the remaining co-venturers executed a memorandum of understanding agreeing in principle to cancel or revoke the UJV, subject to the approval of BSP. As of December 31, 2012, total cash contribution of RCBC, RSB and Bankard to the UJV amounted to P1.6 billion which is recorded as Construction in Progress.</p> <p>On March 13, 2013, through MB Resolution No. 405 dated March 7, 2013, BSP approved</p>	
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		<p>RCBC's acquisition of the land contributed to the RSB Corporate Center as well as the rights and interests of its co-venturers. As a result, RCBC paid its co-venturers a total consideration of P1.2 billion which is inclusive of compensation at the rate of 5.00% per annum computed from the date of the co-venturers' payment of their respective cash contributions until the date of the actual return or payment by RCBC. The total consideration was capitalized and recorded as part of Buildings account. In addition, by virtue of a deed of absolute sale executed between the Parent Company and RSB on April 5, 2013, the latter transferred its ownership and title to the land where the RSB Corporate Center is situated to RCBC for a selling price of P529.</p>	
RCBC Realty Corporation	Affiliate	<p>The Bank and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RCBC Realty Corporation (RCBC Realty). The Bank's lease contract with RCBC Realty is until December 31, 2015.</p>	<p>Related rental expense are included as part of Occupancy and Equipment-related account in the statement of income.</p>
Sale of RCBC's stake in RCBC Realty to PMMIC, House of Investments and RCBC Land	PMMIC, House of Investments and RCBC Land are affiliates	<p>In 31 July 2013, the Board approved the sale of the Bank's 25% shareholdings in RCBC Realty and 49% shareholdings in RCBC Land, Inc. (RCBC Land) representing the</p>	<p>Php 4,547,095,000.00.</p>

		Bank's 34.8% economic interest in RCBC Realty to Pan Malayan Investment and Management Corporation, House of Investments, and RCBC Land. The purpose of the transaction was to comply with Basel III guidelines.	
Sale of RCBC's stake in Bankard; Transfer of merchant acquiring business of Bankard to the Bank; Card processing services of the Bank	RCBC Bankard Services Corporation is a subsidiary of RCBC Capital Corporation which is in turn a subsidiary of the Bank	<p>In 18 October 2013, the Board approved the sale to Philippine Business Bank Trust and Investment Center on behalf of various clients the Bank's and its subsidiary RCBC Capital Corporation's 89% stake in Bankard..</p> <p>In 25 November 2013, the Board approved the transfer of the merchant acquiring business of Bankard to the Bank. The transfer of the business involved the following activities:</p> <ol style="list-style-type: none"> 1. Sale of POS terminals to the Bank 2. Assignment of merchant contracts in the name of Bankard, Inc. to the Bank 3. Transfer of the Bank Identification Number (BIN) and Association Licenses from Bankard to the Bank for the processing of acquiring 	

		<p>transaction</p> <p>4. Transfer of settlement Bank accounts from Bankard, Inc. to the Bank.</p> <p>The purpose of the transaction was to consolidate the merchant acquiring business of Bankard to the Bank. This was also intended to help in the efforts of the Bank to minimize its equity investments in subsidiaries in preparation for Basel III implementation. Net Assets as of 31 October 2013 was at P39.05 Million.</p> <p>In 04 December 2013, RCBC Bankard Services Corporation was incorporated as a subsidiary of RCBC Capital Corporation to perform card processing services for the Bank.</p>	
RCBC and certain subsidiaries' Retirement Funds		<p>The Bank's and certain subsidiaries' retirement funds covered under their defined post-employment benefit plan for qualified employees are administered by the Bank's Trust Department in accordance with their respective trust agreements. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.</p>	<p>The Group's retirement fund has transactions directly and indirectly with the Group and the Bank which consist of investment in common shares of the Bank, other securities and debt instruments wherein dividend income and trading gains are earned by the retirement funds.</p>
		The Bank's other	

		transactions with subsidiaries and affiliates include service agreements and leasing office premises, regular banking transactions (including purchases and sales of trading account securities, securing insurance coverage on loans and property risks and intercompany advances), all of which are at arms' length and conducted in the ordinary course of business.	
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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?

Related party transactions are submitted to the Audit Committee for analysis and evaluation before they are submitted to the Board for approval. Under the Bank's Corporate Governance Manual, the Bank's stockholders are required to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties.

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	Article IV. Section 1 (g) defines quorum "Quorum – A quorum at any meeting, whether regular or special, shall consist of stockholders owning the majority of the subscribed capital stock represented in person or by proxy. Except as otherwise provided by law, a majority of such quorum shall decide any question that may come before the meeting."
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Ratification of the Actions of the Board, Different Committees and Management.
Description	The shareholders ratify actions of the Board, Different Committees and Management during the Annual Stockholders' Meeting.

(c) Stockholders' Rights

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

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

Dividends

Declaration Date	Record Date	Payment Date
<u>27 January 2014</u> *preferred shares	<u>21 March 2014</u>	<u>27 March 2014</u>
<u>31 March 2014</u> *common shares	<u>10 June 2014</u>	<u>16 June 2014</u>
<u>31 March 2014</u> *preferred shares (participation)	<u>10 June 2014</u>	<u>16 June 2014</u>
<u>28 April 2014</u> *preferred shares	<u>21 June 2014</u>	<u>30 July 2014</u>
<u>28 July 2014</u> *preferred shares	<u>21 September 2014</u>	<u>10 October 2014</u>
<u>27 October 2014</u> *preferred shares	<u>21 December 2014</u>	<u>28 January 2015</u>

(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
Shareholders are allowed to ask questions during the Annual Stockholders' Meeting.	Shareholders pose questions and/or raise matters in person during the meeting and are addressed by the Chairperson, members of the Board and/or management.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. **Amendments to the company's constitution** – The Bank complies with the provisions of the Section 16 of the Corporation Code on the required vote or written assent of stockholders representing at least 2/3 of the outstanding capital stock for amendments of the articles of incorporation.

- b. **Authorization of additional shares** – The Bank complies with the provisions of Section 38 of the Corporation Code on the required approval of the stockholders representing at least 2/3 of the outstanding capital stock for increase in capital stock.
- c. **Transfer of all or substantially all assets, which in effect results in the sale of the company** - The Bank complies with the provisions of Section 40 of the Corporation Code on the required approval of the stockholders representing at least 2/3 of the outstanding capital stock for increase in capital stock.
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?
- a. **Date of sending out notices:** 15 Banking days before AGM however disclosure (PSE/PDEX/BSP/SEC) is made 10 banking days before the record date. Record date is 20 banking days before AGM.
- b. **Date of the Annual/Special Stockholders' Meeting:** Last Monday of June
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

Below is the summary of questions/concerns raised and answers pertaining to the Annual Report/Audited Financial Statements of 2013:

- a. The Bank reported losses in securities. What do these losses pertain to?

These are unrealized losses which resulted from the swing of interest rates. These are temporary losses

- b. With increased number of ATM's, how is RCBC protecting shareholders from fraud? There is supposed to be a chip in the ATM cards?

The Bank establishes firewalls every year and makes use of hackers to test the Bank's firewalls. The chip-based card is required by the BSP and is for implementation in 2015.

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

Resolution	Approving	Dissenting	Abstaining
14-01: Approval of the Minutes of the Annual Meeting of the Stockholders held on 24 June 2013	Stockholders representing a total of 940,919,864 common and preferred shares of stocks or 73.76% of the Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote	None	None
14-02: Approval of the Annual Report and the Audited Financial Statement for 2013	-do-	-do-	-do-
14-03: Ratification of the	-do-	-do-	-do-

actions and proceedings of the Board of Directors, different Committees and Management during the year 2013			
14-04: Confirmation of Significant Transactions with DOSRI and Related Parties for the year 2013	-do-	-do-	-do-
14-05: Election of Directors	-do-	-do-	-do-
14-06: Appointment of External Auditor	-do-	-do-	-do-
14-07: Amendment of Article Three of the Articles of Incorporation on Principal Office Address	-do-	-do-	-do-

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

None

7. Modifications

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

Modifications	Reason for Modification
None	None

8. Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. <u>Amb. Alfonso. T. Yuchengco,</u> <u>Honorary</u> <u>Chairman</u>	<u>30 June</u> <u>2014</u>	By poll	Stockholders representing a total of 50,104 common and preferred shares of stocks or .0039%	Stockholders representing a total of 940,869,760 common and preferred shares of stocks or 73.76% of the	Stockholders representing a total of 940,919,864 common and preferred shares of stocks or 73.76% of the

	2. <u>Ms. Helen Y. Dee,</u> <u>Chairperson</u>			of the Corporation' s outstanding 1,275,658,638 common and preferred shares entitled to vote	Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote	Corporation's outstanding 1,275,658,638 common and preferred shares entitled to vote
	3. <u>Mr. Cesar E.A.</u> <u>Virata,</u> <u>Vice Chairperson</u>					
	4. <u>Mr. Lorenzo V.</u> <u>Tan,</u> <u>President and</u> <u>CEO</u>					
	5. <u>Atty. Teodoro D.</u> <u>Regala</u>					
	6. <u>Atty. Wilfrido E.</u> <u>Sanchez</u>					
	7. <u>Atty. Ma. Celia H.</u> <u>Fernandez-</u> <u>Estavillo,</u> <u>Corporate</u> <u>Secretary</u>					
	8. <u>Mr. Medel T. Nera</u>					
	9. <u>Mr. Francis G.</u> <u>Estrada</u>					
	10. <u>Ms. Yvonne S.</u> <u>Yuchengco</u>					
	11. <u>Mr. TC Chan</u>					
	12. <u>Mr. Minki Brian</u> <u>Hong</u>					
	13. <u>Mr. Armando M.</u> <u>Medina,</u> <u>Independent</u> <u>Director</u>					
	14. <u>Mr. Francisco C.</u> <u>Eizmendi, Jr.,</u> <u>Independent</u> <u>Director</u>					

	15. <u>Mr. Antonino L. Alindogan, Jr.,</u> <u>Independent</u> <u>Director</u>					
<u>Special</u>	<u>None</u>					

- 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.

iv. 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	This solicitation is being made by the Bank. Solicitation of proxies will be mainly conducted through mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation is borne by the Bank.
Notary	Proxies need not be notarized.
Submission of Proxy	(a) The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at the principal office and mailing address of the Company not later than a given date and time. (b) If the proxy is given by one or more joint owners of shares of stock of the Company, the proxy form must be signed by all of the joint owners. (c) If the shares of stock of the Company are owned in an "and/or" capacity, the proxy form must be signed by either one of the registered owners. (d) If the proxy is given by a holder of shares of stock of the Company that is a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect

	<p>that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose/</p> <p>(e) A proxy given by a broker or dealer in respect of shares of stock of the Company carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.</p> <p>(f) If any customer of a broker or dealer who is the beneficial owner of shares of stock of the Company executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.</p>
Several Proxies	The Bank complies with Rule 20.II.b.xiv of the Amended Implementing Rules and Regulations of the SRC on several proxies.
Validity of Proxy	The proxy shall continue for a period of 5 years from date hereof unless sooner withdrawn by the shareholder through notice in writing delivered to the Corporate Secretary.
Proxies executed abroad	Must be duly authenticated by the Philippine embassy or consular office in accordance with Rule 20.II.b.xvii of the Amended IRR of the SRC.
Invalidated Proxy	A holder of shares of stock of the Company who has given a proxy has the power to revoke it by written instrument duly signed and dated, which must be received at the Company's principal office and mailing address not later than a given date and time. A proxy is also considered suspended if an individual stockholder attends the meeting in person and expresses his intention to vote in person for the duration of said meeting, and shall continue to be in full force and effect thereafter.
Validation of Proxy	The last day for validation of proxies will be the day before the date of the Annual Meeting of Stockholders. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under her supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of the SRC Rule 20.
Violation of Proxy	The Bank complies with Rule 20.II.b.xxiv of the Amended IRR of the SRC on violation of proxies.

9. Sending of Notices

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

Policies	Procedure
In accordance with laws and regulatory issuances	15 Banking days before AGM however disclosure (PSE/PDEX/BSP/SEC) is made 10 banking days before the record date. Record date is 20 banking days before AGM.
In accordance with laws and regulatory issuances	Solicitation of proxies will be mainly conducted through mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation will be borne by the Bank.

(i) **Definitive Information Statements and Management Report**

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	All shareholders as of record date.
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	06 June 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	06 June 2014
State whether CD format or hard copies were distributed	Hard Copies
If yes, indicate whether requesting stockholders were provided hard copies	N/A

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

Each resolution to be taken up deals with only one item.	Yes (Agenda)
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes (Information Statement)
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	N/A
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.

10. Treatment of Minority Stockholders

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

Policies	Implementation
Please see discussion under A.1)(b)	

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

Yes.

K. INVESTOR 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.

RCBC has a Corporate Communications Division headed by First Vice President Jose Edwin C. Guilas which is tasked to manage and oversee internal and external communications for the bank. The division is responsible for:

- Corporate Communications – Charting strategies for the RCBC group's Institutional Advertising*, corporate branding, image, publicity and promotions**, CSR undertakings;

- Marketing Services – Supporting the various business units' Product Management directions by providing them with product advertising, merchandising support as well as by mounting product-related activities, events and promotions that are all consistent with the institutional brand identity;

- Internal PR – Managing and staging of employee-related events and undertakings that help instill the bank's identified core values as well as promote institutional pride among the bank's associates. These activities are not limited to the bank's annual anniversary and Christmas celebrations, product launches and international conventions but also extend to the issuance of regular and timely advisories in times of PR crises and even the management of the internal online publication; and

- Social Media – Managing the bank's presence in online social media channels.***

* Advertising requirements are met in coordination with an advertising agency owned by the Yuchengco Group of Companies, Philippine Integrated Advertising Agency (PIAA).

**Publicity and promotional management is done in coordination with a PR and Reputational Risk Committee headed by the head of Corporate Communications, with the marketing champions of the different bank units as members. Members have been individually nominated by the various Bank Group Heads for committee membership. Committee meets twice a month to map out and monitor story lines and promotional activities for the bank as well as identify potential reputational risk items which may have to be elevated to the bank's Risk Management Committee.

***Social Media management is done in coordination with a Social Media Committee headed by the Corporate Communications, with the social media champions of the different bank units as members. Members have been individually nominated by the various Bank Group Heads for committee membership. The Committee meets twice per month for content planning—in terms of messaging and format—that the bank's social media accounts would take and at the same

time, identify and elevate public concerns posted in these sites to the appropriate responsible/responding units in the bank for proper action/resolution.

- 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	Proper communication to stakeholders and investors
(2) Principles	provide stakeholders and investors access to the company
(3) Modes of Communications	Disclosures, press releases, One-on-one meetings
(4) Investors Relations Officer	Ms. Ma. Christina P. Alvarez, First Vice President (Corporate Information Officer)

Ms. Ma. Christina P. Alvarez, First Vice President, Head, Corporate Planning Group
 Telephone # = 894-9457
 Email = mpalvarez@rcbc.com
 Fax Number = 894-9454

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

The Bank complies with all the applicable laws, rules and regulations pertaining to acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets.

The Head of Strategic Initiatives under the Office of the President and the CEO leads the identification, development and implementation of key projects and transactions.

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

The selection is done on a per transaction basis.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
Environmental Care <ul style="list-style-type: none"> The Bank has been exerting efforts to promote environmental care in the past years together with other YGC conglomerates with its Earth Care project, a tree planting drive in Tanay, Rizal. This year, together with the members of the Samahan ng mga Magsasaka ng San Andres (SAMASA) and other YGC group members, the Bank signed 	

<p>a memorandum of agreement for the maintenance of the 40-hectare tree planting site. This is to ensure that the seedlings planted in the previous years will be cultivated and protected by the farmers in the area. In line with this, the Bank joined the first ocular inspection in December 2013, wherein the YGC Earth Care project team responded positively during the checking of the growth and maintenance of the tree planting sites.</p>	
<ul style="list-style-type: none"> In pursuit of promoting environment-friendly facilities, RCBC had the first ever container van banking office in the country when its subsidiary, Rizal Microbank, opened its first Micro Banking Office (MBO) in Lipa City, made out of recycled container vans. The MBO's construction only amounted to approximately P2.3 million, including all office facilities and security requirements compared to the usual P4-6million cost of a regular branch, this ensuring cost efficiency. 	
<p><i>Educational</i></p> <ul style="list-style-type: none"> As part of the Buhay Rizal Values Campaign, which aims to revive nationalism and instill the Filipino values reflected in the life of our national hero, Dr. Jose Rizal, RCBC Savings Bank donated over 800 copies of Noli Me Tangere books to students of Navotas National High School this year. The project is also targeted to develop the potential of the youth in education and values formation. Since YGC launched the book donation initiative in 2008, it has donated nearly 50,000 copies of Noli Me Tangere, helping thousands of students from various public high schools across the country. 	<p>Students of the Navotas National High School</p>
<p><i>Entrepreneurship and Livelihood Projects</i></p> <ul style="list-style-type: none"> RCBC's aim to support micro-entrepreneurs in the country is starting to bear fruit not only for the bank but also for its clients. A Rizal Microbank client became one of 2013's Citi Microentrepreneurship Awardee for her company's significant contribution to community development efforts in Mindanao. After receiving a microfinance loan from Rizal Microbank only a few months back, the client was able to build a multi-million peso business, employing dozens of employees spread across 25 branches in Mindanao. Her achievements truly underscore the bank's commitment and pride supporting small business owners that make a significant contribution to the community's sustainable development. 	
<p><i>Disaster and Emergency Relief</i></p> <ul style="list-style-type: none"> The bank has been active this year in giving support and immediate relief to the victims of super typhoon Yolanda. Immediately after the calamity struck, RCBC launched the campaign, Alay ni Rizal, which 	<p>Victims of supertyphoon Yolanda</p>

<p>raised almost P2 Million through employee donations alone. Full assistance like food and clothing were also given to employees who were severely affected. The campaign remains in effect as donations continue to come in through online channels courtesy of RCBC MyWallet and ATM cardholders.</p> <p>While other banks either kept their doors locked or offered limited banking services after the typhoon left Philippine shores, RCBC Tacloban branch was the first to be fully operational.</p> <p>In accordance with the relief efforts, groups like the Bankers Association of the Philippines (BAP) and Resona Holdings Inc., the fourth largest financial services group of Japan, coursed through RCBC their respective financial assistance initiatives aimed at rebuilding lives and reconstructing infrastructures in the Visayas region.</p>	
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M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	The Corporate Governance Department collects the data and submits the results to the Corporate Governance Committee for consideration. The results are considered in making the recommendation to the Board on the directors to be nominated for the incoming year.	Please see BOD criteria attached as Annex "I" hereto and made an integral part hereof.
Board Committees	The committees conduct a self assessment and submits the results to the Corporate Governance Committee through the Corporate Governance Department. The results are considered in making the recommendation to the Board on the directors to be appointed to the committees for the incoming year.	Please see Board Committees criteria attached as Annex "J-1" up to "J-7" hereto and made an integral part hereof.
Individual Directors	The Corporate Governance Department collects the data and submits the results to the Corporate Governance Committee for consideration. The results are considered in making the recommendation to the Board on the directors to be nominated for the incoming year.	Please see Directors criteria attached as Annex "K" hereto and made an integral part hereof.

CEO/President	The Corporate Governance Department collects the data and submits the results to the Corporate Governance Committee for consideration. The results are considered in making the recommendation to the Board on the CEO/President to be nominated for the incoming year.	Please see CEO/President criteria attached as Annex "L" hereto and made an integral part hereof.
---------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------

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-compliance with any of the provisions in this Manual by the Bank's directors, officers, staff, subsidiaries, and affiliates and their respective directors, officers and staff shall subject erring associate/s	<p>Section III.L of the Bank's Corporate Governance Manual provides that the erring associates shall, after due notice and hearing, be subject to sanctions as provided for under the following sections of the Bank's Human Resources Policy Manual:</p> <p>1.1.1 Jurisdiction Over Administrative Disciplinary Actions</p> <p>1.1.2 Code of Discipline</p> <p>1.2 It shall be the duty of the Compliance Officer to determine any violation of the principles and best practices contained in this Manual through notice and hearing.</p> <p>1.3 The Compliance Officer shall likewise recommend to the Chairman and the Corporate Governance Committee the penalty to be imposed for such violation. The said recommendation shall be further reviewed and approved by the Board of Directors.</p>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on ___ June, 2013.

SIGNATURES

(original signed)
Ms. Helen Y. Dee

Chairman of the Board

(original signed)
Mr. Lorenzo V. Tan

Chief Executive Officer

(original signed)
Mr. Francisco C. Eizmendi, Jr.

Independent Director

(original signed)
Mr. Antonino L. Alindogan, Jr.

Independent Director

(original signed)
Ms. Ma. Fe P. Salamatín
Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of June 2013, affiant(s) exhibiting to me their _____, as follows:

NAME	CTC	Competent Evidence of Identity
Ms. Helen Y. Dee	1588629; 3/5/2013; Manila	Passport No. XX4209429; valid until 7/21/2014
Mr. Lorenzo V. Tan	10658640; 1/16/2013; Makati City	TIN No. 900-036-442
Mr. Francisco C. Eizmendi, Jr.	01719682; 1/12/2013; Pasig City	TIN No. 119132505
Mr. Antonino L. Alindogan, Jr.	33906438; 1/3/2013; Muntinlupa City	Passport No. ZZ125046; valid until 6/3/2014
Ma. Fe P. Salamatín	06119629; 1/4/2013; Manila	SSS No. 03-45470243

NOTARY PUBLIC

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

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SECRETARY'S CERTIFICATE

I, MARIA CELIA H. FERNANDEZ-ESTAVILLO, of legal age, with postal address at Rizal Commercial Banking Corporation, 46/F, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City, do hereby depose and say:

1. I am the Corporate Secretary of Rizal Commercial Banking Corporation, a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal place of business at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue corner Sen. Gil Puyat Avenue, Makati City ("Company").

2. As such Corporate Secretary, I have custody of the minute books of said corporation which contain the minutes of the meetings of the Board of Directors and its Executive Committee;

3. The Board of Directors in its regular meeting held on 26 January 2015, wherein a quorum was present and acting throughout, was informed of the changes and updates in the initial Annual Corporate Governance Report that occurred during the calendar year 2014 and the requirement of posting the Consolidated Changes in the ACGR as of 31 December 2014 in the Bank's website, in compliance with SEC Memorandum Circular No. 12, s. 2014. The Board approved the aforesaid changes and updates as well as the posting of the Consolidated Changes in the ACGR as of 31 December 2014.

4. The foregoing approvals have never been revoked and/or rescinded and still continue to be in full force and effect;

5. This Certificate is being issued to attest to the truth of the foregoing fact and for whatever purpose it may serve.

MAR 04 2015

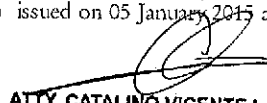
IN WITNESS WHEREOF, I have hereunto signed this Certificate this ___ day of March 2015 at Makati City, Philippines.


MARIA CELIA H. FERNANDEZ-ESTAVILLO
Affiant

MAR 04 2015

SUBSCRIBED AND SWORN to before me this ___ day of March 2015 at Makati City, affiant MARIA CELIA H. FERNANDEZ-ESTAVILLO who is personally known to me exhibiting to me her Community Tax Certificate No. 10560613 issued on 05 January 2015 at Manila City, and Passport No. EB8361199, valid until 9 June 2018.

Doc. No. 176;
Page No. 33;
Book No. 241
Series of 2015.


ATTY. CATALINO VICENTE L. ARABIT
Notary Public
Appointment No. M-80 (2015-2016)
Until 31 December 2016
PTR No. 4753340; 01-06-15; Makati City
IBP No. 0983781; 01-06-15; Makati City
ROLL No. 40146
21st Floor Yuchengco Tower II, RCBC Plaza
Ayala Avenue, Makati City

**Revised Corporate Governance Manual
CGM – 2014**



Compliance Office / Legal and Regulatory Affairs Group

October 2010
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Prepared by: Ma. Fe P. Salamatin
Compliance Office/LRAG

September 2011
Document Version 2
Updated by: Ruby P. Payawal
Compliance Office/LRAG

March 2012
Document Version 3
Updated by: Queenie S. Oyales
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May 2012
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Updated by: Queenie S. Oyales
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January 2013
Document Version 3
Updated by: Queenie Oyales Rama
Compliance Office/LRAG

July 2014
Document Version 3
Updated by: Queenie Oyales Rama
Compliance Office/LRAG

For questions/clarifications, please contact
Ma. Fe P. Salamatin at local 9090
Email address: mfpsalamatin@rcbc.com
or

Queenie S. Oyales-Rama at local 1238
Email address: qdsoyales@rcbc.com

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I. Introduction

Rizal Commercial Banking Corporation (RCBC) believes that corporate governance is a necessary component of what constitutes sound strategic business management and shall therefore undertake every effort necessary to create awareness thereof within the organization. The Bank has promulgated and shall continue to promulgate policies that ensure good corporate governance, has structured itself to ensure that the men and women that comprise it adheres to the basic principles of the Bank, and has mandated compliance with laws as everyone else's primary responsibility.

The Bank adheres to the following basic principles of good governance:

- Transparency or the availability of information through expansion of public disclosure requirements. Consistent with the policy of transparency, all doubts or questions that may arise in the interpretation or application of the provisions of herein Corporate Governance Manual, shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and other stakeholders of the corporation.
- Accountability involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the company.
- Fairness/equity implies that the rights of all concerned parties are protected. Directors shall not only promote the interest of stockholders but also that of other stakeholders which include among others, customers, employees, suppliers, financiers, government and community in which it operates.

The Bank also commits to continue establishing the following policies to ensure that business transactions are being implemented in accordance with the best practices and standards:

- on full and faithful compliance with laws, regulations, Bangko Sentral ng Pilipinas ("BSP") Circulars and other circulars released by other government regulatory agencies.
- on human resource development and personnel development system based on accountability, checks and balances, and a corporate Code of Ethics.
- to promote the good reputation of the Bank in dealings with depositors, borrowers and other parties that transact business with the Bank.
- sustain program of corporate social responsibility that enhances the good image of the Bank before the general public.

II. Composition of the Organization**Policy**

The Bank has structured itself to ensure that the men and women that comprise it adhere to the basic principles of good governance, which encompass transparency, accountability and fairness. The Board

of Directors shall insist on strict adherence to the Bank's Corporate Governance Manual, which shall guide all relations with the Bank's major and other stakeholders and with the general public.

Definition of Terms –¹

- a. **Corporate Governance** – the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates;
- b. **Board of Directors** – the governing body elected by the stockholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties;
- c. **Directors** – they shall include:
 - (1) directors who are named as such in the articles of incorporation;
 - (2) directors duly elected in subsequent meetings of the stockholders; and
 - (3) those elected to fill vacancies in the board of directors.²
- d. **Exchange** – an organized market place or facility that brings together buyers and sellers, and executes trades of securities and/or commodities.
- e. **Management** – the body given the authority by the Board of Directors to implement the policies it has laid down in the conduct of the business of the corporation;
- f. **Independent Director** – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director;
- g. **Executive Director** – a director who is part of the day to day management of banking operations;
- h. **Non-Executive Director** – a director who is not part of the day to day management of banking operations and shall include independent directors;
- i. **Non-audit Work** – the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, internal audit, and other services that may compromise the independence and objectivity of an external auditor;

¹ Article 1, id.; Bangko Sentral ng Pilipinas ("BSP") Circular No. 749, series of 2012.
² BSP Circular No. 749, series of 2012.

- j. **Internal Control System** – the framework under which internal controls are developed and implemented (alone or in concert with other policies or procedures) to manage and control particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed;
- k. **Internal Audit** – an independent and objective assurance activity designed to add value to and improve the corporation's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes;
- l. **Internal Audit Department** – a department or unit of the corporation and its consultants, if any, that provide independent and objective assurance services in order to add value to and improve the corporation's operations;
- m. **Internal Auditor** – the highest position in the corporation responsible for internal audit activities. If internal audit activities are performed by outside service providers, he is the person responsible for overseeing the service contract, the overall quality of these activities, and follow-up of engagement results.

Implementing Guidelines

A. Board Governance

The Board of Directors (the "Board") is primarily responsible for the governance of the corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide independent check on Management.³

- 1. **Composition of the Board**
 - 1.1 The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the stockholders. At least three (3)⁴ of whom shall be independent directors or such number of independent directors that constitutes thirty percent (30%) of the members of the Board, whichever is lesser, but in no case less than three (3).
 - 1.2 There shall be a balance of executive and non-executive directors, including independent non-executives, such that no individual or small group of individuals can dominate the Board's decision-making.
 - 1.3 Non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.
 - 1.4 The Directors elected in the annual meeting of the stockholders shall serve a one-year term and until their successors are elected and qualified. Any vacancy in the Board occurring for any reason other than by removal of a Director by the stockholders or by the expiration of term may be filled by the vote of at least a majority of the remaining

³ Article 3, SEC Memorandum Circular No. 6, Series of 2009
⁴ Maharlika Board Listing and Disclosure Rules

Directors, if still constituting a quorum. A Director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor of office.

2. Roles of the Board of Directors

2.1 Powers and Authority of the Board of Directors

The corporate powers of the Bank shall be exercised, its business conducted and all its property shall be controlled and held by its Board of Directors. The powers of the Board of Directors, as conferred by law, are original and cannot be revoked by the stockholders. The Directors hold their office charged with the duty to act for the Bank in accordance with their sound and objective judgment for the best interest of the Bank.

2.2 General Responsibility of the Board of Directors

2.2.1 It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

2.2.2 The Board shall formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide and direct the activities of the bank and the means to obtain the same as well as the mechanism to effectively monitor Management's performance.

2.2.3 The Board has overall responsibility for the bank, including approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. The Board is also responsible for providing oversight of senior management.⁵

2.2.4 While the management of the day-to-day affairs of the Bank is the responsibility of the management team, the Board of Directors is, however, responsible for monitoring and overseeing senior management action. The Board of Directors shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. It is vitally important that a number of board members be independent from management.

2.2.5 The Board shall identify the Bank's major and other stakeholders (e.g. shareholders, customers, employees, suppliers, financiers, government and community in which it operates) and formulate a clear policy on communicating or relating with them through an effective investor relations program. The Board shall be adequately transparent to its shareholders, and other stakeholders. The objective of transparency in the area of corporate governance is to provide these parties, consistent with national law and supervisory practice, with key information necessary to enable them to assess the effectiveness of the Board and senior management governing the Bank. The Board shall ensure the

⁵ Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance

disclosure of relevant and useful information that supports the following key areas of corporate governance:

- (1) Board practices
- (2) Senior management
- (3) Risk management and internal controls
- (4) Compensation
- (5) Complex or opaque corporate structures
- (6) Disclosure and transparency

Such disclosure should be proportionate to the size, complexity, structure, economic significance and risk profile of the Bank.⁶

2.3 Duties and Functions of the Board of Directors⁷

To ensure a high standard of best practice for the Bank, its stockholders and other stakeholders, the Board shall conduct itself with honesty and integrity in the performance of the following duties and responsibilities:

- 2.3.1 Implement a process of selection from a broad pool of qualified candidates to ensure a mix of competent directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. The selection process shall ensure that a sufficient number of qualified non-executive members are elected to promote the independence of the board from the views of senior management.
- 2.3.2 Oversee the selection and performance of senior management. It is the primary responsibility of the Board to appoint competent management team at all times, monitor and assess the performance of the management team based on established performance standards that are consistent with the bank's strategic objectives, and conduct regular review of bank's policies with the management team.
 - (a) The Board shall apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the institution's business, either current or planned, shall be the key considerations in the selection process. And because mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the institution. The Board shall replace

⁶

Id.

⁷

BSP Circular No. 749, Series of 2012

members of senior management, and have in place an appropriate plan of succession.

- (b) The Board shall regularly monitor the actions of senior management and ensure that these are consistent with the policies that it has approved. It shall put in place formal performance standards to be able to effectively assess the performance of senior management. The performance standards shall be consistent with the bank's strategic objectives and business plans, taking into account the bank's long-term financial interests.
- (c) The Board shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter. The Board shall set the frequency of meeting with senior management, taking into account the size, complexity of operations and risk profile of the Bank.
- (d) The Board shall regularly review policies, internal controls and self-assessment functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues. The Board shall set the frequency of review taking into account the size, complexity of operations and risk profile of the bank.

The Board shall ensure that senior management's expertise and knowledge shall remain relevant given the Bank's strategic objectives, complexity of operations and risk profile.

- 2.3.3 Determine the Bank's purpose and review, together with senior management, its vision and mission and strategies to carry out its objectives.
- 2.3.4 Ensure that the Bank complies with all relevant laws, regulations and endeavors to adopt best business practices.
- 2.3.5 Approve and monitor management's implementation of strategic objectives. Consistent with the institution's strategic objectives, business plans shall be established for the Bank including its trust operations, and initiatives thereto shall be implemented with clearly defined responsibilities and accountabilities. These shall take into account the Bank's long-term financial interests, its level of risk tolerance and its ability to manage risks effectively.

The Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with the criteria provided for in the revised Code of Corporate Governance, as approved by the Securities and Exchange Commission ("SEC").⁸

⁸ Article 7, SEC Memorandum Circular No. 6, Series of 2009

The Board shall likewise ensure that the Bank has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

- 2.3.6 Approve and oversee the implementation of policies governing major areas of banking operations. The Board shall approve policies on all major business activities, e.g. investments, loans, asset and liability management, trust, business planning and budgeting. The Board shall accordingly define the Bank's level of risk tolerance in respect of said activities. A mechanism to ensure compliance with said policies shall also be provided.

The Board shall set out matters and authorities reserved to it for decision, which include, among others major capital expenditures, equity investments and divestments. The Board shall also establish the limits of the discretionary powers of each officer, committee, subcommittee and such other groups for purposes of lending, investing or any other financial undertaking that exposes the bank to significant risks.

- 2.3.7 Approve and oversee the implementation of risk management policies. The Board shall be responsible for defining the Bank's level of risk tolerance and for the approval and oversight of the implementation of policies and procedures relating to the management of risks throughout the institution, including its trust operations. The risk management policy shall include:

- (a) a comprehensive risk management approach;
- (b) a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- (c) a clear delineation of lines of responsibility for managing risk;
- (d) an adequate system for measuring risk; and
- (e) effective internal controls and a comprehensive risk-reporting process. The board of directors shall ensure that a robust internal reporting system is in place that shall enable each employee to contribute to the appreciation of the bank's overall risk exposures;

The Board shall ensure that the risk management function is given adequate resources to enable it to effectively perform its functions. The risk management function shall be afforded with adequate personnel, access to information technology systems and systems development resources, and support and access to internal information.

- 2.3.8 Consistently conduct the affairs of the institution with a high degree of integrity. Since reputation is a very valuable asset, it is in the Bank's best interest that in dealings with the public, it observes a high standard of integrity. The Board shall lead in establishing the tone of good governance from the top and in setting

corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. The Board shall:

- (a) Articulate clear policies on the handling of any transaction with DOSRI and other related parties ensuring that there is effective compliance with existing laws, rules and regulations at all times and no stakeholder is unduly disadvantaged. In this regard, the Board shall define "related party transaction", which is expected to cover a wider definition than DOSRI under existing regulations and a broader spectrum of transactions (i.e., not limited to credit exposure), such that relevant transactions that could pose material risk or potential abuse to the Bank and its stakeholders are captured.
- (b) Require the Bank's stockholders to confirm by majority vote, in the annual stockholders' meeting, the bank's significant transactions with its DOSRI and other related parties. For this purpose, significant shall refer to transactions that would require board approval based on the Bank's internal policies or as provided under existing regulations.⁹
- (c) Articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the institution, or unethical conduct.
- (d) Articulate policies that will prevent the use of the facilities of the Bank in furtherance of criminal or other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.
- (e) Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employees' compensation scheme effectively aligned with prudent risk taking. The compensation scheme shall be adjusted for all types of risk and sensitive to the time horizon of risk. Further, the grant of compensation in forms other than cash shall be consistent with the overall risk alignment of the Bank. The Board shall regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended.
- (f) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Bank at all times. Further, the Board shall ensure that all transactions involving the pension fund are conducted at arm's length terms.
- (g) Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal

⁹

Please see: Section 2.a)c Specific duties and responsibilities of the board of directors.(9)2nd par, (e).BSP Circular No. 749, Series of 2012

control function, an objective external party, senior management and/or the Board itself.

- (h) Articulate policies in communicating corporate values, codes of conduct and other standards in the bank as well as the means to confidentially report concerns or violations to an appropriate body.

2.3.9 Define appropriate governance policies and practices for the Bank and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement. The Board, through policies and its own practices, shall establish and actively promote, communicate and recognize sound governance principles and practices to reflect a culture of strong governance as seen by both internal and external stakeholders.

- (a) The Board shall ensure that the Bank's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability, especially between the roles of the Chairman of the Board and Chief Executive Officer/President.
- (b) The Board shall maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.
- (c) The Board shall structure itself in a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, critical discussion of issues and thorough review of matters. It shall meet regularly to properly discharge its functions. It shall also ensure that independent views in board meetings shall be given full consideration and all such meetings be duly minuted.
- (d) The Board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice.
- (e) The Board shall establish a system of checks and balances which applies in the first instance to the Board itself. Among the members of the Board, an effective system of checks and balances must exist. The system shall also provide a mechanism for effective check and control by the Board over the Chief Executive Officer and key managers and by the latter over the line officers of the Bank.

- 2.3.10 Appoint a Compliance Officer who shall have the rank of at least Vice President. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.¹⁰
- 2.3.11 Adopt a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, the cost of which shall be shouldered by the Bank.
- 2.3.12 Identify the Bank's stakeholders in the community in which it operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- 2.3.13 Establish and maintain an alternative dispute resolution system that can amicably settle conflicts or differences between the Bank and its stockholders, the Bank and other stakeholders, including regulatory authorities, and the Bank and third parties.
- 2.3.14 Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors. The Board shall recognize and acknowledge the importance of the assessment of the independent, competent and qualified internal and external auditors as well as the risk and compliance officers in ensuring the safety and soundness of the operations of a bank on a going-concern basis and communicate the same through-out the bank. This shall be displayed by undertaking timely and effective actions on issues identified.

Further, non-executive board members shall meet regularly, other than in meetings of the audit and risk oversight committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

- 2.3.15 As the Board of the parent Bank, exercise over-all responsibility for defining an appropriate governance framework that shall contribute to the effective oversight over entities in the group. Towards this end, the Board of the parent Bank shall ensure consistent adoption of corporate governance policies and systems across the group and shall carry-out the following duties and responsibilities:
- (a) define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the Bank and its subsidiaries are exposed. The Board shall also establish the means to ensure that such policies, practices and systems remain appropriate in the light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the

¹⁰

Article 3 (F)(2)(m), SEC Memorandum Circular No. 6, Series of 2009

policies include the commitment from the entities in the group to meet all governance requirements.

- (b) define the level of risk tolerance for the group, which shall be linked to the process of determining the adequacy of capital of the group.
- (c) ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.
- (d) establish a system of monitoring compliance of each entity in the group with all applicable policies, practices and systems.
- (e) define and approve policies and clear strategies for the establishment of new structures.
- (f) understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company bank. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances.
- (g) develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.
- (h) require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board.
- (i) disclose to the BSP all entities in the group (e.g. owned directly or indirectly by the parent Bank and/or its subsidiaries/affiliates including special purpose entities (SPEs), and other entities that the Bank exerts control over or those that exert control over the Bank, or those that are related to the Bank and/or its subsidiaries/affiliates either through common ownership/directorship/officership as well as all significant transactions between entities in the group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require board approval based on the Bank's internal policies or as provided under existing regulations: Provided, That the Bank shall continue to submit any report required under existing regulations covering transactions between companies within the group.

2.3.16 As the Board of the Bank is a subsidiary/affiliate of a non-BSP regulated parent company, the Board shall carry out the following duties and responsibilities:

- (a) ensure that the Bank complies with the governance policies, practices and systems of the parent company as well as meets the standards and requirements set forth under existing laws, rules and regulations.
- (b) define and approve policies and clear strategies for the establishment of new structures (e.g. subsidiaries/affiliate of the Bank). The Board shall also report to the BSP any plan to create additional group structures.
- (c) understand the roles, relationships or interactions of each entity in the group with one another and with the parent company. The Board shall understand the legal and operational implications of the group structure and how the various type of exposures affect the Bank's capital, risk profile and funding under normal and contingent circumstances.
- (d) require the risk management, compliance function and internal audit group of the Bank to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the Board approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the Board.
- (e) disclose to the BSP all entities in the group (e.g. parent company, entities owned directly or indirectly by the parent company and/or its subsidiaries/affiliates including special purpose entities (SPEs), and other entities that the Bank exerts control over or those that exert control over the Bank, or those that are related to the Bank and/or its subsidiaries/affiliates either through common ownership/directorship/officership as well as all significant transactions between entities in the group involving any BSP regulated entity. For this purpose, significant shall refer to transactions that would require board approval based on the Bank's internal policies or as provided under existing regulations: Provided, That the Bank shall continue to submit any report required under existing regulations covering transactions between companies within the group.

2.4 Maximum Board Seats

The Chief Executive Officer and other executive directors may submit themselves to an indicative limit on membership in other corporate Boards. The same limit may apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence and efficiency shall not be compromised.

Please refer to the section on Corporate Governance Committee of this manual for the guidelines on the determination of the number of directorships for the Board.

The board members shall dedicate sufficient time and attention to their functions in the bank. Directors shall limit their outside board seats to six (6),¹¹ unless there is good justification for a greater number of outside board seats and these do not interfere with the amount and quality of time and attention of the director to the bank.

2.5 Adequate and Timely Information

2.5.1 To enable the members of the Board to properly fulfill their duties and responsibilities, the Management shall provide them with complete, adequate and timely information about the matters to be taken in their meetings.

2.5.2 Since reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the Board, the members shall be given independent access to Management and the Corporate Secretary. Such information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

2.5.3 The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall have access to independent professional advice, the cost of which shall be shouldered by the Bank.

3. The Chairperson, Corporate Vice-Chairman, and Chief Executive Officer

3.1 The Chairperson and Chief Executive Officer (CEO)

3.1.1 The Chairperson shall assist in ensuring compliance with and performance of the corporate governance policies and practices.

3.1.2 In accordance with applicable regulations, the roles of Chairperson and the CEO shall, as practicable, be separate for an appropriate balance of power, increased accountability and better capacity for independent decision making by the Board. There shall be a delineation of functions between the Chairperson and the CEO.¹²

3.1.3 If the positions of the Chairperson and the CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

3.2 The Chairperson

The Chairperson shall have the following duties and responsibilities:

¹¹ IFC recommendation

¹² Maharlika Board: The Chairman and CEO positions should be held separately by individuals who are not related to each other.

- 3.2.1 Mainly responsible for the proper governance of the Bank through the Board of Directors.
- 3.2.2 Provide leadership in the Board of directors. The Chairperson shall be responsible for the efficient functioning of the Board including maintaining a relationship of trust with the members of the Board. The Chairperson will decide on all matters to be included in the agenda and preside at meetings of the stockholders and Board of Directors.
- 3.2.3 Ensure that the Board takes an informed decision.
 - (a) Ensure active participation and sufficiently deep professional involvement of all members of the Board of Directors.
 - (b) Encourage and actively solicit views and opinions of other members of the Board in the process of arriving at a decision.
 - (c) Ensure that all members of the Board are given sufficient information and time to enable them to study carefully and responsibly issues that come up to the Board.
 - (d) Allow for, and even encourage, the expression of independent views that may be different from those proposed by top management.
- 3.2.4 Ensure that the meetings of the Board are held in accordance with the By-laws and annual schedule approved by the Board or as the Chairperson may deem necessary.
- 3.2.5 Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors.
- 3.2.6 Ensure and maintain quality and timely lines of communication and flow of information between the Board and Management.
- 3.2.7 Ensure that the Board has free access to people who can answer their questions, preventing the need for back channels.
- 3.3 The Corporate Vice-Chairman

The Corporate Vice-Chairman will have such powers and perform such duties as the Board of Directors may from time to time prescribe. In the absence or inability of the Chairman to act, the Corporate Vice-Chairman will act in his stead, and will exercise any and all such powers and perform any and all duties pertaining to the office of the Chairperson conferred upon it by the By-Laws.

3.4 The Chief Executive Officer (CEO)

The Chief Executive Officer (CEO) will be in-charge of and will exercise general management responsibilities over management development, public relations and advertising relations with the BSP and other offices, agencies and instrumentalities on the Philippine government, relations with the Bankers' Association of the Philippines and other industry associations, and relations with other ASEAN countries. He will be a member of the Executive Committee and of all major management committees, and will exercise such other powers and perform such other duties as the Board of Directors may prescribe from time to time.

He shall ensure that, and be accountable for, the business and affairs of the Bank are managed in a sound and prudent manner and that operational, financial and internal control are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts.

The CEO shall provide leadership for Management in developing and implementing business strategies, plans and budgets to the extent approved by the Board. He shall provide the Board with a balanced and understandable account of the Bank's performance, financial condition, results of operations prospects on a regular basis.

B. Directors

A director's office is one of trust and confidence. A director shall act in the best interest of the Bank in a manner characterized by transparency, accountability and fairness. He shall exercise his "duty of care" and "duty of loyalty" to the Bank under applicable law and regulation. He shall also exercise leadership, prudence and integrity in directing the Bank towards sustained progress.

1. Duties and Responsibilities of a Director

A director shall have the following duties and responsibilities:

- 1.1 To remain fit and proper for the position for the duration of his term. A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry including regulatory changes through continuing education or training.
- 1.2 To conduct fair business transactions with the Bank and to ensure that his personal interest does not bias board decisions. Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms

not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise his impartiality.

- 1.3 To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders. A director must always act in good faith, with the care which an ordinarily prudent man would exercise under similar circumstances. While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.
- 1.4 To devote time and attention necessary to properly and effectively discharge his duties and responsibilities. Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in the board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.
- 1.5 To act judiciously on matters brought before the Board, thoroughly evaluating the issues involved before making any decisions;
- 1.6 To contribute significantly to the decision-making process of the Board. Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
- 1.7 To exercise independent judgment. 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 a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.
- 1.8 To have a working knowledge of the statutory and regulatory requirements affecting the Bank and its operations, including the contents of its Articles of Incorporation and By-laws, the rules and regulations of the SEC and BSP, and where applicable, the requirements of other regulatory agencies having jurisdiction over the Bank, and keep abreast with industry developments and business trends.
- 1.9 To observe and safeguard confidentiality of non-public information acquired by reason of his position as a director. A director may not disclose said information to any other person without the authority of the Board.
- 1.10 To ensure the continuing soundness, effectiveness and adequacy of the Bank's control environment.

2. Qualifications of a Director

A director shall have the following minimum qualifications:

- 2.1 He shall own at least one (1) share of the capital stock of the Bank;
- 2.2 He shall be at least twenty-five (25) years of age at the time of his election or appointment;
- 2.3 He shall be at least a college graduate or have an equivalent academic degree;
- 2.4 He shall have a practical understanding of the business of the Bank;
- 2.5 He must be a member in good standing in relevant industry, business or professional organization;¹³
- 2.6 He must have previous business experience;¹⁴
- 2.7 He must attend the special seminar on corporate governance for board of directors conducted or accredited by the BSP within six (6) months after election, provided that the following persons are exempted from attending the said seminar:
 - i. Foreign nationals who have attended corporate governance training covering core topics in the BSP-recommended syllabus and certified by the Corporate Secretary as having been made aware of the general responsibility and specific duties and responsibilities of the board of directors and responsibilities of a director prescribed under the MORB;
 - ii. Filipino citizens with recognized stature, influence, and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
 - iii. Distinguished foreign and Filipino nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or
 - iv. Former Chief Justices of the Philippine Supreme Court;¹⁵ and
- 2.8 He must be fit and proper for the position of a director of the Bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered:
 - integrity/probity;
 - physical/mental fitness

¹³ Article 3 (D)(iii), SEC Memorandum Circular No. 6, Series of 2009

¹⁴ Article 3 (D)(iv), *id.*

¹⁵ BSP Circular No. 840, Series of 2014 .

- competence;
- relevant education/financial literacy;
- diligence; and
- knowledge/experience/training.

The foregoing qualifications for directors shall be in addition to those required or prescribed under R.A. No. 8791 (General Banking Law) and other existing applicable laws and regulations.

- 2.9. Board members shall be and remain qualified, including through training, for their positions. They shall have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the bank.¹⁶
- 2.10. The board collectively shall have adequate knowledge and experience relevant to each of the material financial activities the bank intends to pursue in order to enable effective governance and oversight.

3. Disqualification of Directors

The following are the grounds for the disqualification of a director:

3.1 Permanent Disqualification

The following are the grounds for the permanent disqualification of a director:¹⁷

- 3.1.1 Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that:
- a. involves the purchase or sale of securities, as defined in the Securities Regulation Code ("SRC");
 - b. arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or
 - c. arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.
- 3.1.2 Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any administrative body of competent jurisdiction from:

¹⁶
¹⁷ Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance
Article 3, Section E.1, SEC Memorandum Circular No. 6, Series of 2009

- a. acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
- b. acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;
- c. engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.

- 3.1.3 Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts.
- 3.1.4 Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or BSP, or any of its rule, regulation or order.
- 3.1.5 Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.
- 3.1.6 Any person judicially declared as insolvent.
- 3.1.7 Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in item nos. 3.1.1 to 3.1.4.
- 3.1.8 Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

3.2 Temporary Disqualification

The Board may provide for temporary disqualification of a director for any of the following reasons:

- 3.2.1 Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- 3.2.2 Absence or non-participation for whatever reasons in more than fifty (50%) of all regular and special meetings of the Board during his incumbency, and failure to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/suggestions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. The disqualification shall apply for purposes of the succeeding election.¹⁸
- 3.2.3 Persons convicted for offenses involving dishonesty, breach of trust or violation of banking laws but whose conviction has not yet become final and executory.
- 3.2.4 Directors and officers of closed banks who have committed irregularity and those with pending complaints/cases. This disqualification applies upon approval of the Monetary Board until final resolution of their cases.
- 3.2.5 Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising and examining department of such director's election/reelection.
- 3.2.6 Directors who failed to attend the special seminar on corporate governance for board of directors required by the Bangko Sentral ng Pilipinas, unless said directors are exempted in accordance with the foregoing or applicable laws, rules and regulations. This disqualification applies until the director concerned had attended such seminar.
- 3.2.7 Dismissal or termination for cause as director of any corporation covered under SEC Memorandum Circular No. 6, Series of 2009 (or the revised Code of Corporate Governance). The disqualification shall be in effect until he has cleared himself from any involvement in the alleged irregularity.

¹⁸

§143.1.b.(2), 2010 Manual of Regulation for Banks vol. 1

- 3.2.8 If the beneficial equity ownership of an independent director in the Bank or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.¹⁹
- 3.2.9 Persons disseminated/terminated from employment for cause. This disqualification shall be in effect until:
- they have cleared themselves of involvement in the alleged irregularity; or
 - upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons; or
 - after the lapse of the five (5) years from the time they were officially advised by the appropriate department of BSP's Supervision and Examination Sector (SES) of their disqualification.
- 3.2.10 Those under preventive suspension (as in the case of an Executive Director).
- 3.2.11 Persons with derogatory records with the National Bureau of Investigation (NBI), court, police, Interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the Government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a bank officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.
- 3.2.12 Persons who are delinquent in the payment of their obligations as defined hereunder²⁰:
- Delinquency in the payment of obligations means that an obligation of a person with a bank/quasi-bank/trust entity where he/she is a director or officer, or at least two obligations with other banks/financial institution, under different credit lines or loan contracts, are past due pursuant to Sec. X306 of the BSP Manual of Regulations for Banks;
 - Obligations shall include all borrowings from a bank/quasi-bank obtained by:
 - A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such financial institutions;
 - The spouse or child under the parental authority of the director or officer;

¹⁹
²⁰

Article 3(E)(2)(iv), SEC Memorandum Circular No. 6, Series of 2009
BSP Circular No. 296

- iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
- iv. A partnership of which a director or officer, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
- v. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items (i), (ii), and (iv);

Note: The above disqualification shall be in effect as long as the delinquency persists.

3.2.13 If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Note: A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

4. Qualification of Independent Directors²¹

An Independent Director includes, among other persons, one who:

- 4.1 Is not or has not been an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- 4.2 Was not a regular director who resigned or whose term ended within the last two (2) years.
- 4.3 Was not appointed the Chairman "Emeritus", "Ex-Officio" Directors/Officers or Members of any Executive Advisory Board, or otherwise, appointed in a capacity to assist the Board in the performance of its duties and responsibilities within the last one (1) year.
- 4.4 Is not a director or officer of the related companies of the Bank's majority stockholder;
- 4.5 Is not a stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies;
- 4.6 Is not a relative, legitimate or common law of any director, officer or stockholder holding shares of stock sufficient to elect one seat in the Board of the Bank or any of its related companies. For this purpose, relatives refer to the spouse,

²¹

SEC Memorandum Circular No. 9, Series of 2009

parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law²²;

- 4.7 Is not acting as a nominee or representative of any director, officer or substantial shareholder of the Bank or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;
- 4.8 Is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment; and
- 4.9 Is not a director, officer, principal stockholder, among others, of securities brokers-dealers. However, this does not apply to brokers-dealers of fixed income securities.

Effective 02 January 2012, the independent director may serve as such in accordance with the term limits prescribed in SEC Memorandum Circular No. 9. Series of 2011 re: Term Limits for Independent Directors.²³

The foregoing terms and phrases used in paragraphs 4.1 to 4.9 of this section shall have the following meaning:

- (a) Parent is a corporation which has control over another corporation directly or indirectly through one (1) or more intermediaries;
- (b) Subsidiary means a corporation more than fifty percent (50%) of the voting stock of which is owned or controlled directly or indirectly through one (1) or more intermediaries by the Bank;
- (c) Affiliate is a juridical person that directly or indirectly, through one (1) or more intermediaries, is controlled by, or is under common control with the Bank or its affiliates;
- (d) Related interests as defined under Sections 12 and 13 of R.A. No. 8791 shall mean individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law, and two (2) or more corporations owned or controlled by a single individual or by the same family group or the same group of persons;
- (e) Control exists when the parent owns directly or indirectly through subsidiaries more than one-half of the voting power of an enterprise unless, in exceptional circumstance, it can be clearly

²² BSP Circular No. 793, series of 2013.
²³ Annex "A" hereof.

demonstrated that such ownership does not constitute control. Control may also exist even when ownership is one-half or less of the voting power of an enterprise when there is:

- i. power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
 - ii. power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
 - iii. power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
 - iv. power to cause the majority votes at meetings of the board of directors or equivalent governing body; or
 - v. any other arrangement similar to any of the above.
- (f) Related company means another company which is: (a) its parent or holding company; (b) its subsidiary or affiliate; or (c) a corporation where a bank or its majority stockholder own such number of shares that will allow/enable him to elect at least one (1) member of the Board.
- (g) Substantial or major shareholder shall mean a person, whether natural or juridical, owning such number of shares that will allow him to elect at least one (1) member of the Board or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.
- (h) Majority stockholder or majority shareholder means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of the Bank.

C. Board Meetings and Quorum Requirement

1. The Board shall schedule and hold regular meetings in accordance with its By-Laws and convene for special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials shall be furnished to the Directors prior to each meeting, which meeting must be duly minuted. In addition, the Board shall ensure that agenda topics are met.
2. The members of the Board shall attend its regular and special meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the director who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents. The Bank shall ensure that teleconferencing facilities are available for this purpose.
3. Independent directors shall always attend Board meetings. Only in exceptional cases will Independent Directors be excused from attending meetings. At least a majority of Independent

Directors shall be present in order to constitute a quorum. However, to promote transparency, there shall always be at least one independent director in all its meetings.

4. The Board shall hold executive sessions with the Independent directors and non-Executive Directors, excluding Executive directors, at least once a year and at such other times as the Board may deem necessary or appropriate. Such executive sessions shall be presided by the Chairman of the Corporate Governance Committee, except if said Chairman is an Executive Director, in which case, by an Independent Director or non-Executive Director designated by the Board.
5. To monitor the directors' compliance with the attendance requirements, the Bank shall update the pertinent portion of the Annual Corporate Governance Report and file with the SEC an advisement letter on directors' attendance within five (5) days from the end of the company's fiscal year²⁴

D. Board Committees

The Board shall create committees, the number and nature of which would depend on the size of the Bank and the Board, the complexity of operations, long-term strategies and risk tolerance level of the Bank.

The Board shall appoint the members and chairman of each Board Committee following the annual meeting of stockholders at which the directors are elected. In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance committees, without prior approval of the Monetary Board.²⁵

Each Board Committees shall have a charter which shall define and govern its (a) authority and composition (b) meeting attendance and notice (c) remuneration (d) voting (e) committee chair responsibilities and authority (f) evaluation which define and govern among other matters, its composition, purposes, duties and responsibilities.

The Charters of the Board Committees shall be approved by Board. Any amended, alteration or variation shall be duly approved by the Board. The Charters shall be reviewed and updated annually, or whenever there are significant changes therein.

The Board shall ensure that each Committee shall maintain appropriate records (e.g. minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

²⁴ SEC Memorandum Circular No. 1, series of 2014.

²⁵ BSP Circular 757, Series of 2012.

The Board of Directors shall constitute various committees to achieve the basic principles of good corporate governance such as, but not limited to, the following:

1. Executive Committee

1.1 Composition

The Executive Committee shall be composed of a Chairman, Vice-Chairman and four (4) members to be elected by the Board of Directors from among themselves.

1.2 Duties and Responsibilities

The Executive Committee shall have the power to act and pass upon such matters as the Board of Directors may entrust to it for action in between meetings of the said Board of Directors. Matters affecting general policy shall always be referred to the Board of Directors for decision. The Committee shall likewise have the power to review an asset or loan to ensure timely recognition and resolution of impaired assets.

2. Corporate Governance Committee

2.1 Composition

The Corporate Governance Committee shall be composed of at least three (3) members of the Board of Directors, two (2) of whom shall be independent directors including the chairperson. The committee shall have a written charter that describes the duties and responsibilities of its members. This charter shall be approved by the Board of Directors and reviewed and updated at least annually, or whenever there are significant changes therein.

2.2 Primary Purpose

The primary purposes of the Committee are to:

2.2.1 Oversee the development and implementation of corporate governance principles and policies;

2.2.2 Review and evaluate the qualifications of the persons nominated to the Board as well as those nominated for election to other positions requiring appointment by the Board;

2.2.3 Identify persons believed to be qualified to become members of the Board and/or the Board Committees;

2.2.4 Assist the Board in making an assessment of the Board's effectiveness in the process of replacing or appointing new members of the board and/or Board Committees;

- 2.2.5 Assist the Board in developing and implementing the Board's performance evaluation process and rating system that constitute a powerful and valuable feedback mechanism to improve board effectiveness, maximize strengths and highlight areas for further development;
 - 2.2.6 Provide guidance to and assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company;
 - 2.2.7 Oversee the development and administration of the Company's executive compensation programs, including long term incentive plans and equity based plans for Officers and Executives; and
 - 2.2.8 Assist the Board in the performance evaluation of and succession planning for Officers including the CEO and in overseeing the development and implementation of professional development programs for Officers.
- 2.3 Duties and Responsibilities
- 2.3.1 The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities.
 - 2.3.2 The committee shall be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.
 - 2.3.3 The committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness, and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.
 - 2.3.4 The committee shall make recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance.
 - 2.3.5 The committee shall decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long term shareholder's value.

- 2.3.6 The committee shall monitor compliance of the submission of the Annual Corporate Governance Scorecard on the scope, nature and extent of the actions taken to meet the objectives of the SEC's Revised Code of Corporate Governance.
- 2.3.7 The committee shall be responsible for the amicable resolution of disputes and/or settle conflicts or differences between the Bank and its stockholders, the Bank and other stakeholders, including regulatory authorities, and the Bank and third parties.²⁶
- 2.3.8 On Executive Compensation and Remuneration:
- a. The committee shall 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 Bank's culture, strategy and control environment.
 - b. It shall designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
 - c. The committee shall develop a form of 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.
 - d. It shall disallow any director to decide his or her own remuneration.
 - e. It shall provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
 - f. It shall review the existing Human Resources Policy Manual or Personnel Handbook to 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.

- g. Or in the absence of such Personnel Handbook, it shall cause the development of such, covering the same parameters of governance stated above.

2.3.9 On Nominations to the Board of Directors:

- a. To the extent practicable, the members of the Board of Directors shall be selected from a broad pool of qualified candidates. The committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications enumerated under item nos. 2 and 3, respectively, of Section II-B in this manual. In selecting Independent Directors, the number and types of entities where the candidate is likewise elected as such shall be considered to ensure that he will be able to provide sufficient time to effectively carry out his duties and responsibilities. It shall also review and evaluate the qualifications of those persons nominated to other positions requiring appointment by the Board of Directors.
- b. In consultation with the executive or management committee/s, it shall re-define the role, duties and responsibilities of the Chief Executive Officer by 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.
- c. The committee shall consider the following guidelines in the determination of the number of directorships of a nominee for the Board:
 - i. The nature of the business of the corporations where he is a director;
 - ii. Age of the Director;
 - iii. Number of directorships/active memberships and officerships in other corporations or organizations; and
 - iv. Possible conflict of interest.

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

3. Risk Oversight Committee

3.1 Composition

The Risk Oversight Committee shall be composed of at least three (3) members of the Board of Directors including at least one (1) independent director and a chairperson who is a non-executive member. The members who 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. The committee shall have a written charter that defines the duties and responsibilities of its members. The charter shall be approved by the Board of Directors

and reviewed and refined periodically. The Risk Oversight Committee shall, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

3.2 Duties and Responsibilities:

3.2.1 In general, the Risk Oversight Committee shall be responsible for the development and oversight of the institution's risk management program. 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.

3.2.2 The core responsibilities of the Risk Oversight Committee include the following:

- a. Identify and evaluate exposures. The committee shall assess the probability of each risk, including reputational and compliance risks, becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are 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 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 communicate the risk management plan and loss control procedures to affected parties. The committee shall conduct regular discussions on the institution's current risk exposure based on regular management reports and assess how 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 over-all risk exposure, actions taken to reduce the risks, and recommend further action or plans as necessary.

4. Audit Committee

4.1 Composition

The Audit Committee shall be composed of at least three (3) members of the Board of Directors, at least two (2) of whom shall be independent directors, including the Chairman, and another one with audit experience. The members shall be financially

literate, and the Chairman shall be a financial expert preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. To the greatest extent possible, the audit committee shall be composed of a sufficient number of independent and non-executive board members. Furthermore, the Chief Executive Officer, Chief Financial Officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the audit committee.

4.2 Primary Purposes

The purposes of the Committee are to assist the Board of Directors in fulfilling its oversight responsibilities for:

- 4.2.1 the integrity of the bank's accounting and financial reporting, principles, policies and system of internal controls, including the integrity of the Bank's financial statements and the independent audit thereof;
- 4.2.2 the Bank's compliance with legal and regulatory requirements;
- 4.2.3 the Bank's assessment and management of enterprise risks including credit, market, liquidity, operational and legal risks; and
- 4.2.4 the Bank's Audit process and the performance of the bank's internal audit organization and external auditors, including the external auditors' qualifications and independence.

4.3 Duties and Responsibilities

The core responsibilities of the Audit Committee include the following:

- 4.3.1 Ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- 4.3.2 Review and approve the annual internal audit plan to ensure its conformity with the objectives of the Bank. The plan shall include the audit scope, frequency, resources and budget necessary to implement it.
- 4.3.3 Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- 4.3.4 Set up an internal audit department/division and consider the appointment of an independent internal auditor and the independent external auditor who shall both report directly to the Audit Committee as well as the terms and conditions of the external auditor's engagement and removal. In cases of appointment or

dismissal of external auditors, it is encouraged that the decision be made only by independent and non-executive Audit Committee members.

- 4.3.5 Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system, including financial reporting, operational and compliance controls, risk management, and information technology security at least annually.
- 4.3.6 Investigate any matter within its terms of reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
- 4.3.7 Receive and review the reports submitted by the internal and external auditors and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
- 4.3.8 Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - a. any change/s in accounting policies and practices;
 - b. major judgmental areas;
 - c. significant adjustments resulting from the audit;
 - d. going concern assumptions;
 - e. compliance with accounting standards;
 - f. compliance with tax, legal and regulatory requirements.
- 4.3.9 Coordinate, monitor and facilitate compliance laws, rules and regulations.
- 4.3.10 Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Bank's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Bank's annual report.
- 4.3.11 Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be independent and impartial from management and free from interference by outside parties.
- 4.3.12 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. It shall ensure that

arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

5. The Corporate Secretary and Assistant Corporate Secretary
 - 5.1 The Corporate Secretary and Assistant Corporate Secretary shall be Filipino citizens and residents of the Philippines.
 - 5.2 They are officers of the Bank and perfection in performance and no surprises are expected of them. Likewise, their loyalty to the mission, vision and specific business objectives of the corporate entity come with their duties.
 - 5.3 They must possess administrative, legal and interpersonal skills, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities. He must also have some financial and accounting skills.
 - 5.4 They must have a working knowledge of the operations of the Bank.
 - 5.5 Duties and Responsibilities
 - 5.5.1 Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board as well as the other official documents, records and other information essential to the conduct of his duties and responsibilities to the Bank.
 - 5.5.2 Inform the members of the Board of the schedule and agenda of their meetings and ensure that the members have before them complete and accurate information that will enable them to arrive at intelligent or informed decisions on matters that require their approval.
 - 5.5.3 Serve as an adviser of the Board, and assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
 - 5.5.4 Work fairly and objectively with the Board, Management, stockholders and other stakeholders.
 - 5.5.5 Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same.
 - 5.5.6 In all transactions which may lawfully come to the knowledge of the Corporate Secretary involving transfer of voting shares of stock or registration of voting trust agreements, or any form of agreement vesting the right to vote the voting shares of stock of the Bank, the Corporate Secretary shall:

- a. Ascertain the identity and citizenship of the transferee, voting trustee, proxy or person vested with the right to vote, and his relation to existing stockholders, and for this purpose, he shall require the transferee, voting trustee, proxy or the person vested with the right to vote to submit proof of citizenship, which may consist, in case of a corporation, of a certified true copy of the Articles of Incorporation, accompanied by the affidavit of the Corporate Secretary of the corporation, certifying to the correctness and accuracy of the list of stockholders, their citizenship, and the percentage of shares owned by them.
- b. Require the transferee, voting trustee, proxy or person vested with the right to vote, at the time of the receipt of the request for transfer or registration, or at any time thereafter, to disclose all information with respect to persons related to the transferee, voting trustee, proxy or person vested with the right to vote, within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, as well as corporations, partnerships or associations where the transferee, voting trustee, proxy or person vested with the right to vote has controlling interest, and the extent thereof.
- c. Require the transferee to execute an affidavit stating, among other things, that the transferee is a bona fide owner of shares of stock and that he acknowledges full awareness of the requirements of the law and the prohibitions against exceeding ownership of voting stocks beyond the prescribed limitations.
- d. If the request for transfer or the arrangement sought to be registered will patently cause the voting stocks of a person or a corporation, to exceed the limits prescribed by law, the Corporate Secretary shall deny the transfer or registration and forthwith inform the parties to the transaction in writing. Simultaneous with the notice to the parties, the Corporate Secretary shall submit a written report to the Governor of the BSP of the attempted illegal transfer or arrangements, together with the names, addresses of parties and other pertinent data with respect to the particular stock transaction.

In the event the Corporate Secretary has reason to doubt the legality of the transfer or of the arrangement sought to be registered, he may commence an action before the appropriate body.
- e. Promptly inform stockholders who have reached any of the ceilings imposed by law, of their ineligibility to own or control more than the applicable ceiling.

- 5.5.7 Ensure that all Board procedures, rules and regulations are strictly followed by the members.²⁷

E. Remuneration of the Members of the Board and Officers

1. The Bank shall avoid paying more than what is necessary for purposes of running the Bank successfully.
2. A proportion of the executive directors' remuneration shall be structured so as to link reward to corporate and individual performance.
3. The compensation of the CEO and other Officers shall be subject to review and approval by the Corporate Governance Committee. Equity based plans and long-term incentive plans for Officers which the Committee may recommend shall be subject to review and approval by the Board and, as applicable, by the stockholders.
4. The Bank shall establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers. No director shall be involved in deciding his/her own remuneration.
5. The Bank's annual reports and information and proxy statements shall include a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid, directly and indirectly, to its directors and top four (4) management officers during the preceding fiscal year.
6. **Directors' Fees**

A per diem, as may be determined from time to time by stockholders owning or representing a majority of the subscribed capital stock at any regular or special meeting, shall be paid to each director for attendance at any meeting of the Board of Directors for each day of session; provided, however, that nothing herein contained shall be construed to preclude any director from serving in any other capacity and receiving compensation therefore.
7. To protect the funds of the Bank, the SEC may, in exceptional cases, e.g., when the Bank is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees, and fringe benefits to its directors and officers.

F. Officers

The selection of Bank Officers shall be in accordance with the qualifications and disqualifications set by the Bank and the prevailing BSP regulations.

1. Duties and responsibilities of officers:²⁸

- 1.1 To set the tone of good governance from the top. Bank officers shall promote the good governance practices within the Bank by ensuring that policies on governance as approved by the Board are consistently adopted across the Bank.

²⁸

BSP Circular No. 749, Series of 2012

- 1.2 To oversee the day-to-day management of the Bank. Bank officers shall ensure that the Bank's activities and operations are consistent with the Bank's strategic objectives, risk strategy, corporate values and policies as approved by the Board. They shall establish a bank-wide management system characterized by strategically aligned and mutually reinforcing performance standards across the organization.
- 1.3 To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Bank officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each bank personnel. Bank officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board for the performance of the Bank.
- 1.4 To promote and strengthen checks and balances systems in the Bank. Bank officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

G. Performance Evaluation

1. The Board of Directors shall undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
2. Individual evaluation of directors shall aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for board and committee meetings and any other duties). The Chairman shall act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of the board, identifying individual and collective development needs and, where appropriate, proposing new members be appointed to the board or seeking the resignation of directors.
3. The Independent Director shall conduct an annual performance evaluation of the Chairman, and report this to the Corporate Governance Committee. As part of this process, the Independent Director should convene a meeting of the Non-Executive Directors.
4. The Chairman shall conduct annual performance evaluations of the other executive directors, in relation to their role as members of the Board and report this to the Corporate Governance Committee. A summary of the agreed outcome will be reported to the Board.
5. The Chairman shall determine the individual and collective development needs of the Board as a result of the performance evaluations set out above, and put appropriate development programs in place.

III. Compliance Program

Policy

The Bank shall have in place adequate and effective controls encompassing the Bank's governance, operations, information systems (including reliability and integrity of financial and operational information).

To ensure adherence to the said corporate governance/principles, a compliance program must be clearly defined/set to further identify, monitor and control compliance and operational risks.

Implementing Guidelines**A. Compliance Office****1. Compliance Officer**

- 1.1 To ensure adherence to sound corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of at least a Vice President or its equivalent and shall have direct reporting responsibilities to the Chairman of the Board. A Compliance Office shall be established to assist the Compliance Officer in the discharge of his/her functions and responsibilities. The Compliance Office he/she will head shall, like the Internal Audit, have free and full access to records, and be independent.

Relative thereto, the appointment/designation of a Compliance Officer shall be immediately disclosed to the SEC on SEC Form 17-C. All correspondences relative to his/her functions as such shall be addressed to the said Officer.

- 1.2 The Compliance Officer shall perform the following duties:

- 1.2.1 Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if any violations are found, report the matter to the Chairman and Corporate Governance Committee and recommend the imposition of the appropriate disciplinary action for such violation and the adoption of measures to prevent a repetition of the violation, subject to review and approval by the Board.
- 1.2.2 Identify, monitor, control and assess, if any, compliance risks and how such risks can be mitigated.
- 1.2.3 Appear before the SEC when summoned in relation to compliance with the Revised Code of Corporate Governance.
- 1.2.4 Assist the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review, and implementation of the corporate governance structure and policies of the Bank, and to assist in the conduct of a self-assessment of the performance and effectiveness of the Board, the Board Committee and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees.

B. Accountability and Audit

1. The Board is primarily accountable to the stockholders who shall be provided with a balanced and comprehensible assessment of the Bank's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.
2. Management shall provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to the stockholders.
3. Management shall formulate policies and procedures on risk management and governance process. Further, Management, shall formulate rules and procedures on financial reporting and internal control in accordance with the following:
 - 3.1 The extent of Management's responsibility in the preparation of the financial statements of the Bank, with the corresponding delineation of the responsibilities that pertain to the external auditor, shall be clearly explained.
 - 3.2 An effective internal control system that will ensure the integrity of the financial reports and protection of the assets of the Bank for the benefit of all stockholders and other stakeholders shall be maintained.
 - 3.3 The Bank shall consistently comply with the financial reporting requirements of the SEC.
4. Internal Audit Function
 - 4.1 The Bank shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors who shall conduct independent and objective internal audit activities designed to add value to and improve the Bank's operations and to help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, control and governance processes through which the Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are appropriate, adequate, effective and complied with.
 - 4.2 The minimum risk management and internal control mechanisms for Management's operational responsibility shall center on the CEO, being ultimately accountable for the Bank's organizational and procedural controls.
 - 4.3 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:
 - 4.3.1 the nature and complexity of business and the business culture;
 - 4.3.2 the volume, size and complexity of transactions;
 - 4.3.3 the degree of risk;

- 4.3.4 the degree of centralization and delegation of authority;
 - 4.3.5 the extent and effectiveness of information technology; and
 - 4.3.6 the extent of regulatory compliance.
- 4.4 The internal audit examinations shall cover at least the following:
 - 4.4.1 evaluation of significant risk exposures and adequacy of risk management process.
 - 4.4.2 the evaluation of the adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems (including the reliability and integrity of financial and operational information);
 - 4.4.3 effectiveness and efficiency of operations;
 - 4.4.4 safeguarding of assets; and
 - 4.4.5 compliance with laws, rules, regulations and contracts.
- 4.5 The audit reports shall summarize risk exposures, control issues, recommendations, status of committed actions, officers responsible and implementation dates.
- 4.6 The internal auditors shall have free and full access to all the Bank's records, properties, and personnel relevant to the internal audit activity.
- 4.7 Head of Internal Audit
 - 4.7.1 The Head of Internal Audit shall functionally report to the Audit Committee.
 - 4.7.2 He shall submit to the Audit Committee and Senior Management an annual report on the Internal Audit Division's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee. The annual report shall include significant risk exposure, control issues and such other matters as may be needed or requested by the Board and Management.
 - 4.7.3 He shall certify that internal audit activities are conducted in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.
- 5. External Auditor
 - 5.1 An external auditor accredited by the BSP and SEC shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

- 5.2 The external auditor shall enable an environment of sound corporate governance as reflected in the financial records and reports of the Bank. He shall provide an objective assurance on the manner by which the financial statements have been prepared and presented to the stockholders. If he believes that the statements made in the Bank's annual report, information statement or proxy statement filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall present his views on the matter in the said reports.
- 5.3 The external auditor of the Bank shall not, at the same time, provide internal audit services to the Bank. The Bank shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- 5.4 The Bank's external auditor shall be rotated, or the signing partner of the external auditor assigned to the Bank shall be changed, every five (5) years or earlier.
- 5.5 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Bank's annual and current reports. The report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the Bank to the external auditor before its submission.

C. Risk Management and Internal Controls

1. The Bank recognizes that risk is an inherent part of its activities, and that Banking is essentially a business of managing risks. The Bank views risk management as a value proposition imbued with the mission of achieving sustainable growth in profitability and shareholder value through an optimum balance of risk and return.
2. The risk management infrastructure of the Bank follows a top-down approach, whereby the Board takes ultimate accountability for the risks taken, the tolerance for these risks, business strategies, operating budget, policies, and overall risk philosophy.
3. The board and senior management shall know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure").²⁹
4. The Bank shall have an effective internal controls system and a risk management function (including a chief risk officer or equivalent) with sufficient authority, stature, independence, resources and access to the board.³⁰
5. The Corporate Risk Management Services Group (CRISMS) shall implement the risk management process in the parent company, and additionally consolidates the risk MIS from the various subsidiary risk units for a unified risk profile and eventual disposition.
6. Risks shall be identified and monitored on an ongoing firm-wide and individual entity basis, and the sophistication of the bank's risk management and internal control infrastructures shall keep

²⁹

³⁰

Basel Committee on Banking Supervision Principles for Enhancing Corporate Governance
id.

pace with any changes to the bank's risk profile (including its growth), and to the external risk landscape.³¹

7. The risk process adopted by the Bank is not designed to eliminate risks, but rather to mitigate and manage them so as to arrive at an optimum risk-reward mix.
8. The bank monitors risk levels to ensure timely review of risk positions and exceptions versus established limits and ensure effectiveness of risk controls using appropriate monitoring systems.
9. The Bank has an effective risk management that s robust internal communication within the bank about risk, both across the organization and through reporting to the board and senior management.³²
10. The board and senior management shall effectively utilize the work conducted by internal audit functions, external auditors and internal control functions.³³ The Internal Audit shall evaluate the effectiveness of controls and adequacy of the risk management function.
11. The board and senior management shall know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure").³⁴

D. Management

1. Senior Management Committee

1.1 Composition

The Senior Management Committee shall be composed of a group of senior officers. This group shall include also the Chief Financial Officer, all Group Heads and the Head of Internal Audit.

1.2 Functions of the Senior Management:

- 1.2.1 Plan, organize and direct in such a manner to provide reasonable assurance that established objectives and goals will be achieved.
- 1.2.2 Require the establishment and effective implementation of a system of internal control to mitigate the risks identified.
- 1.2.3 Review and approve all cross-functional policies and issues (e.g., HR-related, administrative, operations policies, new products and services, new projects, financials, etc.) including programs/projects that affect the whole organization.

³¹ *Id.*
³² *Id.*
³³ *Id.*
³⁴ *Id.*

- 1.2.4 Supply necessary or relevant information to the Board for the latter's information and/or decision-making purposes.

2. Duties and Responsibilities of Management

- 2.1 Under the direction of the Board, Management shall ensure that the Bank's activities are consistent with the business strategy, risk tolerance and appetite, and policies approved by the Board.³⁵
- 2.2 Senior management is responsible and shall be held accountable for overseeing the day-to-day management of the Bank. They shall have the necessary experience, competencies and integrity to manage the businesses under their supervision as well as have appropriate control over the key individuals in these areas.³⁶
- 2.3 Management shall provide the Directors with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director, make presentations on specific topics and respond to further inquiries thereto during Board meetings. The Directors shall have independent access to management.
- 2.4 Management shall formulate, under the oversight of the Audit Committee, financial reporting and internal control system, rules and procedures in accordance with the following guidelines:
- 2.4.1 The extent of management's responsibility in the preparation of the financial statements of the Bank, with the corresponding delineation of the responsibilities that pertain to the External Auditor, shall be clearly explained;
- 2.4.2 An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Bank shall be maintained;
- 2.4.3 On the basis of the approved audit plans, internal audit examinations shall cover, at the minimum, the evaluation of the adequacy and effectiveness of risk management and controls that cover the Bank's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules and regulations;
- 2.4.4 The Bank shall consistently comply with the financial reporting requirements of the BSP and the SEC and other regulatory agencies;
- 2.4.5 The Head of Internal Audit shall submit to the Audit Committee and Management an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report shall include significant risk exposures, control

³⁵ *id.*

³⁶ *id.*

issues and such other matters as may be needed or requested by the Board/Audit Committee and Management.

3. Code of Conduct

- 3.1 The Bank must set a Code of Conduct and personnel policies to be strictly observed and followed by all associates. The said Code and policies shall form part of the Employee Handbook and shall be made available and readily accessible by all associates online through the intranet service of the Bank. Any updates therein must be also disseminated.
- 3.2 Each officer and employee of the Bank holds a position of trust. Thus, officers and employees must avoid situations where their personal interest may conflict or appear to conflict with the interests of the Bank or its clients. In addition, officers and employees must have an obligation to RCBC and the public on the proper and responsible handling of confidential information.

4. Strategy Setting and Planning

- 4.1 The Bank has an overall organizational plan, which is supported by a business plan, budgets and marketing plan (if necessary).
- 4.2 It has clearly defined performance measures (operational and financial) that are incorporated into the plans.
- 4.3 The Board approves the budget set by management and revisions thereto.

5. Financial and Operational Reporting

- 5.1 The Bank's financial and operational reports shall contain performance measures, which enable the efficiency and effectiveness of the organization to be assessed. The Bank shall ensure the set-up of control measures in the handling of such reports. Transactions with related parties shall likewise be appropriately and adequately disclosed in said reports.
- 5.2 The reports shall be prepared depending on the particular levels of responsibilities and shall :
 - 5.2.1 efficiently and effectively communicate key financial data;
 - 5.2.2 show a comparison between year-to-date budget, last year-to-date and full year data;
 - 5.2.3 be supported with explanations of significant variations.

Note: The Board of Directors shall be provided with a copy of the financial reports prior to Board meetings. However, the Chief Executive Officer shall be provided with a periodic financial report showing at least the monthly status.

E. Communication Process

1. This manual shall be available for inspection by any stockholder of the Bank at reasonable hours on business days.
2. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

F. Training Process

1. A newly appointed director shall be required to attend a special seminar on corporate governance to be conducted by a duly recognized private or government institution duly accredited by the Bangko Sentral ng Pilipinas within six (6) months after appointment, subject to exceptions as provided herein.
2. The Board of Directors and key officers of the Bank shall also attend, at least once a year, a program on corporate governance conducted by training providers that are duly accredited by the SEC.³⁷
3. The Bank shall also implement an appropriate communication and professional training and development program for officers and employees as well as a succession plan for senior management.
2. If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to effectively implement this Manual.

G. Transparency/Commitment to Disclose Material Information

1. The Board shall commit at all times to fully disclose material information dealings. It shall cause the timely filing of all required information for the interest of its shareholders and other stakeholders. The reports or disclosures required under this Manual shall be prepared and submitted to the SEC and Philippine Stock Exchange (PSE) by the responsible committee or officer through the Bank's Compliance Officer. Material information emanating from the Board of Directors shall be disclosed and the responsibility of the Corporate Secretariat. Disclosure of financial information and other material information about the Bank shall be the responsibility of the Corporate Information Officer (CIO). The CIO shall be responsible for efficiently providing information and addressing concerns of its shareholders and other stakeholders through the Bank webpage which provides complete information about the Bank in a form that is user-friendly.³⁸
2. Transactions between related parties shall be disclosed to include the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

³⁷³⁸

SEC Memorandum Circular No. 20, series of 2013.
Maharlika Board on Listing and Disclosure Rules

3. All material information about the Bank, i.e., anything that could adversely affect share price, shall be publicly disclosed. Such information and/or transactions shall include, among others, earnings results, acquisition or disposal of significant assets, related party transactions, board membership changes, shareholdings of directors and officers and any changes thereto, and such material events or information which are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations.
4. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, corporate strategy, and off balance sheet transactions.
5. All disclosed information shall be released via the approved and established stock exchange procedure for corporate announcements as well as through the annual report.
6. The governance of the bank shall be adequately transparent to its shareholders and other stakeholders.³⁹
7. The Bank shall designate authorized signatories and alternates for disclosures. All disclosures or information state or relayed by the authorized signatory shall be presumed to have been made with the approval of the Chairman of the board, and principal officers of the Bank. The officers, including the signatories and their alternates, shall be responsible and liable for the truthfulness of the disclosures.⁴⁰

H. Stockholders' Rights and Protection of Minority Stockholders' Interests

1. The Board shall respect the rights of the stockholders as provided for in the Corporation Code; namely:
 - 1.1 Right to vote on all matters that require their consent or approval;
 - 1.2 Right to inspect the books and records of the Bank;
 - 1.3 Right to information;
 - 1.4 Right to dividends; and
 - 1.5 Appraisal right.
2. It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.⁴¹
3. Voting Right
 - 3.1 The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the Bank. The stockholders shall be encouraged to personally attend such meetings.

³⁹ Basel Committee on Banking Supervision Principles for enhancing corporate governance

⁴⁰ Maharlika Board (Exposure Draft dtd 29 April 2010) on Listing and Disclosure Rules

⁴¹ *Id.*: Any shareholder or group of shareholders with at least five percent (5%) share of the total outstanding shares of the company shall be allowed to propose any relevant item for inclusion in the agenda for the meeting.

- 3.2 In case the stockholders cannot attend the annual and special stockholders' meetings, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholders' favor.
 - 3.3 The Board shall take the appropriate steps to remove excessive costs and other administrative impediments to the stockholders' participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.
 - 3.4 Stockholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
 - 3.5 Cumulative voting shall be used in the election of directors.
 - 3.6 A director shall not be removed without cause if it shall deny minority stockholders representation in the Board.
4. Right to Inspection
- All stockholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
5. Right to Information
- 5.1 The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealing with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.
 - 5.2 The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
 - 5.3 The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority stockholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".
6. Right to Dividends
- The Bank shall declare dividends in accordance with the requirements of the Bangko Sentral ng Pilipinas.

7. Appraisal Right

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

- 7.1 In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- 7.2 In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- 7.3 In case of merger or consolidation.

8. Grievance Procedure

The stockholder may file his/her complaints in writing and submit the same to the Corporate Secretary for purposes of endorsement to the Corporate Governance Committee.

The Bank hereby adopts an arbitration system to resolve any dispute, controversy or claim arising out of, or relating to, the Bank's relations with its shareholders, and other intra-corporate matters under applicable law and regulations, in accordance with the Philippine Dispute Resolution Center, Inc. (PDRCI) Arbitration Rules in accordance with The Arbitration Law and R.A. No. 9285, otherwise known as The Alternative Dispute Resolution Act of 2004⁴².

9. Disclosure of Material Non-Public Information

The Bank is prohibited to communicate material non-public information to any person, unless the Bank is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange (PSE). However, this rule shall not apply if the disclosure is made to the following:

- 9.1 A person who is bound by duty to maintain trust and confidence to the Bank such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and
- 9.2 A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

Any disclosure of material non-public information to securities analysts, institutional investors or other third parties who do not fall under items 10.1 and 10.2 above, ahead of the disclosure to be made to the PSE and the general public, shall be considered as a violation of this rule.

⁴²

Maharlika Board (Exposure Draft dtd 29 April 2010) on Listing and Disclosure Rules

Material information means any information about or involving the bank's affairs, events and conditions that has a significant impact in the Company's operations such as, but not limited to, those relating to the Bank's financial condition, prospects and development projects which, when brought to the attention of the public, is reasonably expected to induce or otherwise materially affect the market activity and the market price of the Bank's shares.

The Board shall ensure that internal controls are established that will ensure that the Bank, its Directors, officers, and employees and any other person who is privy to the Bank's material non-public information shall comply with the requirement of this rule.

I. Monitoring and Assessment

1. Each Board committee shall report regularly and submit, at least once a year, a report of its accomplishments and self-assessment of its performance to the Board of Directors.
2. The Corporate Governance Committee shall establish the appropriate evaluation system to monitor and assess compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalties provided under the Bank's Human Resources Policy Manual.
3. The Chairman of the Corporate Governance Committee shall discuss the effectiveness and performance of Directors immediately before they make themselves available for reappointment.
4. The Chairman of the Corporate Governance Committee shall act on the results of performance evaluation, strengths and weaknesses of the board, proposing new members, and seeking the resignation of directors.
5. The independent director shall appraise the Chairman's performance.
6. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Bank's annual report (SEC Form 17-A). The adoption of such performance evaluation system must be covered by a Board approval.
7. This Manual shall be subject to annual review unless the same frequency is amended by the Board.
8. All business processes and practices being performed within any unit/branch of the Bank that are not consistent with any portion of this Manual shall be revoked unless upgraded to the extent compliant.

J. Regular Review of the Code and the Scorecard

To monitor Bank's compliance with the SEC's Revised Code of Corporate Governance as implemented by this Manual, the Bank, through its Compliance Office, shall accomplish annually a scorecard on the scope, nature, and extent of the actions taken to meet the objectives of SEC Code.

K. Reportorial Requirements

1. Reports pertaining to group structures under Paragraphs II.A.2.3.15-2.3.16 shall be submitted to the BSP Central Point of Contact Department 1 as follows:
 - (a) The report disclosing all entities in the group structure where the Bank belongs either as a parent company Bank or subsidiary/affiliate company shall be submitted to the BSP within thirty (30) calendar days after the end of every calendar year starting with the year ending 31 December 2011.
 - (b) The report on significant transactions between entities in the group and involving any BSP-regulated entity shall be submitted within twenty (20) calendar days after the end of the reference quarter starting with the quarter ending 31 March 2012.

Under BSP Circular No. 749, Series of 2012, these reports are considered as Category A-1 reports.⁴³

L. Sanctions

1. Internal Sanctions
 - 1.1 Non-compliance with any of the provisions in this Manual by the Bank's directors, officers, staff, subsidiaries, and affiliates and their respective directors, officers and staff shall subject erring associate/s, after due notice and hearing, to sanctions as provided for under the following sections of the Bank's Human Resources Policy Manual:
 - 1.1.1 Jurisdiction Over Administrative Disciplinary Actions
 - 1.1.2 Code of Discipline
 - 1.2 It shall be the duty of the Compliance Officer to determine any violation of the principles and best practices contained in this Manual through notice and hearing.
 - 1.3 The Compliance Officer shall likewise recommend to the Chairman and the Corporate Governance Committee the penalty to be imposed for such violation. The said recommendation shall be further reviewed and approved by the Board of Directors.

⁴³ MORB §X192.1. b.(1) Category A-1 reports shall be signed by the bank's chief executive officer, or in his absence, by the executive vice president, and by the comptroller or, in his absence, by the chief accountant, or officers holding equivalent positions. The designated signatories of *Categories A-1, A-2, A-3 and B* reports including their specimen signatures shall be contained in a resolution approved by the board of directors. A copy of the board resolution covering the initial designation and subsequent change(s) in signatories as well as specimen signatures of the signatories and alternates, shall be submitted to the appropriate department of the SES in such frequency and within the deadline indicated in *Appendix 5; Section 103. Fines and Penalties 1*. The following schedule of fines for delayed submission of reports and/or incomplete/erroneous reporting shall apply: A. For Category A-1, A-2, and A-3 reports:

- a. UBs/KBs : PHP 1,200 per calendar day

2. Sanctions Imposed by the BSP

Any director of the Bank who violates or fails to observe and/or perform any of the duties and responsibilities stated in this Manual shall, for each violation or offense, be penalized in accordance with the Bangko Sentral ng Pilipinas guidelines.

3. Sanctions Imposed by the SEC

A fine of not more than Two Hundred Thousand Pesos (P200,000.00) shall, after due notice and hearing, be imposed for every year that a covered corporation violates the provisions of the Revised Code of Corporate Governance, without prejudice to other sanctions that the SEC may be authorized to impose under the law, provided, however, that any violation of the Securities Regulation Code punishable by a specific penalty shall be assessed separately and shall not be covered by the abovementioned fine.