



11 January 2016

MS. JANET A. ENCARNACION

Head, Disclosure Department
Philippine Stock Exchange, Inc.
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Ms. Encarnacion:

We are pleased to submit to you China Banking Corporation's Consolidated Changes in the ACGR (Annual Corporate Governance Report) for 2015.

Thank you very much.

Very truly yours,

A handwritten signature in black ink that reads 'A Escucha' in a cursive script.

ALEXANDER C. ESCUCHA
Senior Vice President &
Corporate Information Officer

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is filed for the Year: 2015 Consolidated ACGR
2. Exact Name of Registrant as Specified in its Charter: **China Banking Corporation**
3. Address of principal office: **China Bank Bldg., 8745 Paseo de Roxas** Postal Code: **1226**
cor. Villar St., Makati City
4. SEC Identification Number: **443**
5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **320-000-444-210**
7. Issuer's telephone number, including area code: **(632) 885-5555**
8. Former name or former address, if changed from the last report: **Not applicable**

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Henry Sy, Sr.	Honorary Chairman	N/A	Board of Directors	May 18, 2006	May 18, 2006*	Organizational Meeting	N/A
Hans T. Sy	NED	N/A	Sysmart Corporation	May 21, 1986	May 7, 2015	Annual Meeting	29
Gilbert U. Dee	ED	N/A	Linda Susan T. Mendoza	May 6, 1969	May 7, 2015	Annual Meeting	46
Peter S. Dee**	NED	N/A	Nancy D. Yang	April 14, 1977	May 7, 2015	Annual Meeting	38
Joaquin T. Dee	NED	N/A	Christopher T. Dee	May 10, 1984	May 7, 2015	Annual Meeting	31
Dy Tiong	ID	N/A	Johnny Cheng T.K. Jr., son-in-law	May 9, 1985	May 7, 2015	Annual Meeting	30
Herbert T. Sy	NED	N/A	Sysmart Corporation	January 7, 1993	May 7, 2015	Annual Meeting	22
Harley T. Sy	NED	N/A	SM Investments Corporation	May 4, 2001	May 7, 2015	Annual Meeting	14
Alberto S. Yao	ID	N/A	Lucky Securities, Inc., no relation	July 7, 2004	May 7, 2015	Annual Meeting	11
Roberto F. Kuan	ID	N/A	Regina Capital Development Corporation, no relation	May 5, 2005	May 7, 2015	Annual Meeting	10
Jose T. Sio	NED	N/A	SM Investments Corporation	November 7, 2007	May 7, 2015	Annual Meeting	8
Ricardo R. Chua	ED	N/A	Zenaida C. Milan	May 8, 2008	May 7, 2015	Annual Meeting	7

* Election formalized on February 7, 2007, after clearances were obtained from the regulators.

**Mr. Peter S. Dee continue to be a director of the Bank after his retirement as President & CEO effective September 1, 2014.

- (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.

Corporate Governance Policy

The Board of Directors, Management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake greater effort necessary to create more and continuing awareness within the organization.

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

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

- a. **Transparency** or the availability of information through expansion of public disclosure requirements.
- b. **Accountability** involves providing adequate incentives and instilling in the business environment the discipline to act in the best interest of the Bank.
- c. **Fairness** or equity implies that the rights of all concerned parties are protected. Directors should not only promote the interest of the stockholders but also that of other stakeholders such as depositors, investors, borrowers and the banking public in general.
- d. **Integrity** or strict adherence to a moral code, reflected in transparent honesty and complete harmony in what one thinks, says, and does.

Treatment of Shareholders

At China Bank, we have always been driven by our commitment to be a catalyst of wealth creation, developing our products and services, and shaping our operations around the needs of our customers, shareholders, and the communities we serve.

In 2012, we continued to live up to this commitment, adapting to the changing times and approaching challenges and opportunities confidently while remaining true to our mission—“your success is our business.”

Vision

Drawing strength from our rich history, we will be the best, most admired and innovative financial services institution, partnering with our customers, employees, and shareholders in wealth creation.

Mission

We will be a leading provider of quality services consistently delivered to institutions, entrepreneurs, and individuals, here and abroad, to meet their financial needs and exceed their rising expectations.

We will be a primary catalyst in the creation of wealth for our customers, driven by a desire to help them succeed, through a highly motivated team of competent and empowered professionals, guided by in-depth knowledge of their needs and supported by leading-edge technology.

We will maintain the highest ethical standards, sense of responsibility and fairness with respect to our customers, employees, shareholders, and the communities we serve.

Respect for the Rights of Minority Shareholders

The Board of China Bank is committed to respect the following rights of the stockholders (as provided for in the Corporation Code):

- a. **Voting Rights**, which are, right to elect, remove and replace directors through cumulative voting; to vote on corporate acts. In this regard, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- b. **Pre-emptive Right**, unless denied in the articles of incorporation, which includes the right to subscribe to the capital stock of the Bank.

- c. **Power to inspect** corporate books and records including minutes of Board meetings and stock registries. Without cost or restrictions, they also have the right to be furnished with annual reports and financial statements.

d. **Right to information**

The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.

The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

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

- e. **Right to receive dividends.** Shareholders shall have the right to receive dividends subject to the discretion of the Board.

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

f. **Appraisal Right.**

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

- a. *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;*
- b. *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*
- c. *In case of merger or consolidation.*
- d. *It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic*

filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Disclosure and Transparency Policies

The Bank is committed to a high standard of disclosure and transparency to facilitate understanding of the Bank's true financial condition and the quality of our corporate governance.

All material information, i.e., anything that could potentially affect share price and volume shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, off balance sheet transactions, board changes, related party transactions, shareholdings of directors, direct and indirect remuneration of members of the Board and Management, and changes to ownership.

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.

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

The Bank, as an Issuer of listed stocks, is prohibited to communicate material non-public information about the Issuer to any person, unless the Issuer is ready to simultaneously disclose the material non-public information to the Securities and Exchange Commission. This rule does not apply if the disclosure is made to:

- 1. A person who is bound by duty to maintain trust and confidence to the Issuer such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and*
- 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.*
- 3. The Issuer shall establish and implement internal control that will ensure that its officers, staff and any other person who is privy to the material non-public information shall comply with the requirement of this rule.*

Disclosure Duties

In compliance with pertinent part of Section 13.1 of the PSE Revised Disclosure Rules, Directors and Principal Officers of the Bank are required to immediately report any buy/sell transaction for China Bank shares and to submit the copy of the confirmation of the transaction to the Office of the Bank's Corporate Secretary for submission to the Securities and Exchange Commission (SEC), and the Philippine Stock Exchange (PSE).

Board Responsibilities

The following Powers/Responsibilities, Duties and Functions of the Board of Directors are in the Bank's Corporate Governance Manual:

1. *Powers and Authority of the Board of Directors*²

Powers of the board of directors. The corporate powers of China 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 exercise sound and objective judgment for the best interest of the bank.

2. *General Responsibility of the Board of Directors*³

The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.

2.1 *The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.*

2.2 *It is the Board's responsibility to foster the long-term success of China Bank, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.*⁴

2.3 *The Board should formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.*⁵

3. *Specific Duties and Responsibilities of the Board of Directors*⁶

3.1 ***To approve and monitor the 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 risk effectively. The board shall establish a system for measuring performance against plans through regular monitoring and reviews, with corrective action taken as needed.*

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.

3.2 ***To 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.*

² X141.3 (a) of the MORB, as amended

³ *ibid*, item (b)

⁴ Article 3.F of the Revised Code of Corporate Governance

⁵ *ibid*

⁶ Sec X141.3 (c) of the MORB, as amended

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, sub-committee and such other groups for purposes of lending, investing or any other financial undertaking that exposes the bank to significant risks.

In relation to the above, the powers of the board are set out in Section 1, Article IV of the Bank's By-laws.

3.3 To approve and oversee the implementation of risk management policies. *The board of directors 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.*

3.3.1 *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 responsibilities 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 bank's overall risk exposures.*

3.3.2 *The board of directors 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.*

Additional Duties and Responsibilities of the Board in relation to the Information Technology Risk Management (ITRM)

3.3.3 *The Board is ultimately responsible for understanding the IT risks confronted by the Bank and ensuring that they are properly managed, which shall include the approval of the design of the IT Risk Management System that suits the Bank's business strategy.*

3.3.4 *The Board may delegate to an IT steering Committee or its equivalent the IT oversight function to cohesively monitor IT performance and institute appropriate actions to ensure achievement of the desired results.*

3.3.5 *The Board shall approve the IT strategic plan that is aligned with the institution's business strategy that is focused on long term goals covering 3 to 5 five year horizon and should be sufficiently supplemented by tactical IT plan. It should be reviewed and updated regularly for new risks or opportunities to maximize the value of IT to the institution.*

3.3.6 *In order to maintain confidentiality, integrity, and unavailability of computer systems for reliable and timely information, the Bank should have a*

comprehensive information security program and the Board shall approve the same.

3.3.7 The Board should appoint an independent information security officer (ISO) who will be responsible and accountable for the organization-wide IS program.

The ISO should report directly to the Board or senior management and have sufficient independence to perform his mandate.

Additional Duties and Responsibilities of the Board with regard to Sound Credit Risk Management Practices⁷

3.3.8 *The Board shall be responsible for the approval and regular review of credit risk strategy and credit policy, as well as the oversight of the implementation of a comprehensive and effective credit risk management system appropriate for the size, complexity and scope of operations of the Bank.*

3.3.9 *The Board shall ensure that the system provides for adequate policies, procedures and processes to identify, measure, monitor and control all credit risks inherent in the Bank's products and activities, both at the individual and portfolio levels on a consistent and continuing basis and that an independent assessment of a system is periodically performed, the results of which shall be reported to it or to a board-level committee for appropriate action.*

3.3.10 *With regard to the Credit Risk Management Structure, the Board shall ensure that the key functions are considered; that independence and control oversight functions are effective to avoid or address a potential conflict of interest.*

3.4 To oversee selection and performance of senior management. *It is the primary responsibility of the board of directors 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.*

3.4.1 *The board of directors shall apply fit and proper standards on key personnel. Integrity, technical expertise and experience in the institution's business, either current or planned, should 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 for the institution. The board of directors shall replace members of senior management, when necessary, and have in place an appropriate plan of succession.*

3.4.2 *The board of directors shall regularly monitor the action 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 bank's strategic objectives and business plans, taking into account the bank's long-term financial interest.*

3.4.3 *The board of directors shall regularly meet with senior management to engage in discussions, question and critically review the reports and information provided by the latter. The board of directors shall set the frequency of meeting with senior management taking into account the size, complexity of operations and risk profile of the bank.*

⁷ BSP Circular No. 855, Series of 2015, page 2, Establishing an Appropriate Credit Risk Environment

3.4.4 *The board of directors 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 of directors shall set the frequency of review taking into account the size, complexity of operations and risk profile of the bank.*

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

3.5 ***To consistently conduct the affairs of the institution with a high degree of integrity.*** *Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity. The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. The board of directors shall:*

3.5.1 *Articulate clear policies on the handling of any transaction with DOSRI and other related parties ensuring that there is effective compliance with the law and regulations at all times and no stakeholder is unduly disadvantaged. In this regard, the board of directors 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 exposures), such that relevant transactions that could pose material risk or potential abuse to the bank and its stakeholders are captured.*

3.5.2 *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.*

It shall be the responsibility of the Office of the Corporate Secretary to comply with the above requirements.

3.5.3 *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.*

3.5.4 *Articulate policies that will prevent the use of the facilities of the bank in furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery or corruption.*

3.5.5 *Explicitly discourage the taking of excessive risks as defined by internal policies and establish an employee's 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 of directors shall regularly monitor and review the compensation scheme to ensure that it operates and achieves the objectives as intended.*

3.5.6 *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 of directors shall ensure that all transactions involving the pension fund are conducted at arm's length terms.*

- 3.5.7 *Allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board itself.*
- 3.5.8 *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.*
- 3.5.9 *Ensure that senior management established and maintain an adequate, effective and efficient internal control framework commensurate with the size, risk profile and complexity of operations of the bank.⁸*

The Board shall also ensure that the internal audit function has an appropriate stature and authority within the bank and is provided with adequate resources to enable it to effectively carry out its assignments with objectivity.

Furthermore, the Board shall on a periodic basis:

- i. conduct discussions with management on the effectiveness of the internal control system;*
- ii. review evaluations made by the audit committee on the assessment of effectiveness of internal control made by management, internal auditors and external auditors;*
- iii. ensure that management has promptly followed up on recommendations and concerns expressed by auditors and supervisory authorities on internal control weakness; and*
- iv. review and approve the remuneration of the head and personnel of the internal audit function. Said remuneration shall be in accordance with the bank's remuneration policies and practices and shall be structured in such a way that these do not create conflicts of interest or compromise independence and objectivity.*

The Board shall likewise commission an assessment team outside of the organization to conduct an independent quality assurance review of the internal audit function at least every five (5) years.

- 3.5.10 *Require full disclosure of personal interest that they may have in credit transactions. Directors and officers with personal interest in a transaction shall not participate in any deliberation, approval, or voting on the matter.⁹*

- 3.6 ***To 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 of directors, 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 in the bank as seen by both internal and external stakeholders.*

⁸ *BSP Circular No. 871, Series of 2015, page 2, Management oversight and control culture.*

⁹ *BSP Circular No. 855, Series of 2014, page 9, Credits granted to related parties*

- 3.6.1 *The board of directors 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 of directors and Chief Executive Officer /President.*
- 3.6.2 *The board of directors shall maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities.*
- 3.6.3 *The board of directors 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 shall be duly minuted.*
- 3.6.4 *The board shall conduct and maintain the affairs of the institution within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound banking practice. The board shall appoint a compliance officer who shall be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer shall be vested with appropriate authority and provided with appropriate support and resources.*
- 3.6.5 *The board of directors 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. Checks and balances in the board shall be enhanced by appointing a chairperson who is a non-executive, whenever possible.*
- 3.6.6 *The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the chief executive officer, the individual directors, and the bank itself, which may be facilitated by the corporate governance committee or external facilitators. The composition of the board shall also be reviewed regularly with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation shall be adopted which shall include, but not limited to, the setting of benchmark and peer group analysis.*
- 3.6.7 *The board shall ensure that individual members of the board and the shareholders are accurately and timely informed. It shall provide all its members and to the shareholders a comprehensive and understandable assessment of the bank's performance, financial condition and risk exposures. All members of the board shall have reasonable access to any information about the institution at all times. It shall also provide appropriate information that flows internally and to the public.*
- 3.7 To constitute committees to increase efficiency and allow deeper focus in specific areas.** *The board of directors 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.*

- 3.7.1 *The board of directors shall approve, review and update at least annually or whenever there are significant changes therein, the respective charters of each committee or other documents that set out its mandate, scope and working procedures.*
- 3.7.2 *The board of directors shall appoint members of the committees taking into account the optimal mix of skills and experience to allow the members to fully understand, be critical and objectively evaluate the issues. In order to promote objectivity, the board of directors, shall appoint independent directors and non-executive members of the board to the greatest extent possible while ensuring that such mix will not impair the collective skills, experience, and effectiveness of the committees. Towards this end, an independent director who is a member of any committee that exercised 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 Management and Corporate Governance committees, without prior approval of the Monetary Board.¹⁰*
- 3.7.3 *The board of directors 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 dispense of its functions.*
- 3.7.4 *The board of directors shall constitute, at a minimum, the following committees¹¹:*
- a. *Executive Committee*
 - b. *Audit Committee¹²*
 - c. *Risk Management committee; and*
 - d. *Corporate Governance Committee*
 - e. *Nomination¹³*
 - f. *Compensation or Remuneration¹⁴*

- 3.8 ***To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.*** *The board of directors 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 committee and risk management committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

- 3.9 ***In group structures, the board of directors of the parent bank shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the group.*** *Towards this end, the board of directors 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:*

¹⁰ added by Circular No. 757 dated May 8, 2012

¹¹ By-Laws of the Bank

¹² Subsection XI41.3.c.7(d)(i) of the MORB

¹³ SEC Code of Corporate Governance

¹⁴ *ibid*

- 3.9.1 *To 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 means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.*
- 3.9.2 *To define the level of risk tolerance for the group, which shall be linked to the process of determining adequacy of capital of the group.*
- 3.9.3 *To ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.*
- 3.9.4 *To establish a system for monitoring compliance of each entity in the group with all applicable policies, practices and systems.*
- 3.9.5 *To define and approve policies and clear strategies for the establishment of new structures.*
- 3.9.6 *To 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.*
- 3.9.7 *To develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.*
- 3.9.8 *To 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.*
- 3.9.9 *To disclose to the Bangko Sentral ng Pilipinas all entities in the group (e.g., owned directly or indirectly by the parent company 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.*

The following are additional duties and functions of the Board, as provided for under SEC Memo No. 6, Series of 2009.

- 3.10 *To ensure Bank's faithful compliance with all applicable laws, regulations and best business practices.*

- 3.11 *To establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Bank. The CEO shall exercise oversight responsibility over this program.*

The Investor Relations Office of China Bank is under the Corporate Planning Group.

- 3.12 *To adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the Bank's internal control system in order to maintain its adequacy and effectiveness.*

- 3.13 *Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and independent siblings and parents, and of interlocking director relationships by members of the Board.*

In compliance with BSP Regulations on loans of DOSRI (Directors, Officers, Stockholders, and their Related Interest), DOSRI transactions are approved by the Board of Directors. A copy of the Transmittal on board approval is submitted to the BSP within twenty (20) banking days from the date of approval.¹⁵

- 3.14 *Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.*

- 3.15 *To recommend to the stockholders, after consultation with the Audit Committee, an external auditor duly accredited by the BSP and/or by the Securities and Exchange Commission who shall undertake an independent audit of the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.¹⁶*

Note: The BSP also has its own accreditation of external auditors and may provide a list of its duly accredited external auditor.

The responsibilities of the board of directors and management are in no way diminished by the existence of a system for the supervision of FIs by BSP or by a requirement for the FI's financial statements to be audited by an external auditor.¹⁷

- 3.16 *To appoint an independent full-time Compliance Officer or Group Compliance Officer.*

In case the total resources of the Bank exceed P 500 Million, an independent full-time Compliance Officer should be appointed.¹⁸

Note: Section VI.A of the Bank's corporate governance manual provides more details on the Compliance Officer.

- 3.17 *To adopt an effective succession planning program for the Management. (SEC Memo No. 6 Series of 2009)*

¹⁵ Section X335 of the 2009 MORB

¹⁶ Revised Code of Corporate Governance, Article 5.B

¹⁷ BSP Memorandum No. M – 2014-011, 14 March 2014, Section II.1.c.5

¹⁸ MORB, Section X180

The following are additional responsibilities of the Board in relation to the control, independent oversight and checks and balances systems, including the financial statements in accordance with BSP Memorandum No. M-2014-011 dated 14 March 2014:¹⁹

- 3.18 *Establish adequate governance structures and control processes for areas of exposures that may pose significant risk to an FI such as fair value measurement and financial instruments.*

The Board's oversight responsibilities for the FI's use of fair value accounting include:

- a. *Reviewing and approving written policies related to fair valuations;*
- b. *Continuing review of significant valuation model performance for issues escalated for resolution and all significant changes to valuation policies;*
- c. *Ensuring adequate resources are devoted to the valuation process;*
- d. *Articulating the FI's tolerance for exposures subject to valuation uncertainty and monitoring compliance with the Board's overall policy settings at an aggregate firm wide level;*
- e. *Ensuring independence in the valuation process between risk taking and control units;*
- f. *Ensuring appropriate internal and external audit coverage of fair valuations and related processes and controls;*
- g. *Ensuring consistent application of accounting standards and disclosures within the applicable accounting framework;*
- h. *Ensuring the identification of significant differences, if any, between the valuations used for financial reporting purposes and for regulatory purposes.*

- 3.19 *Ensure appropriate management information systems are established; and*

- 3.20 *Ensure that the interests of stakeholders are adequately protected.*

- 3.21 *Ensure that Consumer Protection practices are embedded in the Bank's Operations²⁰*

- a. *The Board and Senior Management are responsible for the development of the Bank's consumer protection strategy and in establishing an effective oversight over the Bank's protection program.*
- b. *The Board is primarily responsible for the approval and oversight in the implementation of the consumer protection policies.*
- c. *The Board is responsible for the development and maintenance of a sound Consumer Protection Risk Management System that is integrated into the overall framework for the entire product and service life-cycle.*

¹⁹ BSP's Expectations for an Effective External Audit Function

²⁰ BSP Circular No. 857 (Series of 2014), 1

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

The Board reviews China Bank's mission and vision periodically and the corporate strategy annually. The Bank adopts a top-down approach whereby the role of the BOD is to convey the shareholders' expectations to Senior Management which in turn formulates the Bank's objectives and strategies into annual and 5-year business plan. The business plans and strategies are then presented to the Board for review and approval. The 2014 to 2018 plan was reviewed by the Board, and after some deliberation, approved Management's projections and recommendations.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²¹

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.
Hans T. Sy	SM Prime Holdings, Inc.	Executive Director
	Belleshare Holdings, Inc.	Non-Executive Director
	Multi-Realty Development Corporation	Executive Director
	Nagtahan Property Holdings, Inc.	Executive Director (Chairman)
	Primebridge Holdings, Inc.	Non-Executive Director
	SM Retail, Inc.	Executive Director
Gilbert U. Dee	CBC Properties and Computer Center, Inc.	Non-Executive Director (Chairman)
Peter S. Dee	CBC Properties and Computer Center, Inc.	Executive Director
	China Bank Insurance Brokers, Inc.	Non-Executive Director (Chairman)
	CBC Forex Corporation	Non-Executive Director (Chairman)
Joaquin T. Dee	None	N/A
Dy Tiong	None	N/A
Herbert T. Sy	SM Prime Holdings, Inc.	Non-Executive Director
Harley T. Sy	SM Investments Corporation	Executive Director
	Nagtahan Property Holdings, Inc.	Non-Executive Director
	Primebridge Holdings, Inc.	Executive Director
	SM Retail, Inc.	Executive Director
Alberto S. Yao	China Bank Savings, Inc.	Independent Director
	Planters Development Bank	Independent Director
Roberto F. Kuan	China Bank Savings, Inc.	Independent Director
	Planters Development Bank	Independent Director
Jose T. Sio	SM Investments Corporation	Executive Director
	Belle Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non-Executive Director
Ricardo R. Chua	China Bank Savings, Inc.	Executive Director (Chairman)
	CBC Properties and Computer Center, Inc.	Non-Executive Director
	China Bank Insurance Brokers, Inc.	Non-Executive Director
	CBC Forex Corporation	Non-Executive Director
	Manulife Chinabank Life Assurance Corp.	Non-Executive Director
	Planters Development Bank	Executive Director

(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:

²¹ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Hans T. Sy	None	N/A
Gilbert U. Dee	None	N/A
Peter S. Dee	City & Land Developers, Inc.	Independent Director
	Cityland Development Corp.	Independent Director
Joaquin T. Dee	None	N/A
Dy Tiong	None	N/A
Herbert T. Sy	None	N/A
Harley T. Sy	None	N/A
Alberto S. Yao	None	N/A
Roberto F. Kuan	Far Eastern University, Inc.	Independent Director
Jose T. Sio	None	N/A
Ricardo R. Chua	None	N/A

(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
Hans T. Sy	SM Investments Corporation	He is Adviser to the Board. Further, Chairman Henry Sy, Sr. is his father.
Director's Name	Name of the Significant Shareholder	Description of the relationship
Herbert T. Sy		Chairman Henry Sy, Sr. is his father.
Harley T. Sy		He is Director / President. Further, Chairman Henry Sy, Sr. is his father.
Jose T. Sio		He is Director and EVP-CFO.
Hans T. Sy	Sysmart Corporation	Majority owner Henry Sy, Sr. is his father.
Herbert T. Sy		Majority owner Henry Sy, Sr. is his father.
Harley T. Sy		Majority owner Henry Sy, Sr. is his father.

(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	The Board considers the number of directorship for its members. The maximum number of board membership is related to the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer and other executive directors may submit themselves to a low indicative limit on membership in other corporate Board.	Low indicative limit on membership in other corporate Board. No director of the Bank is holding more than five (5) directorships in other publicly listed companies.

	<i>The same low 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 shall not be compromised.</i>	
Non-Executive Director	<p><i>The Board considers the number of directorship for its members. The maximum number of board membership is related to the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer and other executive directors may submit themselves to a low indicative limit on membership in other corporate Board.</i></p> <p><i>The same low 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 shall not be compromised.</i></p>	<p><i>Low indicative limit on membership in other corporate Board.</i></p> <p><i>No director of the Bank is holding more than five (5) directorships in other publicly listed companies.</i></p>
Non-Executive Director	<i>Furthermore, in cases of listed companies, an Independent Director or a Non-Executive Director may hold the same position on a concurrent basis meaning at the same time up to a maximum of five (5) board seats only.</i>	
CEO	<p><i>The Board considers the number of directorship for its members. The maximum number of board membership is related to the capacity of a director to diligently and efficiently perform his duties and responsibilities. The Chief Executive Officer and other executive directors may submit themselves to a low indicative limit on membership in other corporate Board.</i></p> <p><i>The same low 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 shall not be compromised.</i></p>	<p><i>Low indicative limit on membership in other corporate Board.</i></p> <p><i>No director of the Bank is holding more than five (5) directorships in other publicly listed companies.</i></p>

(e) Shareholding in the Company (as of 30 September 2015)

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
Hans T. Sy	1,405,350	919,251	0.1254%
Gilbert U. Dee	9,863,624	0	0.5321%
Ricardo R. Chua	100,609	0	0.0054%
Peter S. Dee	1,206,325	0	0.0651%
Joaquin T. Dee	35,687,755	0	1.9252%
Dy Tiong	170,837	0	0.0092%
Herbert T. Sy	352,543	0	0.0190%
Harley T. Sy	80,356	0	0.0043%
Alberto S. Yao	6,128	0	0.0003%
Roberto F. Kuan	23,297	0	0.0013%
Jose T. Sio	2,428	0	0.0001%

2) Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Mr. Hans T. Sy
CEO/President	Mr. Ricardo R. Chua*

* Effective September 1, 2014 to fill -in the vacancy due to the retirement of Mr. Peter S. Dee effective August 31, 2014.

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<p>The following are found in the Corporate Governance Manual:</p> <ol style="list-style-type: none"> To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members. To ensure that the board takes an informed decision. The chairperson board shall ensure sound decisions making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process. Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary. 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, and 	<p>Article VI.A. of the By-laws provides:</p> <p>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</p> <p>The following are found in the Corporate Governance Manual:</p> <ol style="list-style-type: none"> The CEO shall be subject to the control of the Board of Directors, have direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank.

	<p>5. <i>Maintain qualitative and timely lines of communication and information between the Board and Management.</i></p>	<p>2. <i>In the absence or inability of the Chairman and the Vice-Chairman of the Board, he shall preside over the meetings of the stockholders and of the Board of Directors of the Bank.</i></p>
<p>Accountabilities</p>	<p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> 1. <i>To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.</i> 2. <i>To ensure that the board takes an informed decision. The chairperson board shall ensure sound decisions making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.</i> 3. <i>Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.</i> 4. <i>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, and</i> 5. <i>Maintain qualitative and timely lines of communication and information between the Board and Management.</i> 	<p><i>Article VI.A. of the By-laws provides:</i></p> <p><i>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</i></p> <p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> 1. <i>The CEO shall be subject to the control of the Board of Directors, have direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank.</i> 2. <i>In the absence or inability of the Chairman and the Vice-Chairman of the Board, he shall preside over the meetings of the stockholders and of the Board of Directors of the Bank.</i>
<p>Deliverables</p>	<p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> 1. <i>To provide leadership in the board of directors. The chairperson of the board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.</i> 2. <i>To ensure that the board takes an informed decision. The chairperson board shall ensure sound decisions making process and he should encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed within the decision-making process.</i> 3. <i>Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary.</i> 	<p><i>Article VI.A. of the By-laws provides:</i></p> <p><i>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the Board of Directors of the Corporation.</i></p> <p><i>The following are found in the Corporate Governance Manual:</i></p> <ol style="list-style-type: none"> 1. <i>The CEO shall be subject to the control of the Board of Directors,</i>

	<p>4. 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, and</p> <p>5. Maintain qualitative and timely lines of communication and information between the Board and Management.</p>	<p>have direct charge of the business of the Bank and general supervision of the business affairs and property of the Bank.</p> <p>2. In the absence or inability of the Chairman and the Vice-Chairman of the Board, he shall preside over the meetings of the stockholders and of the Board of Directors of the Bank.</p>
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- 3) Explain how the board of directors' plan for the succession of the CEO/Managing Director/President and the top key management positions?

In accordance with the By-Laws, Vacancies in the Board, may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.

The Board of Directors may use professional search firms or other external sources of candidates when searching for candidates to the board of directors.

In accordance, with the Bank's Succession Planning and Management Program, the Bank identifies the successor's line up for the critical key positions and prepares a career development plan for them to follow.

Our Human Resources Division continued to focus on getting the right people even as we tapped more recruitment channels to keep in stride with the business requirement, and to bring in new talents as part of the succession planning.

- 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.

We welcome diversity in our Board and do not discriminate on age, gender, or ethnic background. The position of a China Bank director is a position of trust; thus, the directors are selected for their integrity, leadership, experience at policy-making levels, and their ability to render independent judgment.

Board age profile

50-60 27%

61-70 27%

71 and above 46%

To ensure diversity in the Board, and in accordance with the Bank's Corporate Governance Manual, a director should have the following minimum qualifications:

1. *He shall at least be twenty-five (25) years of age at the time of his election or appointment;*
2. *He shall be at least a college graduate or have at least five (5) years experience in business;*

3. *He must have attended a special seminar on corporate governance for board of directors conducted or accredited by the BSP: Provided, That incumbent directors as well as those elected after 17 September 2001 must attend said seminar on or before 30 June 2003 or within a period of six (6) months from date of election for those elected after 30 June 2003, as the case may be; and*

In relation to the above, It shall be the responsibility of the Corporate Secretary to ensure that the director concerned has attended the required seminar.

4. *He must be fit and proper for the position of a director of the bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness, competence, relevant education/ financial literacy/ training, diligence and knowledge/ experience.*

The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

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, The Bank has ensured that at least one non-executive director has an experience in the financial or banking sector.

The table below highlights the experience details of the Bank's non-executive directors in the financial sector:

Name of the Non-Executive Director	Experience details
<i>Dy Tiong</i>	<i>Formerly President of CBC Finance, Inc. from 1980 to 2001</i>
<i>Harley T. Sy</i>	<i>President of SM Investment Corporation</i>
<i>Jose T. Sio</i>	<i>Partner of Sycip Gorres Velayo & Co. (SGV) from 1977-1990, Director of BDO Capital Investment Corp from 1999-2007, EVP and Chief Financial Officer of SM Investments</i>

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

	Executive	Non-Executive	Independent Director
Role	<p><i>Article VI.A. of the By-laws provides:</i></p> <p><i>Sec. 6. <u>President</u> – The President, shall be the Chief Executive Officer of the Corporation. He shall be subject to the control of the Board of Directors, have direct charge of the business of the Corporation and general supervision of the business affairs and property of the Corporation. In the absence or inability of the Chairman and the Vice-Chairman, he shall preside over the meetings of the stockholders and of the</i></p>	<p><i>Section IV.A.1 of the Corporate Governance Manual provides that:</i></p> <p><i>...qualified non-executive members shall be elected to promote the independence of the board from the views of senior management.</i></p> <p><i>The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors</i></p>	<p><i>Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.</i></p> <p><i>Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in</i></p>

	<i>Board of Directors of the Corporation.</i>	<i>can dominate the decision making process.</i>	<i>assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.</i>
Accountabilities	<ol style="list-style-type: none"> 1. <i>Fostering a corporate culture that will promote ethical practice.</i> 2. <i>Bringing positive business results.</i> 3. <i>Developing a long-term strategy and vision for the Bank that would lead to the creation of shareholder value.</i> 4. <i>Establishing a strong working relationships with the Board of Directors</i> 5. <i>Keeping the Board of the Bank well informed about the Bank's performance, financial conditions, events that may affect the business, as well available opportunities for the Bank to grow.</i> 6. <i>Ensuring that the Bank has an effective management team below the CEO level and has a working plan for its development and succession.</i> 	<p><i>Section IV.A.1 of the Corporate Governance Manual provides that:</i></p> <p><i>...qualified non-executive members shall be elected to promote the independence of the board from the views of senior management.</i></p> <p><i>The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process.</i></p>	<p><i>Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.</i></p> <p><i>Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.</i></p>
Deliverables	<ol style="list-style-type: none"> 1. <i>Improve Bank's Performance.</i> 2. <i>Create Value to Shareholder.</i> 3. <i>Establish and Implement a Strategic Plan.</i> 	<p><i>In accordance with the Bank's Corporate Governance Manual.</i></p> <p><i>Non-executive board members shall meet regularly, other than in meetings of the audit committee and risk management committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.</i></p>	<p><i>Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.</i></p> <p><i>Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past</i></p>

			<p><i>three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.</i></p>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

Our Independent Directors are in the Board to protect the interest of the shareholders, exercise independent judgment on issues or matters presented to the board, and ensure efficient and transparent management especially on areas of related party transactions.

Independent Directors are free from any business, family, or any other relationship with the China Bank, controlling shareholders, management, which could affect their judgment. In addition, they meet BSP and SEC's guidelines in assessing their independence, including not having been an officer of the Bank for the past three years, not a director or officer of the majority stockholder, and own less than two percent (2%) of the subscribed capital stock, among other requirements.

We fully comply with the corporate governance rules of the SEC with regard to the nomination and election of our independent directors. We have three independent directors—Dy Tiong, Alberto S. Yao, and Robert F. Kuan—who are in the Board to exercise independent judgment and protect the rights of minority shareholders, acting objectively and challenging management decisions if warranted to ensure efficient and transparent management, especially on areas of related party transactions.

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.

Term Limits for Independent Directors.

- a. There shall be no limit in the number of covered companies a person may be elected as ID, except in conglomerates where an ID can be elected to only five (5) listed companies of the conglomerate;*
- b. IDs can serve for 5 consecutive years starting 2012, provided that service for a period of at least 6 months shall be equivalent to 1 year;*
- c. After the completion of the 5-year service period, an ID shall be ineligible for election in the same company unless ID has undergone a "cooling off" period of 2 years;*
- d. During the cooling-off period of two (2) years, An ID cannot serve as a regular director of the Bank. The cooling off period is intended to strengthen the independence and objective judgment of independent directors by disassociating the director from the affairs of the bank for a period of two (2) years. Hence, allowing such director to serve as a regular director during that period is not consistent with the objective of the said term break.²²*
- e. An ID can be re-elected after the "cooling off" period for another four (4) consecutive years. After serving as an ID for 9 years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside its conglomerate.*

²² Item I.4, BSP Memorandum No. 2012-032 dated July 5, 2012

- f. An ID who has served for two (2) terms following the 5-2-4 rule, can be elected as a regular member of the board.²³
- g. It shall be the responsibility of the Corporate Secretary to ensure that the above-mentioned requirements for an independent director are complied with during nomination / election.

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
None	None	None	None

(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	<i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>- must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

²³ *ibid*, Item I.6

	<p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations.</i></p>	
<p>(i) Executive Directors</p>	<p><i>Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose.</i></p> <p><i>The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p><i>Frequency of Election: Annually. Moreover, Article III, Section 2 of the By-Laws allow for special elections to be called by the Chairman or the Chief Executive Officer whenever either of them deems it advisable, or when so directed by resolution of the Board of Directors, or upon written request of stockholders holding not less than 1/3 of the outstanding stock.</i></p>	

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(ii) Non-Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002.</i></p>
(ii) Non-Executive Directors	<p><i>Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p>	<p><i>must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business.</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(ii) Non-Executive Directors	<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office.</i></p> <p><i>Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	
(iii) Independent Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014.</i></p> <p><i>The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors. As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>- must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p>

	<p><i>cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle</i></p>	
<p>(iii) Independent Directors</p>	<p><i>among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p>6. For Independent Director, SEC Memorandum Circular No. 16, Series of 2002, SEC Memo No. 6, Series of 2009, Sec. 38 of The Securities Regulation Code, Rule 38 of the Amended Implementing Rules and Regulations (AIRR) of the Securities Regulation Code (SRC), SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38 (formerly Rule 38.1) of AIRR of the SRC, SEC Memorandum Circular No. 9, Series of 2011, Sec. 15 of the General Banking Law, and Section X141 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular Nos. 749 and 757, Series of 2012</p> <p>- 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 of the Bank, and includes, among others, any person who:</p> <p><i>is not or has not been an officer or employee of the Bank, its subsidiaries or affiliates or related interests during the</i></p> <p><i>(a) past three (3) years counted from the date of his election (Subsection X141.2, MORB), and is not a director or officer of the Bank, any of its related companies or any of its substantial shareholders (owner of more than 10% of any class of its equity security, or holding shares of stock sufficient to elect one seat in the Board of Directors (Subsection X141.2, MORB) other than as an independent director of any of the foregoing;</i></p> <p><i>(b) does not own more than two percent (2%) of the shares of the Bank and/or its related companies or any of its substantial shareholders (Rule 38.2.B, RIRR of the SRC);</i></p> <p><i>(c) is not a relative within the fourth (4th) degree of consanguinity or affinity, legitimate or common-law, of any director, officer or shareholder of the Bank, or any of its related companies (Subsection X141.2 (MORB);</i></p>

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(iii) Independent Directors		<p><i>(d) is not acting as a nominee or representative of any director 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 (Subsection X141.2 (5), MORB; Rule 38.2 D, RIRR of the SRC);</i></p> <p><i>(e) has not been employed in any executive capacity by the Bank, any of its related companies and/or any of its substantial shareholders within the last two (2) years (SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38.1 of AIRR of the SRC);</i></p> <p><i>(f) is not retained as professional adviser, consultant, agent or counsel by the Bank, any of its related companies or any of its substantial shareholders within the last five (5) years, either in his personal capacity or through his firm (Subsection X141.2(6), MORB);</i></p> <p><i>(g) has not been engaged and does not engage in any transaction with the Bank and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons or through a firm of which he is a partner and/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 or significantly interfere with or influence the exercise of his judgment (Subsection X141.2.b.(6), MORB);</i></p> <p><i>(h) is not or has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his election (Rule 38.3, RIRR of the SRC); and,</i></p> <p><i>(i) has not held independent directorships in more than 5 companies of the conglomerate, and has not served as Independent Director of the Bank for more than five (5) consecutive years from 2011 (SEC Memo No. 9, Series of 2011).</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors		<p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(i) Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2013. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002 must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(i) Executive Directors	<p><i>multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors</i></p>	
(ii) Non-Executive Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors. The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(ii) Non-Executive Directors	<p><i>in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	
(iii) Independent Directors	<p><i>In accordance with Sections 23 and 27 of The Corporation Code (B.P. Blg. 68), Section 15 of The General Banking Law (R.A. No. 8791), Section 38 of The Securities Regulation Code, Section 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, and Section X141 of the Manual of Regulations for Banks, and relevant circulars or memoranda, the Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors.</i></p>	<p><i>The directors are selected in compliance with the following laws and regulations:</i></p> <p><i>5. For all directors without qualification, Section 23 of The Corporation Code, Sec. X141.2 (a) (1) and (2) of the Manual of Regulations for Banks (MORB), SEC Memorandum Circular No. 16, Series of 2002</i></p> <p><i>must be an owner of at least one (1) share of stock of the Bank, at least twenty-five (25) years old at the time of election/appointment, at least a college graduate or have five (5) years experience in business.</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors	<p><i>The rules pertinently state that the nomination forms shall be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2014. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees and prepare a final list of candidates, indicating the nominees for independent directors.</i></p> <p><i>As to the manner of voting, Article III, Section 7 of the Bank's By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. Following Section 24 of The Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the whole number of directors to be elected.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p>6. For Independent Director, SEC Memorandum Circular No. 16, Series of 2002, SEC Memo No. 6, Series of 2009, Sec. 38 of The Securities Regulation Code, Rule 38 of the Amended Implementing Rules and Regulations (AIRR) of the Securities Regulation Code (SRC), SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38 (formerly Rule 38.1) of AIRR of the SRC, SEC Memorandum Circular No. 9, Series of 2011, Sec. 15 of the General Banking Law, and Section X141 of the Manual of Regulations for Banks (MORB), as amended by BSP Circular Nos. 749 and 757, Series of 2012</p> <p><i>- 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 of the OBank, and includes, among others, any person who:</i></p> <p><i>a. 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 (Subsection X141.2, MORB), and is not a director or officer of the Bank, any of its related companies or any of its substantial shareholders (owner of more than 10% of any class of its equity security, or holding shares of stock sufficient to elect one seat in the Board of Directors (Subsection X141.2, MORB) other than as an independent director of any of the foregoing;</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors		<p>b. <i>does not own more than two percent (2%) of the shares of the Bank and/or its related companies or any of its substantial shareholders (Rule 38.2.B, RIRR of the SRC);</i></p> <p>c. <i>is not a relative within the fourth (4th) degree of consanguinity or affinity, legitimate or common-law, of any director, officer or shareholder of the Bank, or any of its related companies (Subsection X141.2 (MORB);</i></p> <p>d. <i>is not acting as a nominee or representative of any director 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 (Subsection X141.2 (5), MORB; Rule 38.2 D, RIRR of the SRC);</i></p> <p>e. <i>has not been employed in any executive capacity by the Bank, any of its related companies and/or any of its substantial shareholders within the last two (2) years (SEC Memorandum Circular No. 13, Series of 2004, amending Rule 38.1 of AIRR of the SRC);</i></p> <p>f. <i>is not retained as professional adviser, consultant, agent or counsel by the Bank, any of its related companies or any of its substantial shareholders within the last five (5) years, either in his personal capacity or through his firm (Subsection X141.2(6), MORB);</i></p> <p>g. <i>has not been engaged and does not engage in any transaction with the Bank and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons or through a firm of which he is a partner and/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 or significantly interfere with or influence the exercise of his judgment (Subsection X141.2.b.(6), MORB);</i></p>

Procedure	Process Adopted	Criteria
b. Re-appointment		
(iii) Independent Directors		<p><i>h. is not or has not been convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Securities Regulation Code, committed within five (5) years prior to the date of his election (Rule 38.3, RIRR of the SRC); and,</i></p> <p><i>i. has not held independent directorships in more than 5 companies of the conglomerate, and has not served as Independent Director of the Bank for more than five (5) consecutive years from 2011 (SEC Memo No. 9, Series of 2011).</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
c. Permanent Disqualification		
(i) Executive Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p>	<p>The following are the grounds for the disqualification of a director in the Bank's Corporate Governance Manual:</p> <p>Permanently disqualified²⁴ <i>Directors/officers/employees permanently disqualified by the BSP Monetary Board from holding a director position:</i></p> <p><i>a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFICIALS AND EMPLOYEES)</i></p>

²⁴ Section X143.1 of the MORB

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors	<p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or,</i></p>	<p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>b. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²⁵</i></p> <p><i>c. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.</i></p> <p><i>d. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</i></p> <p><i>e. Directors, officers or employees of closed banks who were found to be culpable for such institution’s closure as determined by the Monetary Board.</i></p> <p><i>f. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p> <p><i>g. Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another</i></p>

²⁵ Article 3.E of SEC Memo No. 6, S2009

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors	<p><i>to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>h. government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</i></p> <p>The following are additional disqualifications under Article 3.E of SEC Memo No. 6 Series of 2009:</p> <p><i>a. 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; (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; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</i></p> <p><i>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (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.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise</i></p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(i) Executive Directors		<p><i>been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p><i>c. 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, forger, bribery, false affirmation, perjury or other fraudulent acts;</i></p> <p><i>d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.</i></p> <p><i>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i></p> <p><i>f. Any person found guilty by final judgment or order or a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs a to e above;</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(ii) Non-Executive Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p><i>Subsection X143.4 Disqualification procedures</i></p>	<p><i>The following are the grounds for the disqualification of a director in the Bank's Corporate Governance Manual:</i></p> <p>Permanently disqualified²⁶</p> <p>Directors/officers/employees permanently disqualified by the BSP Monetary Board from holding a director position:</p>

²⁶ Section X143.1 of the MORB

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors	<p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p> <p>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</p>	<p>a. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES)</p> <p>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</p> <p>b. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²⁷</p> <p>c. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.</p> <p>d. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</p> <p>e. Directors, officers or employees of closed banks who were found to be culpable for such institution's closure as determined by the Monetary Board.</p> <p>f. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</p>

²⁷ Article 3.E of SEC Memo No. 6, S2009

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors	<p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</p>	<p>g. Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p> <p>The following are additional disqualifications under Article 3.E of SEC Memo No. 6 Series of 2009:</p> <p>a. 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; (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; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors		<p data-bbox="943 264 1421 772"><i>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (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.</i></p> <p data-bbox="984 808 1421 1318"><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission 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 or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p data-bbox="943 1354 1421 1577"><i>c. 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, forger, bribery, false affirmation, perjury or other fraudulent acts;</i></p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(ii) Non-Executive Directors		<p>d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.</p> <p>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>f. Any person found guilty by final judgment or order or a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs a to e above;</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
(iii) Independent Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer</p>	<p>The following are the grounds for the disqualification of a director in the Bank's Corporate Governance Manual:</p> <p>Permanently disqualified²⁸</p> <p>Directors/officers/employees permanently disqualified by the BSP Monetary Board from holding a director position:</p> <p>Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFICIALS AND EMPLOYEES)</p>

²⁸ Section X143.1 of the MORB

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(iii) Independent Directors	<p><i>in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>a. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five years prior to the date of his election.²⁹</i></p> <p><i>b. Persons who have been convicted by final judgment of the court for violation of banking laws, rules and regulations.</i></p> <p><i>c. Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract;</i></p> <p><i>d. Directors, officers or employees of closed banks who were found to be culpable for such institution’s closure as determined by the Monetary Board.</i></p> <p><i>e. Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p> <p><i>f. Directors and officers of banks, quasi-banks and trust entities or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or</i></p>

²⁹ Article 3.E of SEC Memo No. 6, S2009

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(iii) Independent Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</i></p> <p><i>The following are additional disqualifications under Article 3.E of SEC Memo No. 6 Series of 2009:</i></p> <p><i>a. 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; (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; (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as affiliated person of any of them;</i></p> <p><i>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (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.</i></p> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity</i></p>

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
(iii) Independent Directors		<p><i>involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p><i>c. 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, forger, bribery, false affirmation, perjury or other fraudulent acts;</i></p> <p><i>d. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order.</i></p> <p><i>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;</i></p> <p><i>f. Any person found guilty by final judgment or order or a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs a to e above;</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(i) Executive Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p>	<p><i>Temporarily Disqualified.</i></p> <p><i>Directors/officers/employees disqualified by the BSP Monetary Board from holding a director position for a specific/indefinite period of time. Included are:</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position.</i></p> <p><i>The head of said department may allow an extension on meritorious ground.</i></p>	<p><i>- Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;</i></p> <p><i>- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
<p>(i) Executive Directors</p>	<p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p>	<p><i>- Persons who are delinquent in the payment of their obligations as defined hereunder.</i></p> <p><i>a. Delinquency in the payment of obligations means that an obligation of a person with a bank 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;</i></p> <p><i>b. Obligations shall include all borrowings from a bank/quasi bank obtained by:</i></p> <p><i>i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, indorser, or surety for loans from such financial institutions;</i></p> <p><i>ii. The spouse or child under the parental authority of the director or officer;</i></p> <p><i>iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</i></p> <p><i>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</i></p> <p><i>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);</i></p> <p><i>This disqualification shall be in effect as long as the delinquency persists.</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors	<p>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</p>	<ul style="list-style-type: none"> - Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory; Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position. - Directors and officers of closed banks pending their clearance by the Monetary Board; - 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 directors' election/reelection; - Directors who failed to attend the special seminar for board of directors required under item "c" of Subsec. X141.2 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar; - Persons dismissed/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 five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification;

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors		<ul style="list-style-type: none"> - Those under preventive suspension; - Persons with derogatory records as certified by, or on the official files of, the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated; - Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; - Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court; - Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(i) Executive Directors		<p>- <i>Independent director</i> who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.</p> <p>The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):</p> <p>- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p> <p>- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>- Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with.</p> <p>- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p> <p>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</p>	<p>Directors/officers/employees disqualified by the BSP Monetary Board from holding a director position for a specific/indefinite period of time. Included are:</p> <ul style="list-style-type: none"> - Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists; - Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election; - Persons who are delinquent in the payment of their obligations as defined hereunder. <p>a. Delinquency in the payment of obligations means that an obligation of a person with a bank 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;</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors	<p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p>	<p><i>b. Obligations shall include all borrowings from a bank/quasi bank obtained by:</i></p> <ul style="list-style-type: none"> <i>i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, indorser, or surety for loans from such financial institutions;</i> <i>ii. The spouse or child under the parental authority of the director or officer;</i> <i>iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</i> <i>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</i> <i>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);</i> <p><i>This disqualification shall be in effect as long as the delinquency persists.</i></p> <p><i>- Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory;</i></p> <p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>- Directors and officers of closed banks pending their clearance by the Monetary Board;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors	<p>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</p>	<ul style="list-style-type: none"> - 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 directors' election/re-election; - Directors who failed to attend the special seminar for board of directors required under item "c" of Subsec. X141.2 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar; - Persons dismissed/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 five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification; - Those under preventive suspension; - Persons with derogatory records as certified by, or on the official files of, the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors		<p>- <i>Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>- <i>Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>- <i>Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;</i></p> <p>- <i><u>Independent director</u> who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.</i></p> <p><i>The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):</i></p> <p>- <i>Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(ii) Non-Executive Directors		<p>- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>- Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with.</p> <p>- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
(iii) Independent Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer</p>	<p>Directors/officers/employees disqualified by the BSP Monetary Board from holding a director position for a specific/indefinite period of time. Included are:</p> <p>- Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors	<p><i>in any FI under the supervision of the BSP.</i></p> <p><i>Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p><i>- Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purpose of the immediately succeeding election;</i></p> <p><i>- Persons who are delinquent in the payment of their obligations as defined hereunder.</i></p> <p><i>a. Delinquency in the payment of obligations means that an obligation of a person with a bank 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;</i></p> <p><i>b. Obligations shall include all borrowings from a bank/quasi bank obtained by:</i></p> <p><i>i. A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, indorser, or surety for loans from such financial institutions;</i></p> <p><i>ii. The spouse or child under the parental authority of the director or officer;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>iii. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;</i></p> <p><i>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</i></p> <p><i>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);</i></p> <p><i>This disqualification shall be in effect as long as the delinquency persists.</i></p> <p><i>- Persons who have been convicted by a court for offenses involving dishonesty or breach of trust such as, but not limited to estafa, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), or violation of banking laws, rules and regulations or those sentenced to serve a maximum term of imprisonment of more than six years but whose conviction has not yet become final and executory;</i></p> <p><i>Note: The disqualification on violation of anti-graft and corrupt practices shall apply to government employees appointed for directorship position.</i></p> <p><i>- Directors and officers of closed banks pending their clearance by the Monetary Board;</i></p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors		<ul style="list-style-type: none"> - 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 directors' election/re-election; - Directors who failed to attend the special seminar for board of directors required under item "c" of Subsec. XI41.2 of the Manual of Regulations for Banks (MORB). This disqualification applies until the director concerned had attended such seminar; - Persons dismissed/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 five (5) years from the time they were officially advised by the appropriate department of SES of their disqualification; - Those under preventive suspension; - Persons with derogatory records as certified by, or on the official files of, the Judiciary, National Bureau of Investigation, Philippine National Police, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any laws, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated; - Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors		<p>- Directors and officers of banks found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>-Directors and officers of banks, quasi-banks and trust entities found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court. The disqualification shall be in effect during the period of suspension or so long as the fine is not fully paid;</p> <p>- <u>Independent director</u> who becomes an officer or employee of the Bank, he/she shall be automatically disqualified from being an independent director.</p> <p>The following temporary disqualifications are added by the Revised Code of Corporate Governance (Article 3.E.2 of SEC Memo No. 6 S2009):</p> <p>- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</p> <p>- Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>- Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the</p>

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
(iii) Independent Directors		<p>cause that gave rise to his dismissal or termination.</p> <p>- If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with.</p> <p>- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p>
e. Removal		
(i) Executive Directors	<p>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>Subsection X143.4 Disqualification procedures</p> <p>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p>	<p>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>X143.1 Persons disqualified to become directors. Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:</p> <p>a. Permanently disqualified</p> <p>x x x x</p> <p>(6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</p> <p>(7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p>

Procedure	Process Adopted	Criteria
e. Removal		
(i) Executive Directors	<p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p>	<p><i>b. Temporarily disqualified</i></p> <p><i>x x x x</i></p> <p><i>(11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</i></p> <p>Limitation on nationality of directors</p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(i) Executive Directors	<p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</i></p> <p><i>First violation</i> - <i>the subject person shall be reprimanded.</i></p> <p><i>Second violation</i> - <i>Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</i></p> <p><i>Third violation</i> - <i>the maximum penalty of <u>removal from office shall be imposed.</u></i></p> <p><i>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</i></p> <p><i>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>
(ii) Non-Executive Directors	<p><i>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution’s director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>X143.1 Persons disqualified to become directors.</i> <i>Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:</i></p> <p><i>a. Permanently disqualified</i></p> <p><i>x x x x</i></p> <p><i>(6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(ii) Non-Executive Directors	<p>prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</p> <p>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p>	<p>(7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p> <p>b. Temporarily disqualified</p> <p>x x x x</p> <p>(11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p> <p>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</p> <p>First violation - the subject person shall be reprimanded.</p> <p>Second violation - Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</p>

Procedure	Process Adopted	Criteria
e. Removal		
(ii) Non-Executive Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><u>Third violation - the maximum penalty of removal from office shall be imposed.</u></p> <p><i>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</i></p> <p><i>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>

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e. Removal		
(iii) Independent Directors	<p>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP.</i></p> <p><i>While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p>	<p>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>X143.1 Persons disqualified to become directors. Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:</p> <p><i>a. Permanently disqualified</i> x x x x</p> <p><i>(6) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; or</i></p>

Procedure	Process Adopted	Criteria
e. Removal		
(iii) Independent Directors	<p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>x x x x</p> <p>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007).</p>	<p>(7) Directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.</p> <p>b. Temporarily disqualified x x x x</p> <p>(11) Directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court;</p> <p>Limitation on nationality of directors</p> <p>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</p> <p>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</p> <p>First violation - the subject person shall be reprimanded.</p>

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e. Removal		
(iii) Independent Directors	<p>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</p>	<p>Second violation - Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</p> <p>Third violation - the maximum penalty of <u>removal from office shall be imposed.</u></p> <p>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p> <p>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</p>
f. Re-instatement		
(i) Executive Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is</p>	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p>

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f. Re-instatement		
(i) Executive Directors	<p>elevated to the Monetary Board.</p> <p>x x x x</p> <p>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p>x x x x</p> <p>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</p>
(ii) Non-Executive Directors	<p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p>

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(ii) Non-Executive Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p>

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(iii) Independent Directors	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>x x x x</p> <p>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</p>	<p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p> <p>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</p> <p>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>The Bank also adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</p> <p>x x x x</p> <p>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</p>

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(iii) Independent Directors	<p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or,</i></p>
g. Suspension		
(i) Executive Directors	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p>

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g. Suspension		
(i) Executive Directors	<p><i>allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from</i></p>	<p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p> <p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p>

Procedure	Process Adopted	Criteria
g. Suspension		
(i) Executive Directors	<p><i>the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item "c" above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank's By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>
(ii) Non-Executive Directors	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may</i></p>	<p><i>The Bank adheres to the following rules of the Bangko Sentral ng Pilipinas on Disqualification:</i></p> <p><i>Subsection X143.4 Disqualification procedures</i></p> <p><i>a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may</i></p>

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g. Suspension		
(ii) Non-Executive Directors	<p><i>conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>	<p><i>conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/ officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate department of the SES within seventy-two (72) hours from knowledge thereof.</i></p> <p><i>b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Subsecs. X143.1 and X143.2, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate department of the SES of the existence of the ground for his/her disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.</i></p> <p><i>c. Upon receipt of the reply explanation of the director/officer concerned, the appropriate department of the SES shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.</i></p> <p><i>d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item “b” above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/ evidence.</i></p>

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g. Suspension		
(ii) Non-Executive Directors	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p style="text-align: center;"><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p>	<p><i>e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.</i></p> <p style="text-align: center;"><i>x x x x</i></p> <p><i>l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons. (As amended by Circular No. 584 dated 28 September 2007)</i></p> <p><i>For vacancies, Article IV, Section 3 of the Bank’s By-Laws states that vacancies in the Board of Directors may be filled by election or appointment made by the remaining directors, if still constituting a quorum, or otherwise said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office. Whether any such vacancy shall or shall not be filled shall be left to the discretion of the Board of Directors.</i></p> <p><i>Limitation on nationality of directors</i></p> <p><i>Non-Filipino citizens may become members of the board of directors of the Bank to the extent of the foreign participation in the equity of the Bank. Provided, majority of the directors are residents of the Philippines.</i></p>

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Voting Result of the last Annual General Meeting (as of May7, 2015).

Name of Director	Votes Received
<i>Hans T. Sy</i>	<i>1,370,322,270</i>
<i>Gilbert U. Dee</i>	<i>1,370,351,376</i>
<i>Ricardo R. Chua</i>	<i>1,370,351,376</i>
<i>Peter S. Dee</i>	<i>1,370,351,376</i>
<i>Joaquin T. Dee</i>	<i>1,370,351,376</i>
<i>Dy Tiong (ID)</i>	<i>1,370,322,270</i>
<i>Herbert T. Sy</i>	<i>1,370,351,376</i>
<i>Harley T. Sy</i>	<i>1,370,351,376</i>
<i>Alberto S. Yao (ID)</i>	<i>1,370,322,270</i>
<i>Roberto F. Kuan (ID)</i>	<i>1,370,409,445</i>
<i>Jose T. Sio</i>	<i>1,370,351,376</i>

6) Orientation and Education Program

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

In accordance with the rules of the Bangko Sentral ng Pilipinas (BSP) (or the Central Bank of the Philippines), the members of the Board are issued a copy of their general and specific duties and responsibilities, which they acknowledged to have received and certified that they read and fully understood the same. Copies of the acknowledgement receipt and certification are submitted to BSP within the prescribed period.

Moreover, the Directors also individually submit a Sworn Certification that they possess all the qualifications and none of the disqualifications, as enumerated in the MORB. These certifications are submitted to BSP after their election. Additional certifications are executed by Independent Directors to comply with the Securities Regulation Code and BSP rules which are then submitted to the SEC.

Directors are required to attend a day and a half orientation program conducted by an accredited BSP training provider. All directors of the Bank have attended the orientation program of the Institute of Corporate Directors (ICD).

- (b) State any in-house training and external courses attended by Directors and Senior Management³⁰ for the past three (3) years:

For the Directors

As part of the Board's continuing education, the Directors as well as senior executives of the Bank attended a seminar on the Anti-Money Laundering Act (AMLA) organized by our Compliance Office in partnership with the AML Council Secretariat in November 2009, another round of AML Seminar was attended by the Board on 06 August 2014 to apprise them of the updates on AML rules and regulations.

On June 03, 2015, the Directors of the Bank attended a Corporate Governance Training Program as conducted by the Institute of Corporate Directors.

On a monthly basis, or whenever there are new issuances, the Chief Compliance Officer conducts a briefing/discusses on these new regulations to the Board.

For the Senior Officers (2011-2014)

<i>1st Fraud Conference Manila</i>	<i>External</i>
<i>2012 IT Audit & Fraud Summit</i>	<i>External</i>
<i>2nd Philippine Renewable Energy Summit</i>	<i>External</i>
<i>5th Philippine Housing Finance Forum</i>	<i>External</i>
<i>66th IIA-Philippines Annual Convention</i>	<i>External</i>
<i>8th Corporate Governance Workshop Series</i>	<i>External</i>
<i>Achieving a Four-Trust Rating</i>	<i>External</i>
<i>Advance Bank Management Program</i>	<i>External</i>
<i>AMLA of 2001-Circular 706 (2011 Update)</i>	<i>Internal</i>
<i>Anti-Money Laundering Act of 2001</i>	<i>Internal</i>
<i>Audit</i>	<i>External</i>
<i>Audit World 2013</i>	<i>External</i>
<i>Bank Fraud: Detection & Prevention & RCL</i>	<i>Internal</i>
<i>Bank Marketing and Salesmanship</i>	<i>Internal</i>
<i>Bankway Browser Teller Training Sys Training</i>	<i>Internal</i>
<i>Basic Chinese Language Course</i>	<i>Internal</i>
<i>Basic Chinese Speech</i>	<i>Internal</i>
<i>Basic Financial Math</i>	<i>External</i>
<i>Basics of Fixed Income Securities</i>	<i>External</i>
<i>Ben Trends BF Briefing: TOB</i>	<i>External</i>
<i>Bldg Profitable Debit/Prepaid Payment Bu</i>	<i>External</i>
<i>Board Directors Guide for Audit Comm</i>	<i>External</i>
<i>Bond Durations Modules</i>	<i>External</i>
<i>Briefing on WhistleBlowing Policy</i>	<i>Internal</i>
<i>BSP Compliance, Trust&Governance RS</i>	<i>External</i>

³⁰ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<i>Building Customer Loyalty</i>	<i>Internal</i>
<i>Building Partnerships Through Great Cust</i>	<i>Internal</i>
<i>Business Process Management Briefing</i>	<i>Internal</i>
<i>Certified BA Professional Training</i>	<i>External</i>
<i>China Bank Equity Fund Briefing</i>	<i>Internal</i>
<i>Coaching and Counseling in the Workplace</i>	<i>Internal</i>
<i>Compen & Ben:Trends & Challenges</i>	<i>External</i>
<i>Comprehensive Seminar on FWT & EWT</i>	<i>External</i>
<i>Conducting Internal Fraud Investigation</i>	<i>External</i>
<i>Conducting PrelimSurveys & Eff Work Prog</i>	<i>External</i>
<i>Conflicts of Interest & Ethics</i>	<i>External</i>
<i>Corporate Governance and Risk Management</i>	<i>External</i>
<i>Corporate Governance for Corp. Directors</i>	<i>External</i>
<i>Credit Enhancement Seminar</i>	<i>Internal</i>
<i>Credit Fraud</i>	<i>External</i>
<i>Crisis Management</i>	<i>External</i>
<i>Effective Business Writing Course</i>	<i>Internal</i>
<i>Effective Presentation Skills</i>	<i>Internal</i>
<i>Enhancing Audit Committee Effectiveness</i>	<i>External</i>
<i>EnRich Risk and Wealth Program</i>	<i>Internal</i>
<i>Establishing "Internal Audit & Controls"</i>	<i>External</i>
<i>Estate Planning</i>	<i>Internal</i>
<i>Financial Advisors Congress</i>	<i>External</i>
<i>Financial Management</i>	<i>Internal</i>
<i>Financial Statement Analysis Workshop</i>	<i>Internal</i>
<i>Foreign Currency Deposit Unit</i>	<i>External</i>
<i>Found. Certificate in IT Service Mgt</i>	<i>External</i>
<i>Handling Customer Complaints Workshop</i>	<i>Internal</i>
<i>How to Create a Culture & Capability...</i>	<i>External</i>
<i>ID Verification Seminar</i>	<i>Internal</i>
<i>Info Classification & Handling Guideline</i>	<i>Internal</i>
<i>International Trade Services</i>	<i>External</i>
<i>Introduction to Basel and ICAAP</i>	<i>Internal</i>
<i>IT Audit and Fraud Summit</i>	<i>External</i>
<i>Leadership Greatness</i>	<i>Internal</i>
<i>Leading Change: Critical Success Factors</i>	<i>External</i>
<i>Learning Communities:Creating Innovation</i>	<i>Internal</i>
<i>Learning Session on Marketing & Sales</i>	<i>Internal</i>
<i>Making Money with Stocks</i>	<i>External</i>
<i>Managing Generation Y Workforce</i>	<i>Internal</i>
<i>Marketing and Sales Planning Workshop</i>	<i>Internal</i>
<i>Mind Mapping & Creative Thiking Workshop</i>	<i>External</i>
<i>Officers Development Program</i>	<i>Internal</i>
<i>Optimizing Tax Saving for Real Est Trans</i>	<i>External</i>
<i>Orientation for New Officers</i>	<i>Internal</i>
<i>Philippine Financial Reporting System</i>	<i>External</i>

<i>Portfolio Construction</i>	<i>External</i>
<i>Positive Discipline Workshop</i>	<i>Internal</i>
<i>Practicable Prospecting Workshop</i>	<i>Internal</i>
<i>Practical Marketing Action Tools</i>	<i>External</i>
<i>Problem Solving and Decision Making</i>	<i>Internal</i>
<i>Product Knowledge Orientation</i>	<i>Internal</i>
<i>Professional Image Enhancement Workshop</i>	<i>Internal</i>
<i>Project Management Training</i>	<i>External</i>
<i>Property Owner's Guide</i>	<i>External</i>
<i>Prospecting Workshop</i>	<i>Internal</i>
<i>Quality Purchasing Seminar</i>	<i>External</i>
<i>Quantitative Financial Risk Management</i>	<i>External</i>
<i>Real Estate Economics</i>	<i>External</i>
<i>Remedial Management</i>	<i>External</i>
<i>Risk-Based Audit Approach</i>	<i>External</i>
<i>Sales Call Monitorig System Re-Training</i>	<i>Internal</i>
<i>Sales Mgmt Sys Briefing & SCMS Re-train</i>	<i>Internal</i>
<i>Salesmanship Course</i>	<i>Internal</i>
<i>SEC Fixed Income Salesman Review</i>	<i>Internal</i>
<i>Seven Habits Experience</i>	<i>Internal</i>
<i>Signature Verification Course</i>	<i>Internal</i>
<i>Strat Sys Thinking: Creating Comp Advant</i>	<i>External</i>
<i>Strategic Asset and Liability Management</i>	<i>External</i>
<i>Stress Testing: Perspectives, Guidance..</i>	<i>External</i>
<i>SunGard Ret Forum: Realising Potential</i>	<i>External</i>
<i>Superior Selling Mechanics</i>	<i>Internal</i>
<i>Tax Management Seminar</i>	<i>External</i>
<i>Taxes Applicable to Banks & FATCA</i>	<i>External</i>
<i>Tax-exempt Transactions Preferential Tax</i>	<i>External</i>
<i>Team Building</i>	<i>Internal</i>
<i>The Next Engines of Growth</i>	<i>External</i>
<i>TIFP Estate Planning Seminar-Workshop</i>	<i>Internal</i>
<i>TOPS - LRA Summit 2013</i>	<i>External</i>
<i>Trust Products and Services</i>	<i>Internal</i>
<i>Unleashing Talent</i>	<i>External</i>
<i>Values Enhancement & Work Attitude</i>	<i>Internal</i>

(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
<i>Hans T. Sy</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>Institute of Corporate Directors (ICD)</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, Bangko Sentral ng Pilipinas (BSP)</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>
<i>Gilbert U. Dee</i>	<i>August 7, 2002</i>	<i>Special Seminar on Corporate Governance for Bank Chairmen & CEOs</i>	<i>BSP in cooperation with ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
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	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
<i>Joaquin T. Dee</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Dy Tiong</i>	<i>October 18 -19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>
<i>Herbert T. Sy</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>
<i>Harley T. Sy</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>
<i>Alberto S. Yao</i>	<i>September 16-17, 2004</i>	<i>Director Orientation Course</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Roberto F. Kuan</i>	<i>August 15-16, 2005</i>	<i>Orientation Course on Corporate Governance</i>	<i>ICD</i>
	<i>June 23, 2005</i>	<i>3rd Corporate Governance Workshop for Directors, Senior Managers and other Governance Players</i>	<i>Corporate Governance Institute of the Philippines/ Management Association of the Philippines/ Philippine Institute of Certified Public Accountants/Securities and Exchange Commission</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>
<i>Jose T. Sio</i>	<i>April 23, 2003</i>	<i>Seminar on Corporate Governance</i>	<i>De La Salle University Professional Schools, Inc. Graduate School of Business</i>
	<i>February 24, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>August 05, 2015</i>	<i>Annual Corporate Governance Training</i>	<i>ICD</i>
<i>Ricardo R. Chua</i>	<i>October 18-19, 2002</i>	<i>Orientation Course on Corporate Governance for Bank Directors</i>	<i>ICD</i>
	<i>November 4, 2009</i>	<i>Anti-Money Laundering Act of 2001 Seminar</i>	<i>Atty. Vicente S. Aquino Executive Director, Anti-Money Laundering Council, and Assistant Governor, BSP</i>
	<i>January 8, 2014</i>	<i>Exclusive Corporate Governance Workshop</i>	<i>Institute of Corporate Directors</i>
	<i>August 6, 2014</i>	<i>AML Training</i>	<i>Atty. Arnold Frane, (AMLC Legal Services Group)</i>
	<i>June 03, 2015</i>	<i>Orientation Course for Corporate Governance</i>	<i>Institute of Corporate Directors</i>

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><i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i></p>	<p><i>Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank shall prevail.</i></p> <p><i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i></p>	<p><i>Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank shall prevail.</i></p> <p><i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i></p>
(b) Conduct of Business and Fair Dealings	<p><i>Compliance with the principles of good corporate governance starts with the Board of Directors.</i></p> <p><i>It shall be the Board's responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Bank, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and</i></p>	<p><i>Employees are expected to conduct their official and personal business with proper decorum to protect the name and goodwill of China Banking Corporation. They are expected to conduct themselves properly at all times, within or outside the Bank premises on or off duty. Employees should avoid any act that may embarrass or discredit the Bank.</i></p>	<p><i>Employees are expected to conduct their official and personal business with proper decorum to protect the name and goodwill of China Banking Corporation. They are expected to conduct themselves properly at all times, within or outside the Bank premises on or off duty. Employees should avoid any act that may embarrass or discredit the Bank.</i></p>

<p>(b) Conduct of Business and Fair Dealings</p>	<p><i>integrity in the discharge of its duties, functions and responsibilities.</i></p> <p>To consistently conduct the affairs of the institution with a high degree of integrity. Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity. The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</p>	<p>To consistently conduct the affairs of the institution with a high degree of integrity. Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p> <p>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</p>	<p>To consistently conduct the affairs of the institution with a high degree of integrity. Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p> <p>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</p>
<p>(c) Receipt of gifts from third parties</p>	<p>To consistently conduct the affairs of the institution with a high degree of integrity. Since reputation is a very valuable asset, it is in the institution's best interest that in dealings with the public, it observes a high standard of integrity.</p>	<p>Employees of the Bank must always exercise honesty in the performance of their duties. They must not use their positions for their own interest.</p>	<p>Employees of the Bank must always exercise honesty in the performance of their duties. They must not use their positions for their own interest.</p>
<p>(c) Receipt of gifts from third parties</p>	<p>The board of directors shall lead in establishing the tone of good governance from the top and in setting corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees.</p> <p>Directors may not solicit or accept gifts, payments, loans, services or any form of compensation from suppliers, customers, competitors or others seeking to do business with the Company.</p>	<p>Fraud, soliciting money, gifts, shares, benefits or favors from any person or through mediation of another as a condition for the performance of one's duty may subject employees from suspension/dismissal.</p>	<p>Fraud, soliciting money, gifts, shares, benefits or favors from any person or through mediation of another as a condition for the performance of one's duty may subject employees from suspension/dismissal.</p>

<p>(d) Compliance with Laws & Regulations</p>	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations.</i></p>	<p><i>Employees of the Bank must comply with all established procedures of the Bank. These procedures were carefully designed to guard against losses and to assure effective operations at all times. Violations on operating procedures will be dealt with according to the Bank's Operations Policies and Procedures Manuals (OPPMs), Bankgo Sentral ng Pilipinas and other government agencies' rules and regulations and other written policies, guidelines, or instructions issued by Senior Management, Management Committee, Head of Divisions/Groups/Departments or Branch Managers as circularized. Subject to the penalty provision of Code of Ethics.</i></p>	<p><i>Employees of the Bank must comply with all established procedures of the Bank. These procedures were carefully designed to guard against losses and to assure effective operations at all times. Violations on operating procedures will be dealt with according to the Bank's Operations Policies and Procedures Manuals (OPPMs), Bankgo Sentral ng Pilipinas and other government agencies' rules and regulations and other written policies, guidelines, or instructions issued by Senior Management, Management Committee, Head of Divisions/Groups/Departments or Branch Managers as circularized. Subject to the penalty provision of Code of Ethics.</i></p>
<p>(e) Respect for Trade Secrets/Use of Non-public Information</p>	<p><i>Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.</i></p>	<p><i>Employees engaging directly or indirectly, in financial transactions as a result of, or primarily relying upon, "insider information" may be subject to Written Reprimand/Suspension/Dismissal</i></p>	<p><i>Employees engaging directly or indirectly, in financial transactions as a result of, or primarily relying upon, "insider information" may be subject to Written Reprimand/Suspension/Dismissal</i></p>
<p>(f) Use of Company Funds, Assets and Information</p>	<p><i>Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the board.</i></p> <p><i>Directors are not allowed to use Company assets, funds or information for their personal use unless approved by the Board.</i></p>	<p><i>Using Bank property for a private purpose other than an officially approved activity is prohibited. Furthermore, employees are required to protect and conserve Bank property, including equipment and supplies to them.</i></p>	<p><i>Using Bank property for a private purpose other than an officially approved activity is prohibited. Furthermore, employees are required to protect and conserve Bank property, including equipment and supplies to them.</i></p>

<p>(g) Employment & Labor Laws & Policies</p>	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations, including labor laws.</i></p> <p><i>In accordance with Section 15 of the General Banking Law, Non-Filipino citizens may become members of the board of directors of a bank to the extent of the foreign participation in the equity of said bank. (Sec. 7, RA 7721)</i></p>	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations, including labor laws.</i></p> <p><i>Except as may otherwise be allowed under C.A no. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of banks.³¹</i></p>	<p><i>The Bank and its Directors are strongly committed to conducting business affairs with honesty and integrity and in compliance with all applicable laws, rules and regulations, including labor laws.</i></p> <p><i>Except as may otherwise be allowed under C.A no. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of banks</i></p>
<p>(h) Disciplinary action</p>	<p><i>Any violation of the portion of the Corporate Governance Manual, <u>directors</u>, officers, shall be subject to the following:</i></p> <p>First violation - <i>the subject person shall be reprimanded.</i></p> <p>Second violation - <i>Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</i></p> <p>Third violation - <i>the maximum penalty of removal from office shall be imposed.</i></p> <p><i>The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</i></p> <p><i>The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.</i></p>	<p><i>The penalties indicated for each group of offenses in this Code should under normal circumstances, be the penalties imposed. This is to ensure uniformity in the application of sanctions and to ensure that the disciplinary actions enforced are neither too lax nor too severe. It is understood that any offense included in the Code of Ethics, either explicitly or by reference, shall be punishable if it is committed deliberately or through negligence and without justifiable cause or excuse. Unless explicitly stated, the presence of aggravating circumstances shall increase the severity of the penalty, and the presence of mitigating circumstances shall reduce it. Penalties are classified as verbal reprimand, written reprimand, suspension and dismissal.</i></p>	<p><i>The penalties indicated for each group of offenses in this Code should under normal circumstances, be the penalties imposed. This is to ensure uniformity in the application of sanctions and to ensure that the disciplinary actions enforced are neither too lax nor too severe. It is understood that any offense included in the Code of Ethics, either explicitly or by reference, shall be punishable if it is committed deliberately or through negligence and without justifiable cause or excuse. Unless explicitly stated, the presence of aggravating circumstances shall increase the severity of the penalty, and the presence of mitigating circumstances shall reduce it. Penalties are classified as verbal reprimand, written reprimand, suspension and dismissal.</i></p>

³¹ Subsection X143.2.e of the MORB

(i) Whistle Blower	<i>The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened 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.</i>	<i>The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened 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.</i>	<i>The Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened 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.</i>
(j) Conflict Resolution	<i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. The directors should not obtain personal gain or profit by reason of their position in the Bank. In line with this, directors are required to disclose their interest in transactions and any other conflicts of interest. Any transaction involving a particular director is deliberated on and passed upon by the rest of the members of the Board, with the abstention of the director involved in the transaction.</i>	<i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank should prevail. Our employees are not allowed to have direct or indirect financial interests that conflict or appear to conflict with their duties and responsibilities as employees of the Bank; to engage in other work outside of the Bank without the Bank's written permission; and to have work competitive with the Bank.</i>	<i>Embodied in the Bank's Code of Ethics is the principle of ensuring that the Bank's interest is superior to personal interest of directors and officers. Conflict between the interest of the Bank and the interest of the employees should be avoided at all times. In cases of conflict, the interest of the Bank should prevail. Our employees are not allowed to have direct or indirect financial interests that conflict or appear to conflict with their duties and responsibilities as employees of the Bank; to engage in other work outside of the Bank without the Bank's written permission; and to have work competitive with the Bank.</i>

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

Yes, A copy of the Code is given to all employees during their orientation as new employees of the Bank. Senior Management is likewise given a copy of the Bank's Code of Ethics. The Bank's Code of Ethics was approved by the Board of Directors.

To promote adherence to the Code and deter wrongdoing, any breach of conduct are subject to appropriate sanctions. Training and compliance monitoring are integral parts of our Code of Ethics. Human Resources Division ensures that every China Bank employee is aware of and upholds our Code of Ethics. All new employees are given a copy of the Code of Ethics booklet. Receipt thereof is acknowledged in writing. The PDF format of the Code is also available in the Bank's Intranet under Compliance Office's Public Folder, for easy reference.

New employees likewise undergo the New Employees' Orientation Course (NEOC) wherein our Code of Ethics is comprehensively discussed.

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

The Bank implemented its policy on Administrative Disciplinary Rules and Procedures to ensure that any case relating to employees' conduct or performance are handled in a fair, consistent and timely manner. Cases involving administrative offenses which do not involve fraud or dishonesty or is not punishable by termination are being monitored, handled and resolved by the corresponding Line Heads. On the other hand, administrative cases involving fraud and dishonesty and all offenses punishable by termination are handled by the Administrative Investigation Committee, the members of which are appointed by the President of the Bank.

- 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><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p>

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(2) Joint Ventures	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>b. has a control or joint control over the reporting entity;</i> <i>c. has significant influence over the reporting entity; or</i> <i>d. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p>

	<p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(3) Subsidiaries	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(4) Entities Under Common Control	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p>

	<p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
(5) Substantial Stockholders	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i>

	<p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
<p>(6) Officers including spouse/children/siblings/parents</p>	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p>

	<p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
<p>(7) Directors including spouse/children/siblings/parents</p>	<p><i>As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.</i></p> <p><i>Related Party is defined as a person or entity that is related to the entity that is preparing its financial statements (or the reporting entity), or a person or a close member of that person's family is related to a reporting entity if that person:</i></p> <ul style="list-style-type: none"> <i>a. has a control or joint control over the reporting entity;</i> <i>b. has significant influence over the reporting entity; or</i> <i>c. it has a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</i> <p><i>Significant transactions shall refer to dealings that could pose material risk to the bank. As an internal definition, the amount that is considered by the Bank as significant is 50 Million Pesos (or its foreign currency equivalent) and above, per single transaction.</i></p> <p><i>The amount may be changed subject to the approval of the Bank's Board of Directors.</i></p> <p><i>Related Parties shall be treated like ordinary counterparties/client of the Bank. There shall be no special rates and prices to be offered or granted to such parties.</i></p> <p><i>Based on its charter, the Related Party Transaction Committee is tasked to review all related party transactions prior to board approval. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p> <p><i>All related party transactions are ratified by the Stockholders during the Annual Stockholders' Meeting.</i></p>
<p>(8) Interlocking director relationship of Board of Directors</p>	<p><i>In accordance with existing BSP rules, Interlocking Directorship requires prior approval of the Bangko Sentral ng Pilipinas.</i></p>

	<i>Except as allowed under existing regulations, no director is allowed to have an interlocking directorship without the prior approval of the BSP.</i>
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(b) Conflict of Interest

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

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

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	<p><i>The Bank is not aware of any actual or probable conflict of interest to which any director, officer, or stockholder owning 5% or more of the shares of the Bank is involved or may be involved.</i></p> <p><i>However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i></p>
Name of Officer/s	<p><i>The Bank is not aware of any actual or probable conflict of interest to which any director, officer, or stockholder owning 5% or more of the shares of the Bank is involved or may be involved.</i></p> <p><i>However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i></p>
Name of Significant Shareholders	<p><i>The Bank is not aware of any actual or probable conflict of interest to which any director, officer, or stockholder owning 5% or more of the shares of the Bank is involved or may be involved.</i></p> <p><i>However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i></p>

(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	<i>The Bank has drafted a policy on Related Party Transaction to detect, and resolved any possible conflict of interest that may arise between the companies within the conglomerate.</i>
Group	<i>The Bank has drafted a policy on Related Party Transaction to detect, and resolved any possible conflict of interest that may arise between the companies within the conglomerate.</i>

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,³² 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:

³² Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>SM Investments Corporation and Sysmart Corporation</i>	<i>Interlocking directors, officers, and stockholders</i>	<i>Mr. Henry Sy, Sr., Honorary Chairman of and Advisor to the Board of the Bank, and father of Directors Hans T. Sy, Herbert T. Sy, and Harley T. Sy, is the Chairman of the Board of SM Investments Corporation (SMIC), and <u>has more than 30% ownership in Sysmart Corporation</u>. Further, Mr. Hans T. Sy is Adviser to the Board of SMIC, Mr. Harley T. Sy is President, and Mr. Jose T. Sio is its Director and EVP-CFO.</i>

- (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
<i>SM Investments Corporation and Sysmart Corporation</i>	<i>Related party transactions</i>	<i>In the ordinary course of business, the Bank has loans and other transactions with its directors, officers, stockholders, and related interests (DOSRI). These transactions are thoroughly reviewed and verified as having been entered into in the best interest of the Bank, and made substantially on terms not less favorable to the Bank than those offered to others. Full disclosures for these transactions were made through reports with the Bangko Sentral ng Pilipinas.</i>

- (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
<i>The Bank is not aware of any agreement or arrangement which may impact on the control, ownership and strategic direction of the Bank. However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i>	<i>The Bank is not aware of any agreement or arrangement which may impact on the control, ownership and strategic direction of the Bank. However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i>	<i>The Bank is not aware of any agreement or arrangement which may impact on the control, ownership and strategic direction of the Bank. However, the family of Mr. Henry Sy, Sr. is known to have substantial holdings in SM Investments Corporation and Sysmart Corporation; as such, they could direct the voting or disposition of the shares of said companies.</i>

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	<i>The Bank constantly adheres to the applicable laws, rules and regulations geared towards the recognition and protection of the rights of the stockholders. The Bank has not encountered any major conflict with its stockholders for the last three (3) years. However, minor differences, mostly related to submission of documents, were resolved through active listening, affirming the feelings of stockholder, providing and explaining the reason for the Bank requirements, evaluating suggestions, referral of concerns to appropriate persons such as the transfer agent, and providing feedback and/or following up on the outstanding documents, issues and concerns.</i>
Corporation & Third Parties	<p><i>As the plaintiff or defendant in cases where the Bank is a party involved in the suit, the Bank participates in the mediation proceedings as part of the court mandated pre-trial proceedings, during the judicial dispute resolution and the formal pre-trial proceedings, wherein parties enter into stipulations and admissions.</i></p> <p><i>The Bank also participates in alternative dispute resolution when the same is provided under the contract of which the Bank is a party thereto.</i></p> <p><i>The Bank refers to the provisions in the signed contracts to resolve discrepancies, disputes, undelivered requirements, erroneous output, etc.; conflicts are likewise amicably resolved via discussions and negotiations with third parties and related-service providers; ties are severed in cases when the overall interest of the Bank are at negatively at stake.</i></p>
Corporation & Regulatory Authorities	<i>The Bank appears, for purposes of alternative dispute resolution before the different regulatory agencies such as, the BSP, PHHC, SEC, IC, ROD and other administrative agencies e.g. agrarian officers participate in the process for the speedy, inexpensive and just resolution of disputes.</i>

C. BOARD MEETINGS & ATTENDANCE

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

Yes. The directors are made aware even before the beginning of the year of their regular meetings, which are scheduled every first Wednesday of the month in accordance with the By-Laws.

2) Attendance of Directors – as of December 2014

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Hans T. Sy	May 8, 2014	15	14	93%
Member	Gilbert U. Dee	May 8, 2014	15	14	93%
Member	Ricardo R. Chua	May8, 2014	15	12	80%
Member	Peter S. Dee	May 8, 2014	15	14	93%
Member	Joaquin T. Dee	May 8, 2014	15	15	100%
Member	Herbert T. Sy	May 8, 2014	15	13	87%

Member	Harley T. Sy	May 8, 2014	15	14	93%
Member	Jose T. Sio	May 8, 2014	15	12	80%
Independent	Dy Tiong	May 8, 2014	15	15	100%
Independent	Alberto S. Yao	May 8, 2014	15	14	93%
Independent	Roberto F. Kuan	May 8, 2014	15	15	100%

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

The non-executive directors, without the presence of the executive directors of the Bank, met at least once in 2015 to discuss other business matters like Internal Control, External and Internal Audit due to the current updates in regulations.

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

China Bank's Board of Directors collectively recognize its lead role in setting the tone of good corporate governance from the top and in setting policies and standards that are beyond compliance.

In accordance with the Bank's By-Laws, the Board shall meet at least once a month to attend to matters that may require its approval. Special Board meetings may be called to deliberate and assess corporate proposals or business issues that require Board approval.

It is the policy of the Bank to encourage all members of the Board to attend board meetings regularly. They are expected to prepare for and participate in these meetings and to act judiciously, in good faith, and in the best interest of the Bank, the shareholders and other stakeholders.

If a member of the Board cannot attend personally, subject to existing rules, he / she may participate in meetings through teleconference or videoconferencing.

In cases where a decision is to be arrived at by the Board, as a matter of policy, decisions should be made only upon quorum of 2/3 members of the board present, unless a different voting requirement is required by existing laws, rules and regulations.

Except for, most compelling reasons, an independent director should always be in attendance in every meeting, recognizing the significant role of an ID in the board decisions.

Members of the Senior Management are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals to enable the Board to make an informed decision.

- 5) Access to Information

- (a) How many days in advance are board papers³³ for board of directors meetings provided to the board?

In general, board papers are provided to the directors five (5) days before the meeting.

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

Yes. The directors can at any time communicate with Management and the Corporate Secretary for any issue or concern relating to the Bank.

- (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?

³³ 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.

The duties and responsibilities of the Corporate Secretary are enumerated in the Bank's By-Laws and Manual on Corporate Governance. Among other things, she has the responsibility of assisting the Chairman in the preparation of the Board agenda, putting the Board on notice before every meeting, making sure that directors have before them everything that they need to make an informed decision, keeping the directors updated on relevant statutory and regulatory changes, coordinating with Compliance Office on the training of directors, and performing such other duties as are incident to her office or are properly required of her by the Board and/or the Chairman/Chief Executive Officer.

In accordance with the Bank's Manual on Corporate Governance, He should –

- 1. Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;*
 - 2. Be loyal to the mission, vision and objectives of the corporation;*
 - 3. Work fairly and objectively with Board, Management and stockholders;*
 - 4. Have appropriate administrative and interpersonal skills;*
 - 5. If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.*
 - 6. Have a working knowledge of the operations of the corporation;*
 - 7. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decision on matters that require their approval;*
 - 8. Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;*
 - 9. Ensure that all Board procedures, rules and regulations are strictly followed by the members; and*
 - 10. If he is also the Compliance Officer, perform all the duties and responsibilities of said officer as provided for in the Revised Code of Corporate Governance.*
 - 11. In case of board election, require all independent directors nominated to the Board to submit a notarized certification that he/she possesses all the qualifications and none of the disqualifications.*
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. Atty. Corazon I. Morando is a Bachelor of Laws graduate of the University of the Philippines. She took up graduate studies under the MBA-Senior Executive Program from the Ateneo de Manila University. Also, she was formerly the Director of the Corporate and Legal Department of the Securities and Exchange Commission of the Philippines.

- (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	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Executive Committee.</i>
Committee	Details of the procedures
Audit	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Audit Committee.</i>
Nomination	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Nomination Committee.</i>
Remuneration	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Compensation or Remuneration Committee.</i>
<i>Corporate Governance</i>	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Corporate Governance Committee.</i>
<i>Risk Management</i>	<i>Each of the directors has unrestricted access to the Office of the Corporate Secretary. Every director can readily communicate with the Corporate Secretary and her officers and staff any time in person or through letter, email, landline phone or mobile phone, to obtain any information necessary to enable him to prepare for the meetings of the Risk Management Committee.</i>
Others (specify)	

6) External Advice

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

Procedures	Details
<p><i>The directors may freely raise the matter of obtaining external advice in any meeting where they opine it to be necessary. Occasionally, the directors suggest for the Bank to consider seeking independent professional advice in order, deal with or resolve a legal or any other matter.</i></p> <p><i>In some of the Board committees, such as Audit Committee, the charter explicitly provides for the authority of the committee to seek professional guidance from independent counsel, accountants, or others to advise and assist the Committee in the effective performance of its duties.</i></p>	<p><i>The directors may freely raise the matter of obtaining external advice in any meeting where they opine it to be necessary. Occasionally, the directors suggest for the Bank to consider seeking independent professional advice in order, deal with or resolve a legal or any other matter.</i></p> <p><i>In some of the Board committees, such as Audit Committee, the charter explicitly provides for the authority of the committee to seek professional guidance from independent counsel, accountants, or others to advise and assist the Committee in the effective performance of its duties.</i></p>

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
<i>Credit Policy Manual</i>	<p><i>The enhancements to the Credit Policy mainly pertain to the following:</i></p> <ol style="list-style-type: none"> <i>1) deletion of deposits maintained with the Bank's subsidiaries and affiliates among the acceptable collateral for credit facilities; and,</i> <i>2) inclusion of deposit substitutes among the instruments that can be covered by hold-out agreement or deed of assignment.</i> 	<p><i>The amendments were made to align Bank policies with the requirements of the Bangko Sentral ng Pilipinas under the Manual of Regulations for Banks (MORB).</i></p>
<i>Corporate Governance Manual</i>	<p><i>The enhancement on the CG Manual are on following:</i></p> <ol style="list-style-type: none"> <i>1) Training of Directors</i> <i>2) Qualifications of Directors</i> <i>3) Term limits of Independent Directors</i> <i>4) RPT policy</i> 	<p><i>To align the Bank's policies with latest BSP Circulars/ issuances in 2015 and various SEC memos on Training, stakeholder definition, best practices and ASEAN standards</i></p>

<i>Corporate Governance Manual</i>	<p>5) <i>Internal and External Audit</i></p> <p>6) <i>Consumer Protection, and</i></p> <p>7) <i>Credit Risk Management</i></p>	
<i>Money Laundering and Terrorist Financing Prevention Program (MLPP)</i>	<p><i>Enhancements on the following were made:</i></p> <ol style="list-style-type: none"> 1. <i>Definition of terms</i> 2. <i>Know your employees policy</i> 3. <i>Monitoring of High risk clients and risk assessment</i> 4. <i>Record Keeping</i> 5. <i>KYC document updating</i> 6. <i>Politically exposed persons</i> 7. <i>AML Training policy</i> 	<i>To align with applicable Anti-money laundering law, AMLC and BSP rules and regulations</i>

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	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/Board</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/Board</i>
(2) Variable remuneration	<i>As approved by the Executive Committee/Board</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/ Board</i>
(3) Per diem allowance	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee / Board</i>
(4) Bonus	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for</i>	<i>Entitled to salary increase as per policy; granted yearly pay increase after the annual officers rating as approved by the Executive Committee/Remuneration Committee/Board</i>

	<i>attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i>	
(5) Stock Options and other financial instruments	<i>None</i>	<i>None</i>
(6) Others (specify)	<i>None</i>	<i>None</i>

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>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>Monthly compensation is aligned with industry rates</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>Monthly compensation is aligned with industry rates</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>Monthly compensation is aligned with industry rates</i>
Non-Executive Directors	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>NEDs are not entitled to any monthly compensation</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>NEDs are not entitled to any monthly compensation</i>	<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i> <i>NEDs are not entitled to any monthly compensation</i>

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.

Yes. The provision in the By-Laws pertaining to the remuneration of the directors has been approved by the stockholders.

Remuneration Scheme	Date of Stockholders' Approval
<i>In accordance with Article IV, Section 11, and Article VIII, Section 1(a) of the Bank's By-Laws, the directors are entitled to a per diem of P500.00 for attendance at each meeting of the Board or of any committees and to 4% of the Bank's net earnings.</i>	<i>May 15, 2003</i>

3) Aggregate Remuneration (as of 2014)

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			
(b) Variable Remuneration	64,773,414.38	95,179,019.68	42,925,327.43
(c) Per diem Allowance	19,000.00	24,500.00	9,500.00
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)		None	None
Total	None	None	None

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	P 4.0 Mn	None	None
(f) Hospitalization Plan	P 300 K	None	None
(g) Car Plan	P 1.5Mn	None	None
(h) Others (Specify)	None	None	None
Total	None	None	None

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

The Board of Directors approved on March 5, 2014 for the Bank to conduct a rights issue by way of offering common shares to eligible shareholders of the Bank, subject to approval of regulatory agencies. The additional capital was seen to enable the Bank to pursue growth strategies while ensuring that its capital adequacy levels remain above the new Basel III requirements. The Bank set

April 24, 2014 as the record date for shareholders entitled to participate in the rights offer up to 161,609,878 shares of common stock with a par value of P10.00 per share, at the entitlement ratio of one rights share for every 8.834 existing common shares held by eligible shareholders, and at an offer price of P49.50 per rights share. The stock rights shares were listed at the PSE on May 13, 2014. As of September 30, 2014, the net proceeds amounting to P7.92 Billion have been invested in loans.

(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
None	None	None

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
Ricardo R. Chua - President & CEO*	Php 78,451,174.00
Gilbert U. Dee - Vice Chairman	
Antonio S. Espedido Jr. - EVP, Head of Financial Markets & Investment Segment	
William C. Whang - EVP, Head of Lending Business Segment.	
Nancy D. Yang - SVP, Head of Retail Banking Business	

*As President & CEO Effective September 1,2014 to fill-in the vacancy due to the retirement of Mr. Peter S. Dee effective August 31, 2014.

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)	
Executive	3	2	None	Yes; last reviewed by the Board on May 5, 2011
Audit	None	1	2	Yes; last reviewed by the Board on October 3, 2012
Nominations	None	3	3	Yes; last reviewed by the Board on March 4, 2015
Compliance	None	2	1	Yes; last reviewed by the Board on December 5, 2012
Risk Management	1	2	1	Yes; last reviewed by the Board on August 7, 2013
Compensation or Remuneration	1	1	3	Yes; last reviewed by the Board on May 5, 2011
Corporate Governance	None	2	2	Yes; last reviewed by the Board on November 14, 2012

<i>Related Party Transaction</i>	<i>None</i>	<i>3</i>	<i>3</i>	<i>Approved by the Board on June 4, 2014</i>
<i>Others (specify) –</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>

Functions, Key Responsibilities, and Power of Board Committees:

(a) Executive Committee

The Committee, when the Board of Directors is not in session, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Bank, except with respect to: (1) approval of any action for which stockholders' approval is also required; (2) the filling of vacancies in the Board of Directors; (3) the amendment or repeal of the By-laws or the adoption of new By-laws; (4) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; (5) a distribution of cash dividends to the stockholders; and (6) such other matters as may be specifically excluded or limited by the Board of Directors and/or by laws or regulations.

(b) Audit Committee

The Committee provides oversight of the Bank's financial reporting and control and internal audit functions. It monitors and evaluates the adequacy and effectiveness of the internal control system, as well as the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instance of non-compliance. It appoints, reviews and concurs in the appointment or replacement of the Chief Audit Executive, and is responsible in ensuring that the Chief Audit Executive and internal audit function are free from interference by outside parties, and there is an annual review of the effectiveness of the internal audit function including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The Committee is also empowered to oversee the Bank's external audit functions, financial reporting and policies, by selecting the auditors and approving their fees, reviewing and discussing the scope and plan of annual audit, and reviewing and discussing with management and auditors the annual audited financial statements of the Bank. It also provides oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the Bank, including regular receipts from management of information on risk exposures and risk management activities.

(c) Nominations Committee

The Committee is tasked to review and evaluate the qualifications of all persons nominated to the Board, as well as appointments requiring Board approval and promotions favorably endorsed by the Promotions Review Committee. It also assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

(d) Compliance Committee

The Committee assists the Board in monitoring compliance with established banking laws, rules and regulations, specifically in the mitigation of Business Risk. It is tasked to ensure that the Bank's compliance function has a formal status within the Bank as established by a charter duly approved by the Board, and ensure the appointment of a full-time Chief Compliance Officer, who shall be responsible to manage the compliance program. It is also responsible in seeing to it that the management is doing things in accordance with the prescribed rules, policies, procedures, guidelines and the like, and that appropriate corrective actions are being taken when necessary or required; reviewing the completeness of the processes in reporting and compliance to identified regulatory breaches; assessing and

reviewing on a regular basis the Bank's Compliance Framework; and providing oversight over the implementation of the Bank's Compliance Program or Plan.

(e) Risk Management Committee

The Committee is responsible for the oversight and development of all the Bank's risk management functions, including but not limited to market risk, credit risk, and operational risk. It estimates the probability of each risk event and calculates the expected loss for each event. It likewise evaluates the risk management plan to ensure its continued relevancy, comprehensiveness, and effectiveness, and reviews and revises the same as needed.

(f) Compensation or Remuneration Committee

The Committee provides oversight over the remuneration of Senior Management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment.

(g) Corporate Governance Committee

The Committee is responsible for the review and evaluation of the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board of Directors. It is also responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines, and overseeing the periodic evaluation of the Board and its Committees and Executive Management.

(h) Trust Investment Committee

The Trust Investment Committee (TIC) is a special committee established by the Board of Directors (BOD) of China Banking Corporation principally for the purpose of overseeing the trust, investment management and fiduciary activities of China Bank and performing specific functions and responsibilities.

(i) Related Party Transaction Committee

The Committee is responsible in reviewing all related party transactions as defined in the existing policies of the Bank. To ensure that related party transactions are on fair terms or at an arm's length basis. That they are entered into in the best interest of the Bank, in the ordinary course of business, and on substantially same terms as those prevailing at the time of the transaction. The Committee is comprised entirely of Independent Directors.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman	Hans T. Sy	May 7, 2015	37	34	92%	26
Member (ED)	Gilbert U. Dee	May 7, 2015	37	34	92%	26
Member (ED)	Peter S. Dee	May 7, 2015	37	31	84%	26
Member (NED)	Joaquin T. Dee	May 7, 2015	37	35	95%	26
Member (ED)	Ricardo R. Chua	May 7, 2015	37	35	95%	1

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2014)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman(ID)	Alberto S. Yao	May 7, 2015	12	12	100%	10
Member (NED)	Joaquin T. Dee	May 7, 2015	12	11	92%	27
Member (ID)	Dy Tiong	May 7, 2015	12	12	100%	4

*10 joint meeting with Compliance and Corporate Governance Committees
2 joint meetings with Compliance Committee

Disclose the profile or qualifications of the Audit Committee members.

Alberto S. Yao, 67, Filipino, is the chairman of the Risk Management and Audit committees and a member of the Compliance and Corporate Governance committees. He was elected to the China Bank Board on July 7, 2004 and is also an independent director of China Bank subsidiaries China Bank Savings (CBS) and Planters Development Bank (Plantersbank). He also serves in companies not listed in the PSE: as president & CEO of Richwell Trading Corporation, Richwell Philippines, Inc., Europlay Distributor Co., Inc., and Internationale Globale Marques Inc.; and the president of Richphil House Incorporated and Megarich Property Ventures Corp. He was the vice president for merchandising of Zenco Sales, Inc. from 1968 to 1975. He holds a Business Administration degree from the Mapua Institute of Technology.

Joaquin T. Dee, 78, Filipino, is the chairman of the Compliance Committee and a member of six other committees: Executive, Risk Management, Audit, Corporate Governance, Nominations, and Compensation or Remuneration committees. He was elected to the China Bank Board on May 10, 1984. He is also affiliated with three other companies, none of which are listed in the PSE: JJACCIS Development Corporation and Enterprise Realty Corporation as president/director, and Smtree Holdings Corporation, as treasurer/director. He was the vice president for sales and administration of Wellington Flour Mills from 1964 to 1994. He holds a degree in Commerce from the Letran College.

Dy Tiong, 84, Filipino, is the chairman of the Nominations Committee. He is also a member of the Audit and Compensation or Remuneration committees. He was elected to the China Bank Board on May 9, 1985. He is also the vice chairman of Panelon Philippines, Inc., the honorary chairman of Chiang Kai Shek College, and the chairman emeritus of the Dr. Sun Yat Sen Society, all of which are not listed in the PSE. He was the president of CBC Finance, Inc. from 1980 to 2001 and Panelon Development Corporation from 1990 to 1994. He holds a Business Administration degree from the National Jean Kuan College.

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

The Committee provides oversight of the external audit functions. In the exercise of its oversight functions, it is tasked to select and recommend the election/re-election of the external auditors, subject to stockholder ratification; approve audit fees and fees for non-audit services, if any; review and discuss the scope and plan of the annual audit, including coordination of audit effort with internal audit and rotation process of auditor/firm; review and discuss the annual audited financial statements, management letter, regulatory and accounting issues and developments and their effect on the financial statements; and evaluate the qualifications, performance, competence and independence of the external auditors. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent, non-executive Audit Committee members.

It is responsible for the appointment, dismissal or reappointment of external auditor and ensure its independence to the internal auditors.

To 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

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 corporation's overall consultancy expenses

Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationship between the auditors and Bank, including non-audit services, and discussing the relationships with the auditors

Regularly review and monitor the external auditor's technical competence, independence, objectivity and overall effectiveness of the external audit process.

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2015)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman(ID)	Dy Tiong	May 7, 2015				15
Member (ID)	Alberto S. Yao	May 7, 2015				2
Member (ID)	Roberto F. Kuan	May 7, 2015				2

(d) Compliance Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2015)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman (NED)	Hans T. Sy	May 7, 2015				14
Member (NED)	Joaquin T. Dee	May 7, 2015				14
Member (ID)	Alberto S. Yao	May 7, 2015				6

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2015)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman (NED)	*Joaquin T. Dee	May 7, 2015				11
Member (NED)	Hans T. Sy	May 7, 2015				11
Member (ED)	Gilbert U. Dee	May 7, 2015				6
Member (ID)	Alberto S. Yao	May 7, 2015				5

(f) Compensation or Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings* Held (2015)	No. of Meetings Attended	%	Length of Continuous Service in the Committee
Chairman(ID)	Roberto F. Kuan	May 7, 2015				2
Member (NED)	Hans T. Sy	May 7, 2015				11
Member (ED)	Gilbert U. Dee	May 7, 2015				11
Member (ID)	Dy Tiong	May 7, 2015				11
Member (ID)	Alberto S. Yao	May 7, 2015				2

(g) Corporate Governance Committee

Office	Name	Date of Appointment	Jointly with Audit and Compliance Committees		
			No. of Meetings Held * (2015)	No. of Meetings Attended	%
Chairman (ID)	Roberto F. Kuan	May 7, 2015			
Member (NED)	Joaquin T. Dee	May 7, 2015			
Member (NED)	Hans T. Sy	May 7, 2015			
Member (ID)	Alberto S. Yao	May 7, 2015			

(h) Trust Investment Committee

Members	No. of Meetings Held * (2014)	No. of meetings Attended	%
Roberto F. Kuan*	4	4	100%
Jose T. Sio	10	8	80%
Herbert T. Sy***	6	6	100%
Harley T. Sy	10	9	90%
Peter S. Dee**	7	6	86%
Ricardo R. Chua****	(3)	(3)	100%

*Member up to May 2014

**Member up to 30 August 2014

***Member starting June 2014 vice Mr. Roberto F. Kuan

****Appointed / elected as a new member of the Trust Investment Committee effective 01 September 2014 vice Mr. Peter S. Dee who retired last August 30, 2014.

(i) Related Party Transaction Committee

Office	Name	Date of Appointment
Chairman (ID)	Alberto S. Yao	May 7, 2015
Member (ID)	Dy Tiong	May 7, 2015
Member (ID)	Robert F. Kuan	May 7, 2015

3) Changes in Committee Members

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

For 2014, a new committee called Related Party Transaction Committee was created by the Board in its last Organizational Meeting held on May 8, 2014.

For other changes, see summary in table below.

Name of Committee	Name	Reason
Executive	None	None
Audit	None	None
Corporate Governance	None	None
Risk Management	Mr. Joaquin T. Dee is the new Chairman	As a result of the annual reorganization.
Nomination	Mr. Alberto S. Yao and Mr. Roberto F. Kuan, both independent directors, were appointed as new members.	To align with best practice on good corporate governance.
Compensation or Remuneration	Mr. Roberto F. Kuan is the new Chairman and Mr. Alberto S. Yao is a new member. The new members replaced Mr. Peter S. Dee, Mr. Joaquin T. Dee, and Mr. Herbert T. Sy.	As a result of the annual reorganization. Decreasing the Committee membership from 6 to 5. To align with practice on good corporate governance.

<i>Trust Investment Committee</i>	<i>Mr. Jose T. Sio was appointed as the new Chairman. Mr. Herbert T. Sy became a member, replacing Mr. Roberto F. Kuan.</i> <i>Mr. Ricardo R. Chua was appointed as a new member effective 01 September 2014 replacing Mr. Peter S. Dee who retired from the Bank effective 30 August 2014.</i>	<i>As a result of the reorganization in the Trust Investment Committee.</i>
<i>Compliance Committee</i>	<i>Mr. Hans T. Sy is the new Chairman.</i>	<i>As a result of the annual reorganization.</i>
<i>Related Party Transaction</i>	<i>Mr. Alberto S. Yao (ID) Mr. Dy Tiong, (ID) and Mr. Roberto F. Kuan (ID) are the committee members</i>	<i>All three (3) members are Independent Directors to align with best practice and to ensure that related parties are reviewed by a committee composed entirely of independent directors.</i>

4) Work Done and Issues Addressed

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

The committees performed work in accordance with their mandated functions, duties and responsibilities indicated in their respective charters. Among others, the committees carried out the following:

Name of Committee	Work Done	Issues Addressed
Executive	<i>reviewed, approved or acted on credit applications endorsed by the Credit Committee and those not endorsed but within its approval authority; discussed and acted on other matters, such as budget of branches, movements of employees, donations, and signing authority of officers.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Audit	<i>discussed the results of regular and special audits of branches, units and systems applications of the Bank, summary of major and other audit findings, status of outstanding audit issues, results of the audit by SyCip Gorres & Velayo of the 2012 financial statements of the Bank and subsidiaries and their 2013 audit plan, internal audit's audit plan, budget, accomplishments and changes in audit plan, external audit fees, and performance rating of the Chief Audit Executive; approved audit rating systems and audit program guide; and endorsed the re-election/re-appointment of external auditor.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Nomination	<i>reviewed the rules governing the nomination and election of directors and the nomination form; discussed the recommendations for promotions and appointments of senior officers; and favorably endorsed the election of the nominees for directors and independent directors in the stockholders' meeting.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>
Compensation or Remuneration	<i>discussed and acted on the recommendations for increases in annual medical allowance and in salary for officers and supervisors; approved the policies governing officers' compensation.</i>	<i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i>

<p><i>Compliance Committee</i></p>	<p><i>discussed updates on Bangko Sentral ng Pilipinas (BSP) examination and the Bank replies to the BSP report on examination, statutory requirements report, BSP letters on various concerns, BSP exposure drafts, BSP circulars and updates, updates to the Compliance Manual, table of organization of Compliance Office, recommendations on various Bank policies and products, update on Foreign Account Tax Compliance Act (FATCA), Compliance Rating System, performance rating of the Chief Compliance Officer; and update on Compliance Office projects/matters.</i></p>	<p><i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i></p>
<p><i>Corporate Governance</i></p>	<p><i>discussed the new policies, exposures drafts, new circulars or industry consultation papers of SEC and BSP; replies to BSP findings; results of working sessions; Institute of Corporate Directors (ICD) Gold Award and the results of working session on the Asian Corporate Governance Association (AGCA) report, results of the Board and Committee self-assessment, updates on the ASEAN scorecard, Philippine Stock Exchange (PSE) Bell Awards; revised the committee Charter; amended the Corporate Governance Manual; corporate governance reform plans; conglomerate map; and favorably endorsed the election of the nominees for directors and independent directors in the stockholders' meeting.</i></p>	<p><i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i></p>
<p><i>Risk Management</i></p>	<p><i>discussed the reports relating to the Bank's Credit, Market, Liquidity, Interest rate, and Operational risks, including limits monitoring and review, portfolio movement, top borrowers, past due loans, trading activities, risk management guidelines and parameters, simulation and scenario analyses, quarterly reports, annual plan, stress test results, and business impact analysis; reports on risk-return distortions, and real estate exposures; capital position and projections under Basel III; Internal Capital Adequacy Assessment Process (ICAAP) numbers; 2013 plans and roadmap; risk monitoring on fiduciary business; validation of models; revised committee charter; 2013 review of limits package, liquidity package, contingency funding plan, policies and procedures, ALM balance threshold, guidelines on risk-based pricing, review of internal single borrowers limit, borrower credit score, pre-settlement risk factors methodology and assumptions, and rate reasonability parameters.</i></p>	<p><i>Other than those mentioned in the preceding column, there were no significant issues raised before the committees during the year.</i></p>

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	<p><i>The Executive Committee, when the Board of Directors is not in session, to exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to:</i></p> <ul style="list-style-type: none"> - approval of any action for which stockholders' approval is also required; - the filling of vacancies in the Board of Directors; - the amendment or repeal of the By-Laws or the adoption of new By-Laws; - the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; - distribution of cash dividend to the stockholders; and - such other matters as may be specifically excluded or limited by the Board of Directors and/or by laws or regulations. 	None
Audit	<p><i>To provide oversight of the Bank's financial reporting and control and internal and external audit functions.</i></p> <p><i>Monitor and evaluate the adequacy and effectiveness of the internal control system.</i></p> <p><i>Ensure that the Internal Auditor is free from interference by outside parties.</i></p> <p><i>Shall review the effectiveness of the Internal Audit function including compliance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (IIA ISPPIA).³⁴</i></p> <p><i>Shall review annually the Internal Auditor's performance and the approval of his annual compensation and salary adjustments.</i></p> <p><i>Monitor the established mechanism by which officers and staff may, in</i></p>	

³⁴ Subsection X186.4 (2008 - X164.4) of the MORB

	<p><i>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.</i></p> <p><i>Perform oversight of Financial Reporting - Review and discuss with management and external auditors the annual audited financial statements before submission to the Board</i></p> <p><i>Perform oversight of Internal Control - Review and discuss with management, the external auditors and internal audit, as appropriate.</i></p> <p><i>Perform oversight of External Auditors - Select and appoint the external auditors, subject to stockholder ratification.</i></p> <p><i>Ensure that the external auditors are to report directly to the Committee. Approve audit fees and fees for non-audit services, if any.</i></p>	
Audit	<p><i>Review and discuss the scope and plan of the annual audit. Review and discuss the annual audited financial statements, management letters, regulatory and accounting issues and developments and their effect on the financial statements.</i></p> <p><i>Evaluate the qualifications, performance and independence of the external auditors.</i></p> <p><i>Perform oversight of Internal Audit - Review and concur in the appointment and replacement of the Internal Auditor who shall report directly to the Committee. Review and approve the annual audit plan, staffing and budget,</i></p>	
Nomination	<p><i>and review periodic reports on the status and completion of the plan. Review and discuss the internal audit reports, management's responses and corrective actions on significant audit findings.</i></p> <p><i>To review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval including promotions favorably endorsed by the Promotions Review Committee.</i></p>	None

	<p><i>If necessary, to revise the guidelines or criteria to govern the conduct of the nomination, and the same shall be properly disclosed in the company's information or proxy statement or such other reports required to be submitted to the SEC.</i></p> <p><i>To conduct the nomination, more particularly of independent director, prior to a stockholders' meeting. .</i></p> <p><i>To pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters that meet at least the minimum requirement of SEC Memo No. 16 and BSP Circular No. 296 Series of 2001 to facilitate its task to effectively review the qualifications of the nominees for directors, more specifically for independent director/s.</i></p> <p><i>After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for directors, more particularly for independent directors, as required under Part IV (A) and (C) of</i></p>	
Nomination	<p><i>Annex "C" of SRC Rule 12, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with the SRC Rule 17.1 (b) or the SRC or SRC Rule 20, respectively, or in such other reports the company is required to submit to the SEC. The name of the person or group of persons who recommended the nomination of the independent director/s shall be identified in such report including any relationship with the nominee.</i></p> <p><i>Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors, more specifically for Independent Directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting, except in the unlikely event that a particular nominee/s make/s a last minute withdrawal of his/their acceptance and conformity, become/s incapacitated or otherwise no longer available for any reason whatsoever.</i></p>	

Remuneration	<p><i>Monitor the formal and transparent procedure on a policy on executive remuneration and for fixing the remuneration packages of all Bank personnel and provide oversight over remuneration of all personnel, ensuring that compensation is consistent with the interest of all stakeholders and the Bank's culture, strategy and control environment.</i>³⁵</p> <p><i>To review and approve amount of remuneration, which shall be in a sufficient level to attract and retain directors and all personnel who are needed to manage the Bank successfully.</i></p> <p><i>Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.</i></p>	None
Remuneration	<p><i>Disallow any director to decide his or her own remuneration.</i></p> <p><i>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.</i></p> <p><i>Review (if any) of the existing Human Resources Development 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.</i></p> <p><i>Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.</i></p>	
Others (specify)		
Corporate Governance	<p><i>To review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.</i></p> <p><i>Ensure that the Board's effectiveness and due observance of Corporate Governance principles and guidelines.</i></p>	

³⁵ BSP Circular No. 283

	<p><i>Observe the periodic evaluation of the board and its committees and executive management. It shall also conduct an annual self-evaluation of the Board's performance.</i></p> <p><i>To coordinate with external facilitators, if deemed necessary, in carrying out board assessment, within the frequency approved by the entire board. Presently an internal self-assessment is conducted annually.</i></p> <p><i>To decide whether or not a Director is able to and has been adequately carrying out his/her duties as Director based on its own assessment or the assessment of external facilitators, bearing in mind the Director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when Directors serve on multiple boards.</i></p> <p><i>To 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.</i></p> <p><i>To 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 shareholders' value.</i></p>	
<p><i>Related Party Transaction Committee</i></p>	<p><i>The Related Party Transaction Committee is tasked to review related party transactions. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.</i></p>	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Excerpts from the CBC Risk Management Policies Manual –

The Bank's philosophy is that risk is uncertainty. The loss of a certain amount with near certain probability can present less risk than a profit of a certain amount with significant uncertainty, or unknown probability.

The Bank believes that risk ubiquitous in all of: the Bank's activities; its assets and liabilities; the markets it trades; and the systems it adopts. Risk is incurred with the counterparties in its transactions, present in the people it hires.

The Bank believes that it should have a single comprehensive risk management system covering any all risks arising from every banking activity.

The Bank believes that the existence of high risk in any area is not necessarily a concern, so long as the Bank's single comprehensive risk management system has the ability to effectively manage that level of risk.

The Bank believes that it must develop risk/reward consciousness at all levels in the Bank to ensure that risk will not be avoided when the Bank believes it is being adequately compensated for the risk it is taking on.

The Bank should adhere to the risk limits approved by the Board of Directors (Board) and should be governed by the regulatory requirement set by the Bangko Sentral ng Pilipinas (BSP).

2) Risk Policy

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

In accordance with the Bank's Corporate Governance Manual, it is the responsibility of the Board to approve and oversee the implementation of the risk management policy, which shall include the following: comprehensive risk management approach, a detailed structure of limits, guidelines and other parameters used to govern risk-taking, a clear delineation of lines of responsibilities for managing risk, an adequate system for measuring risk, effective internal control and comprehensive risk-reporting process. Accordingly, the Board receives report from the Audit Committee on the review of the effectiveness of the risk management, internal control, operations and compliance controls. All of Bank's employees contribute to the appreciation of the bank's overall risk exposures.

- (b) Period covered by the review;

2014

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

The review of risk management processes is performed all year round during the audit of the various units of the Bank. The criteria for assessing the effectiveness of the processes includes completeness of significant risks identified, appropriateness of risk measurement tools, adequacy of documented risk management policies and strategies, effectiveness of mitigating controls and compliance with reporting requirements.

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

There is a continuous review; A review was conducted in 2014.

3) 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
Liquidity Risk	Annual review and approval of Liquidity Risk Limits; Stress Testing, Contingency Funding Plan and Large Funds Provider; Regular monitoring of the Bank's liquidity gaps and adherence to limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.	To have adequate liquidity to meet financial obligations of the Bank at all times and limit risk taking activities within the risk parameters defined by the RMC/BOD.
Interest Rate Risk in the Banking Book	Annual review and approval of Interest Rate Risk Limits; Stress Testing; Regular monitoring of potential impact of changes in interest rates to the Bank's earnings against approved limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.	To pro-actively manage the Bank's interest rate risk in the banking book and limit risk taking activities within the risk parameters defined by the RMC/BOD.
Market Risk	Annual review and approval of Market Risk Limits; Stress Testing; Regular monitoring of potential loss amount (Value-at Risk) and month-to-date gains/losses (Management Action Trigger) from changes in market risk factors such as interest rates, fx rates, and equity prices. Reporting of limits utilization and escalation of breaches to the Management Committee (Mancom) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.	To proactively manage the Bank's market risk and limit risk taking activities are within the risk parameters defined by the RMC/BOD.
Credit Risk	<p>The credit risk management policy aims to maintain a strong credit discipline in the Bank and to stress the importance of adherence to credit policies.</p> <p>It additionally intends to continue to strengthen the ability to detect indication of asset quality deterioration and credit concentration, through the expansion of analytics to assess the profile of the credit portfolio and capture adverse trends and vulnerabilities, as well as identify profit and growth opportunities.</p> <p>All of these are intended to attain the Bank's credit objectives:</p> <ol style="list-style-type: none"> I. To maintain at all times a sound loan portfolio; II. To continually upgrade the quality of its loan portfolio; III. To produce a fair return on its lending and investing activities within the guidelines set forth by management; and IV. <u>To achieve the optimal risk asset level within existing regulatory framework and consistent with the defined risk appetite of the Bank through well planned marketing and business development programs.</u> 	All officers and staff involved in the credit risk process have a clear and thorough understanding of the credit risk appetite and the minimum requirements that must be followed in the assessment, approval, monitoring and management of credit risk.

Operational Risk	<p><u>The Operational Risk Management Unit of the Bank is responsible mainly for the overall assessment of risk vulnerabilities inherent to the Bank's operations as well as highlight key control weaknesses.</u></p> <p><u>Issues identified in the risk assessment process are elevated to Senior Management and the Board of Directors through the Risk Management Committee with specific recommendation either by way of policy response or process improvement. Existing mechanism in performing the function includes the RCSA, KRI, BCM and ITRM.</u></p>	<p>The objective of operational risk management is to have a clear understanding of the financial institution's operational risk by way of both qualitative and quantitative assessments. The management of specific operational risks is not a new practice as it has always been important for banks to develop mechanism necessary to prevent fraud, maintain the integrity of internal controls, and reduce errors in transactions processing, among others.</p>
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(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
Liquidity Risk	<p>Annual review and approval of Liquidity Risk Limits; Stress Testing, Contingency Funding Plan and Large Funds Provider; Regular monitoring of the Bank's liquidity gaps and adherence to</p> <p>limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</p>	<p>To have adequate liquidity to meet financial obligations of the Bank at all times and limit risk taking activities within the risk parameters defined by the</p> <p>RMC/BOD.</p>
Interest Rate Risk in the Banking Book	<p>Annual review and approval of Interest Rate Risk Limits; Stress Testing; Regular monitoring of potential impact of changes in interest rates to the Bank's earnings against approved limits; Reporting of limits utilization and escalation of breaches to the Asset and Liability Committee (ALCO) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</p>	<p>To pro-actively manage the Bank's interest rate risk in the banking book and limit risk taking activities within the risk parameters defined by the</p> <p>RMC/BOD.</p>
Market Risk	<p>Annual review and approval of Market Risk Limits; Stress Testing; Regular monitoring of potential loss amount (Value-at Risk) and month-to-date gains/losses (Management Action Trigger) from changes in market risk factors such as interest rates, fx rates, and equity prices. Reporting of limits utilization and escalation of breaches to the Management Committee (Mancom) and Risk Management Committee (RMC)/Board of Directors (BOD) for corrective action.</p>	<p>To proactively manage the Bank's market risk and limit risk taking activities within the risk parameters defined by the</p> <p>RMC/BOD.</p>

<p><i>Credit Risk</i></p>	<p><i>The credit risk management policy aims to maintain a strong credit discipline in the Bank and to stress the importance of adherence to credit policies.</i></p> <p><i>It additionally intends to continue to strengthen the ability to detect indication of asset quality deterioration and credit concentration, through the expansion of analytics to assess the profile of the credit portfolio and capture adverse trends and vulnerabilities, as well as identify profit and growth opportunities.</i></p> <p><i>All of these are intended to attain the Bank's credit objectives:</i></p> <p><i>I. To maintain at all times a sound loan portfolio;</i></p> <p><i>II. To continually upgrade the quality of its loan portfolio;</i></p> <p><i>III. To produce a fair return on its lending and investing activities within the guidelines set forth by management; and</i></p> <p><i>IV. <u>To achieve the optimal risk asset level within existing regulatory framework and consistent with the defined risk appetite of the Bank through well planned marketing and business development programs.</u></i></p>	<p><i>All officers and staff involved in the credit risk process have a clear and thorough understanding of the credit risk appetite and the minimum requirements that must be followed in the assessment, approval, monitoring and management of credit risk.</i></p>
<p><i>Operational Risk</i></p>	<p><i><u>The Operational Risk Management Unit of the Bank is responsible mainly for the overall assessment of risk vulnerabilities inherent to the Bank's operations as well as highlight key control weaknesses.</u></i></p> <p><i><u>Issues identified in the risk assessment process are elevated to Senior Management and the Board of Directors through the Risk Management Committee with specific recommendation either by way of policy response or process improvement.</u></i></p> <p><i><u>Existing mechanism in performing the function includes the RCSA, KRI, BCM and ITRM.</u></i></p>	<p><i>The objective of operational risk management is to have a clear understanding of the financial institution's operational risk by way of both qualitative and quantitative assessments. The management of specific operational risks is not a new practice as it has always been important for banks to develop mechanisms necessary to prevent fraud, maintain the integrity of internal controls, and reduce errors in transactions processing, among others.</i></p>

(c) Minority Shareholders

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

Risk to Minority Shareholders
<p><i>Like any other company, there is a risk of "expropriation" of minority shareholders by the controlling shareholders of the Bank. However, the Bank's By-Laws and the Corporation Code expressly spell out a number of rights that even minority shareholders possess, such as right to attend and vote on major corporate events at annual meetings, right to dissent and demand fair value of shares, pre-emptive right, and right to inspect corporate books. Where the affairs of the Bank can be demonstrated to have been conducted by the majority shareholders in a manner unfairly prejudicial to the minority shareholders, minority shareholders may avail of remedies set out by laws in order to protect their rights.</i></p>

4) 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)
<i>Liquidity Risk</i>	<p><i>Measurement of liquidity gaps and monitoring of adherence to limits is done through the Maximum Cumulative Outflow (MCO) report.</i></p> <p><i>Control is established through the MCO limits approved by the RMC/BOD. Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD, through the RMC.</i></p>	<p><i>The Risk Management Group (RMG) generates MCO reports and sends limits utilization to the Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD. Other tools used to monitor the Bank's liquidity include liquidity ratios and large funds providers report.</i></p>
<i>Interest Rate Risk in the Banking Book</i>	<p><i>Measurement of repricing gaps and monitoring of adherence to limits is done through the Earnings-at-Risk (EAR) report. Control is established through the EAR limits approved by the RMC/BOD; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC</i></p>	<p><i>The Risk Management Group (RMG) EAR generates reports and sends limits utilization to Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD,</i></p>
<i>Market Risk</i>	<p><i>Measurement of market risk and monitoring of adherence to limits is done through the daily VaR reports. Control is established through the VaR Limits and Management Action Triggers approved by the RMC/BOD annually; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC</i></p>	<p><i>The Risk Management Group (RMG) generates daily VaR reports containing VaR and MAT utilization and sends this to Treasury Group and Treasury Operations. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the Mancom and the RMC/BOD. Other tools to manage market risk are scenario analysis/stress testing, market liquidity triggers, backtesting, rate reasonability testing, trader designation/ authorization, and product manuals</i></p>
<i>Credit Risk</i>	<p><i>1) Management of Large Exposure, Credit Risk Concentrations, and other Credit Risk parameters</i></p>	<p><i>Monitoring of</i></p> <ul style="list-style-type: none"> - loan portfolio movements - CBC ratios on past dues, non-performing loans, and non-performing assets - regulatory and internal limit/threshold on <u>Single Borrower's Limit</u> - profile of top borrowers and groups (P500M and up) - aggregate ceiling on DOSRI loans - ceiling of total unsecured DOSRI loans - portfolio mix and <u>MAT</u> industry division limits - large exposure threshold -industry concentration using Herfindahl-Hirschman Index (HHI) - CBC vs UKB comparison on industry

		<p>exposures</p> <ul style="list-style-type: none"> - aging of past dues - booked reserves
	<p>2) Credit Risk Rating System</p> <p>a. Internal Credit Risk Rating System (ICRRS) for companies with loans or assets of P15M and over</p> <p>b. Borrower Credit Score (BCS) for borrowers with loans or assets of less than P15M</p> <p>c. Risk Rating System for Loyal and Foreign FIs</p>	<p>Monitoring of unrated accounts and those due for annual review, Borrower Risk Rating Profile, Loan Exposure Rating Profile, rating distortions and movements</p>
	<p>3) Credit Stress Test and Scenario Analysis</p>	<p><u>Real Estate Stress Test (REST), Uniform Stress Testing . Integrated Stress Testing.</u></p> <p>Stress testing of total loan portfolio, large exposures, industry concentrations, high risk loans (e.g., adversely classified, watchlisted, those in exit industries), and exposures to real estate and related industries; and Reverse stress test on the total loan portfolio</p>
	<p>4) Credit Review Process</p>	<p>Credit review and progress monitoring of the loan portfolio of all lending units, i.e., Institutional Banking Group, Branch Banking Group including Binondo Business Center, and Consumer Banking Group;</p> <p>Review, monitoring, and validation of the credit classification and loan loss provisioning of loan accounts</p>
<p>Internal Fraud</p> <p>External Fraud</p> <p>Execution, Delivery and Process Management</p>	<p>Reports on Crimes and Losses received from the different units of the bank which is inputted to the Centralized Loss Database where summary/statistical reports are presented quarterly to ManCom and Risk Management Committee</p>	<p>The Risk Management Group is mandated by the Board of Directors to establish and maintain a Centralized Loss Database which shall contain all reported/documented incidents of crimes and losses regardless whether it is consummated or frustrated/attempted and the status of restitution/recovery of losses incurred. The prompt updating of the Centralized Loss Database is dependent on the implementation of a standard approach in documenting/reporting incidents of crimes/losses for all units of the Bank using a prescribed report format. It is also important to have a clear delineation of responsibilities/ accountabilities in reporting incidents and the distribution of the report.</p>
	<p>Risk and Control Self Assessment (RCSA) annually performed by the different units of the bank where results are analyzed, consolidated and presented to the Risk Management Committee including the RMG's recommendations.</p>	<p>Identification and assessment of the operational risks inherent in all material products, activities, processes and systems is done through the Operational Risk Control and Self-Assessment (RCSA) Program. With this program, the Bank can systematically track and record the frequency, severity and present internal controls in place to mitigate the individual operational risk events. Such data provides meaningful information for assessing the Bank's exposure to operational risk and developing a</p>

		<i>strategy to mitigate/control the risk.</i>
	<i>Key Risk Indicators Summary/trends reports collected from the different units of the bank monthly while results are analyzed, consolidated and presented quarterly to ManCom and Risk Management Committee</i>	<i>Key Risk Indicators (KRIs) are early warning signals that attempt to identify potential operating losses before they happen and raise flags if they go outside an established range. It is forward looking and reflects potential sources of operational risk such as rapid growth, introduction of new products, employee turnover, system downtime, etc. KRIs shall be established in coordination with concerned units based on sufficient/adequate results of the RCSA program (i.e., at least for four rounds of RCSA exercises), historical internal loss events and related internal audit findings to ensure the escalation of significant risk issues to appropriate management levels. Regular reviews shall be carried out by internal audit to analyze the control environment and test the effectiveness of implemented controls, thereby ensuring business operations are conducted in a controlled manner.</i>
<i>Clients, Products and Business Practices</i>	<i>Product Review and Approval Process where appropriate review and sign-off obtained from stakeholders identified as relevant to the newly developed or enhanced product</i>	<i>Because the Bank shall strive to document all its products as part of the Risk Process, operational control must begin even from the product process, and starts with the verification of the Product Manual. This key document of the Bank shall provide a comprehensive description of the product, including the identification of all risk factors. A review of all Product Manuals shall be undertaken periodically (e.g. at least annually) and in particular an assessment of their content by concerned units of the Bank.</i>
<i>Damage to Physical Assets; Business Disruption and System Failure</i>	<i>Business Continuity Planning and Disaster Recovery Planning proper documentation and sufficient testing on necessary components depending on the bank's current capabilities</i>	<i>The Operational Risk Management Division is primary responsible for overseeing the effective implementation and execution of the Bank's Business Continuity Plan. Any related losses shall be promptly documented and coordinated with the Risk Management Group for purposes of updating the Bank's Centralized Loss Database.</i>
<i>Legal Risk</i>	<i>Report on Status of Administrative and Criminal Cases Filed By and Against the Bank</i>	<i>The Legal and Collection Division is the unit primarily responsible for the effective and efficient management of the Bank's legal risk. On a periodic basis, a Report on Status of Administrative and Criminal Cases Filed By and Against the Bank shall be submitted to the Risk Management Committee thru the Risk Management Group for information and appropriate action. Same report shall be use to update related cases contained in the Centralized Loss Database.</i>

<i>Fiduciary Risk</i>	<i>Report on Status of Administrative and Criminal Cases Filed By and Against the Bank</i>	<i>Fiduciary Risks are those that arise from the additional responsibilities expected of the Bank and its employees because of the public trust inherent in the Banking charter. It is related to legal risks, as events arising from these risks typically lead to legal action from one or more counterparties.</i>
<i>Regulatory/Compliance Risk</i>	<i>Continuous monitoring on the Bank's compliance with regulatory provisions</i>	<i>The Bank's Compliance Office is primarily responsible to manage the Bank's regulatory/compliance risk in coordination with concerned units of the Bank.</i>
<i>Personnel Risk</i>	<i>Risk Awareness Orientation</i>	<i>The Human Resources Division is primarily responsible to address this particular type of risk. The Risk Management Group shall extend help in the promotion of risk awareness among bank personnel thru conduct of regular orientations for new bank employees; participate as resource person in supervisory and officers' developmental programs and on other risk management topics that may be necessary to inculcate the value of effective and efficient risk management.</i>
<i>Information Security and Technology Risk</i>	<i>Access Management Information Security Awareness Information Security Policy and Guidelines Technology Security Standard Configurations</i>	<i>Information Security and Technology Risk covers financial loss due to unauthorized/illegal use of Bank's information assets and technology-related products, services, delivery channels and process. The Information Security Office is the unit primarily responsible to manage this particular type of risk.</i>

(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)
<i>Liquidity Risk</i>	<i>Measurement of liquidity gaps and monitoring of adherence to limits is done through the Maximum Cumulative Outflow (MCO) report. Control is established through the MCO limits approved by the RMC/BOD. Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD, through the RMC.</i>	<i>The Risk Management Group (RMG) generates MCO reports and sends limits utilization to the Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD. Other tools used to monitor the Bank's liquidity include liquidity ratios and large funds providers report.</i>
<i>Interest Rate Risk in the Banking Book</i>	<i>Measurement of repricing gaps and monitoring of adherence to limits is done through the Earnings-at-Risk (EAR) report. Control is established through the EAR limits approved by the RMC/BOD; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC</i>	<i>The Risk Management Group (RMG) generates EAR reports and sends limits utilization to Treasury Group. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the ALCO and the RMC/BOD,</i>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Market Risk	Measurement of market risk and monitoring of adherence to limits is done through the daily VaR reports. Control is established through the VaR Limits and Management Action Triggers approved by the RMC/BOD annually; Limits utilization and breaches, if any, are regularly reported to the ALCO and the BOD through the RMC	The Risk Management Group (RMG) generates daily VaR reports containing VaR and MAT utilization and sends this to Treasury Group and Treasury Operations. Explanation, corrective action plan, and timeline are required if there are limit breaches. RMG escalates risk exposure, limits utilization, and status of corrective action plans to the Mancom and the RMC/BOD. Other tools to manage market risk are scenario analysis/stress testing, market liquidity triggers, backtesting, rate reasonability testing, trader designation/authorization, and product manuals
Credit Risk	<p>1) Management of Large Exposure, Credit Risk Concentrations, and other Credit Risk parameters</p> <p>2) Credit Risk Rating System a. Internal Credit Risk Rating System (ICRRS) for companies with loans or assets of P15M and over b. Borrower Credit Score (BCS) for borrowers with loans or assets of less than P15M c. Risk Rating System for Local and Foreign FIs</p> <p>3) Credit Stress Test and Scenario Analysis</p> <p>4) Credit Review Process</p>	<p>Monitoring of</p> <ul style="list-style-type: none"> - loan portfolio movements - CBC ratios on past dues, non-performing loans, and non-performing assets - regulatory and internal limit/ threshold on <u>Single Borrower's exposures.</u> - profile of top borrowers and groups (P500M and up) - aggregate ceiling on DOSRI loans - ceiling of total unsecured DOSRI loans - portfolio mix and <u>MAT</u> industry division limits - large exposure threshold - industry concentration using Herfindahl-Hirschman Index (HHI) - CBC vs UKB comparison on industry exposures - aging of past dues - booked reserves <p>Monitoring of unrated accounts and those due for annual review, Borrower Risk Rating Profile, Loan Exposure Rating Profile, rating distortions and movements</p> <p><u>Real Estate Stress Test (RES), Uniform Stress Test, Integrated Stress Testing.</u> Stress testing of total loan portfolio, large exposures, industry concentrations, high risk loans (e.g., adversely classified, watchlisted, those in exit industries), and exposures to real estate and related industries; and Reverse stress test on the total loan portfolio</p> <p>Credit review and progress monitoring of the loan portfolio of all lending units, i.e., Institutional Banking Group, Branch Banking Group including Binondo Business Center, and Consumer Banking Group; Review, monitoring, and validation of the credit classification and loan loss provisioning of loan accounts</p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p><i>Internal Fraud</i></p> <p><i>External Fraud</i></p> <p><i>Execution, Delivery and Process Management</i></p>	<p><i>Reports on Crimes and Losses received from the different units of the bank which is inputted to the Centralized Loss Database where summary/statistical reports are presented quarterly to ManCom and Risk Management Committee</i></p> <p><i>Risk and Control Self Assessment (RCSA) annually performed by the different units of the bank where results are analyzed, consolidated and presented to the Risk Management Committee including the RMG's recommendations.</i></p> <p><i>Key Risk Indicators Summary/trends reports collected from the different units of the bank monthly while results are analyzed, consolidated and presented quarterly to ManCom and Risk Management Committee</i></p>	<p><i>The Risk Management Group is mandated by the Board of Directors to establish and maintain a Centralized Loss Database which shall contain all reported/documentated incidents of crimes and losses regardless whether it is consummated or frustrated/attempted and the status of restitution/recovery of losses incurred. The prompt updating of the Centralized Loss Database is dependent on the implementation of a standard approach in documenting/reporting incidents of crimes/losses for all units of the Bank using a prescribed report format. It is also important to have a clear delineation of responsibilities/ accountabilities in reporting incidents and the distribution of the report.</i></p> <p><i>Identification and assessment of the operational risks inherent in all material products, activities, processes and systems is done through the Operational Risk Control and Self-Assessment (RCSA) Program. With this program, the Bank can systematically track and record the frequency, severity and present internal controls in place to mitigate the individual operational risk events. Such data provides meaningful information for assessing the Bank's exposure to operational risk and developing a strategy to mitigate/control the risk.</i></p> <p><i>Key Risk Indicators (KRIs) are early warning signals that attempt to identify potential operating losses before they happen and raise flags if they go outside an established range. It is forward looking and reflects potential sources of operational risk such as rapid growth, introduction of new products, employee turnover, system downtime, etc. KRIs shall be established in coordination with concerned units based on sufficient/adequate results of the RCSA program (i.e., at least for four rounds of RCSA exercises), historical internal loss events and related internal audit findings to ensure the escalation of significant risk issues to appropriate management levels.</i></p> <p><i>Regular reviews shall be carried out by internal audit to analyze the control environment and test the effectiveness of implemented controls, thereby ensuring business operations are conducted in a controlled manner.</i></p>
<p><i>Clients, Products and Business Practices</i></p>	<p><i>Product Review and Approval Process where appropriate review and sign-off obtained from stakeholders identified as relevant to the newly developed or enhanced product</i></p>	<p><i>Because the Bank shall strive to document all its products as part of the Risk Process, operational control must begin even from the product process, and starts with the verification of the Product Manual. This key document of the Bank shall provide a comprehensive description of the product, including the identification of all risk factors. A review of all Product Manuals shall be undertaken periodically (e.g. at least annually) and in particular an assessment of their content by concerned units of the Bank.</i></p>

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Damage to Physical Assets; Business Disruption and System Failure</i>	<i>Business Continuity Planning and Disaster Recovery Planning proper documentation and sufficient testing on necessary components depending on the bank's current capabilities</i>	<i>The Operational Risk Management Division is primary responsible for overseeing the effective implementation and execution of the Bank's Business Continuity Plan. Any related losses shall be promptly documented and coordinated with the Risk Management Group for purposes of updating the Bank's Centralized Loss Database.</i>
<i>Legal Risk</i>	<i>Report on Status of Administrative and Criminal Cases Filed By and Against the Bank</i>	<i>The Legal and Collection Division is the unit primarily responsible for the effective and efficient management of the Bank's legal risk. On a periodic basis, a Report on Status of Administrative and Criminal Cases Filed By and Against the Bank shall be submitted to the Risk Management Committee thru the Risk Management Group for information and appropriate action. Same report shall be use to update related cases contained in the Centralized Loss Database.</i>
<i>Fiduciary Risk</i>	<i>Report on Status of Administrative and Criminal Cases Filed By and Against the Bank</i>	<i>Fiduciary Risks are those that arise from the additional responsibilities expected of the Bank and its employees because of the public trust inherent in the Banking charter. It is related to legal risks, as events arising from these risks typically lead to legal action from one or more counterparties.</i>
<i>Regulatory/Compliance Risk</i>	<i>Continuous monitoring on the Bank's compliance with regulatory provisions</i>	<i>The Bank's Compliance Office is primarily responsible to manage the Bank's regulatory/compliance risk in coordination with concerned units of the Bank.</i>
<i>Personnel Risk</i>	<i>Risk Awareness Orientation</i>	<i>The Human Resources Division is primarily responsible to address this particular type of risk. The Risk Management Group shall extend help in the promotion of risk awareness among bank personnel thru conduct of regular orientations for new bank employees; participate as resource person in supervisory and officers' developmental programs and on other risk management topics that may be necessary to inculcate the value of effective and efficient risk management.</i>
<i>Information Security and Technology Risk</i>	<i>Access Management Information Security Awareness Information Security Policy and Guidelines Technology Security Standard Configurations</i>	<i>Information Security and Technology Risk covers financial loss due to unauthorized/illegal use of Bank's information assets and technology-related products, services, delivery channels and process. The Information Security Office is the unit primarily responsible to manage this particular type of risk.</i>

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
<i>Risk Management Committee</i>	<i>Accountable for overall governance of operational and technology related risks</i>	<i>Has governance over and ultimate accountability for the risk management framework of the bank and aligns the mandate of the RMG with overall bank strategy and shareholder interests</i>
<i>Management Committee</i>	<i>Responsible for the oversight and management of operational related risks</i>	<i>Responsible for managing material risks in all products, activities, processes and systems. Oversee the implementation and maintenance of policies, processes and systems in managing operational risks</i>
<i>Technology Steering Committee</i>	<i>Responsible for the oversight and management of technology related risks</i>	<i>Provides updates on the initiatives, issues and progress of IT relevant projects during its meetings through the reading and submission of its minutes to the BOD during its monthly meetings. Approval on IT relevant initiatives are also raised to BOD during the said meeting</i>

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 adheres to the following minimum internal control standards, in accordance with Section X185 of the Manual of Regulations for Banks (MORB):

- 1. Proper accounting records
There is a proper and adequate accounting record, and these records are up-to-date and contain sufficient detail to establish an audit trail.*
- 2. Independent balancing*
- 3. Division of duties and responsibilities*
- 4. Joint Custody*
- 5. Defined signing authorities*
- 6. Dual Control*

- 7. Number Control System, in registering notes, issuing official checks and in other similar situations.*
- 8. Rotation of duties*
- 9. Independence of Internal auditor*
- 10. Confirmation of accounts*
- 11. Other internal control standards*

In addition, the Bank also has the following Independent units to enhance internal control system.

- 1. Risk Management Group*
- 2. Compliance Office*
- 3. Internal Audit*

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

The Board is responsible for the establishment and review of China Bank's system of internal control, while the day-to-day responsibility for internal control rests with management. All of our employees are involved to a certain degree in our internal control process.

- (c) Period covered by the review; 2014.

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

Annual review is conducted.

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

A review was conducted in 2014.

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
<p><i>The role of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</i></p>	<p>➤ <i>Internal Audit Division's scope of work covers the assessment of Bank's system of risk management, control, and governance processes, as designed and represented by management, to determine whether it is adequate and functioning effectively and efficiently.</i></p> <p>➤ <i>The Internal Audit Division also provides advisory services to assist Board of Directors and management in meeting their objectives.</i></p>	<p><i>CBC has an in-house Internal Audit Function established by the Board of Directors thru the Audit Committee.</i></p>	<p><i>The Chief Audit Executive (CAE) is Ms. Marilyn G. Yuchenkang</i></p>	<p><i>The Internal Audit Division thru the CAE reports functionally to the Audit Committee and administratively to the President/CEO</i></p>

- (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, as embodied in the Audit Committee Charter, the Audit Committee has the sole power to appoint and replace the Chief Audit Executive (CAE).

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The CAE has open and direct access (functional reporting) to the Audit Committee at all times, to discuss matters affecting the internal audit activity and at least once a year, the CAE meets privately with the Audit Committee without management’s presence. The Audit Charter contains the authority of Internal Audit Division to have unrestricted access to all functions, records/documents, files, accounts, property, and personnel during the course of their examination with strict accountability for confidentiality and safeguarding of information obtained.

- (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
<i>For 2014 there are twenty (20) resignations and one (1) transfer to another department within the Audit Division.</i>	<i>The main reason for resignation/transfer is to pursue personal growth/development and other opportunities.</i>

- (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	<i>The Annual Audit Plan of Internal Audit is reviewed and approved by the Audit Committee including any subsequent changes therein. Each department shall ensure that the approved plan will be executed on a timely manner. The progress against the approved plan is reported to the Audit Committee semi-annually.</i>
Issues³⁶	<i>The internal audit activity has no outstanding issues noted during their engagement. The results of the audit convey findings which arise from the violation of established Bank’s policies and procedures.</i>
Findings³⁷	<i>The noted findings focused mainly on minor procedural lapses of the personnel in relation to the approved policies and procedures of the Bank.</i>
Examination Trends	<i>Based on the audit reports, the examination trend highlights some minor procedural lapses.</i>

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

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

³⁶ “Issues” are compliance matters that arise from adopting different interpretations.

³⁷ “Findings” are those with concrete basis under the company’s policies and rules.

(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
<p><i>The Internal Audit Division established a Quality Assurance & Improvement Program (QAIP) thru Quality Assurance & Control Dept. (QACD), this will serve as a control mechanism in ensuring the quality of internal audit function. QAIP is designed to evaluate the internal audit activity's conformance with the Institute of Internal Auditors' (IIAs') Definition of Internal Auditing, Standards and the Code of Ethics. The Program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</i></p>	<p><i>The Quality Assurance & Improvement Program was implemented since April 2012. Based on the ongoing and periodic assessments the internal audit activity is aligned with the IIAs' International Standards for the Professional Practice of Internal Auditing (Standards).</i></p>

(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
<p>For Internal Audit</p> <p>➤ To provide for the independence of the Internal Audit Division, its personnel report to the Chief Audit Executive who in turn reports functionally to the Board of Directors through the Audit Committee, and administratively to the President and Chief Executive Officer.</p> <p>➤ To maintain its independence, the Internal Audit Division should have no direct operational responsibility or authority over any of the activities which is out of scope.</p>	<p><i>The following are the mechanism to safeguard the independence of the Financial Analysts, Investment Banks and Rating Agencies:</i></p> <ol style="list-style-type: none"> <i>The Bank provides them with accurate, timely reports of financials and other data, such as detailed schedules of loan and deposit breakdowns.</i> <i>The Bank ensures quick response to their requirements or requests.</i> <p><i>Financial Analysts, Investment Banks and Rating Agencies have their own financial model.</i></p>	<p><i>The following are the mechanism to safeguard the independence of the Financial Analysts, Investment Banks and Rating Agencies:</i></p> <ol style="list-style-type: none"> <i>The Bank provides them with accurate, timely reports of financials and other data, such as detailed schedules of loan and deposit breakdowns.</i> <i>The Bank ensures quick response to their requirements or requests.</i> <p><i>Financial Analysts, Investment Banks and Rating Agencies have their own financial model.</i></p>	<p><i>The following are the mechanism to safeguard the independence of the Financial Analysts, Investment Banks and Rating Agencies:</i></p> <ol style="list-style-type: none"> <i>The Bank provides them with accurate, timely reports of financials and other data, such as detailed schedules of loan and deposit breakdowns.</i> <i>The Bank ensures quick response to their requirements or requests.</i> <p><i>Financial Analysts, Investment Banks and Rating Agencies have their own financial model.</i></p>

<p>➤ <i>The Audit Committee shall ensure that the Chief Audit Executive/Internal Auditor is free from interference by outside parties.</i></p>			
<p>➤ <i>The Internal Audit Division has a Charter approved by the Board of Directors which articulates and guarantees the independence and authority of internal auditors.</i></p>			

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

The Annual Certification on Bank's compliance with the SEC Code of Corporate Governance attested by the Chief Compliance Officer and by the President & CEO.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p><i>China Bank is committed to fair and economically sound consumer practices, adhering to RA 7394 Consumer Act of the Philippines of 1991, the BSP's Consumer Laws, and the various laws regulating the financial industry as well as protecting consumers; promoting consumer interest by providing complete and truthful information to build confidence in our products, services, people, and our institution and upholding consumer rights by developing and implementing a system to address and manage customer complaints and other customer issues.</i></p> <p><i>The fair, honest, and equitable treatment of our customers is a fundamental part China Bank's mission. Led by a Board and Senior Management committed to strengthen our partnerships with our customers, China Bank complies with consumer laws and regulations to protect the interests of our customers at all stages of their relationship with us.</i></p>	<p><i>Good customer service goes beyond a friendly smile and a courteous and professional handling of transactions. We are committed to being the right partner to our customers by doing right by them every step of the way. Our customer handling framework is being updated to ensure compliance with the Bangko Sentral ng Pilipinas (BSP) Regulations on Consumer Protection (BSP Circular 857) released in 2014.</i></p> <p>SECURITY AND FRAUD PREVENTION <i>The safety of our customers' money is our number one priority and we work hard to prevent our customers from becoming victims of financial crime. We have control systems in place to protect and monitor deposits and other similar financial assets. We ensure that our branches and e-banking channels are safe and facilitate banking transactions securely. ATM inspections are conducted at regular intervals to check for anomalies such as card /PIN data skimming devices. We advise our customers via our branch personnel,</i></p>

		<p><i>posters, and announcements on email, website and social media to take precautions to protect their money, PIN, ATM/credit card. We provide tips on protecting their personal information and accounts against fraud and misuse, and inform our customers of the procedures for reporting fraud cases and captured/missing/stolen cards. In the event our customers are victimized by phishing or other scams, our Customer Contact Center, ATM Center, and IT Team ensure a quick turnaround time for resolution.</i></p> <p>PROTECTION OF PRIVACY OF INFORMATION <i>We go to great lengths to provide a secure and confidential environment to protect our customers' data. We comply with all applicable privacy laws and maintain customer data confidentiality except when a disclosure is obliged by the Court or other authorities, or disclosure is made with the written consent of the customer. Access to customer data is restricted to authorized personnel only. The confidentiality of China Bank customer data also extends to our subsidiaries, affiliates, and third party suppliers/contractors.</i></p> <p>DISCLOSURE AND TRANSPARENCY <i>We provide the information our customers need to understand and to make informed decisions about our products and services. The information are clear, easy to understand, accurate, not misleading, and can easily be accessed. We use a variety of channels and mediums to disseminate information, including printed materials distributed or displayed at our branches or sent directly to customers; advertisements on TV, print, radio, and out-of-home; electronic communications in our website and social media; and our Customer Contact Center. All BSP-mandated consumer information are also prominently displayed in our branches. Moreover, our branch personnel are trained to answer questions in a professional manner about our products and services, explain the risks that certain products or services carry, and advise customers on financial matters.</i></p> <p>COMPLAINTS HANDLING <i>As part of our customer-driven efforts, we take complaints seriously and appreciate the chance to clarify concerns or make things right when our customers</i></p>
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		<p><i>are not satisfied with any aspect of our products or services. Our customers may raise their concerns or complaints in person, in writing (mail, e-mail, or fax) by telephone, or online. At the heart of our complaint handling framework is our Customer Contact Center, supported by our Customer Contact Management System, which ensures that complaints are documented, studied, and promptly resolved. We also respect our customers' right to escalate their complaint to an outside authority, like the BSP, if they are not satisfied with our handling of their concerns.</i></p>
<p>Supplier/contractor selection practice</p>	<p><i>We maintain high legal, ethical, and professional standards in the management of the Bank's resources. We ensure that the goods or services procured are fit for the purpose and provide the Bank with the best value available; that risks to personnel, company assets, and the environment arising from the contracting or supply of materials, equipment, and services are reduced to a level which is as low and as reasonably practicable as possible; and that we deal with suppliers and contractors that have the necessary experience, capability, and financial viability to undertake the work safely, economically, and technically correct, in an environmentally sound manner, and in accordance with the contract, schedule, and applicable laws and regulations. We are committed to fair marketplace practices, selecting suppliers and contractors through an open and non-discriminatory process, based on criteria that ensure a thorough and competitive selection process: quality, price, service, and overall value to China Bank. We follow standards of objectivity, impartiality, and equality of opportunity, preventing any favoritism or interference from conflicts of interest in the selection of suppliers and contractors. We have a supplier/contractor accreditation process which is the preliminary step to pre-qualification at China Bank. Suppliers and contractors invited to bid are evaluated accordingly prior to contract award. They are also evaluated on the basis of actual performance as compared to promised delivery dates, quality of work / goods, and adherence to agreed specifications and purchase order prices.</i></p>	<p><i>There are several projects like:</i></p> <ul style="list-style-type: none"> <i>- Interior construction of new branches</i> <i>- Renovation/expansion of a branches</i> <i>- new building construction</i> <i>- Procurement of new technologies and licenses.</i>

<p>Environmentally friendly value-chain</p>	<p><i>We integrate social, environmental, and governance practices into our day-to-day business activities to maintain a balance between the Bank's business interests and our stakeholders' welfare, and create a positive impact on our people, customers, investors, the environment, the economy, and the communities we serve. We work hand in hand with our employees to raise awareness of environmental issues and promote reducing, reusing, and recycling.</i></p>	<p><i>For over ten years now, China Bank has a solid waste management program, which is continually implement and improve on. Garbage is properly segregated and the recyclable materials are turned over to recycling partners at regular intervals. The Bank is also actively involved in the program "Promoting Energy Efficiency in the Makati Central Business District" which primarily aims to promote energy efficiency and help alleviate climate change. And in the last six years, we have implemented projects to progressively lessen our operation's impact on the environment, like switching to energy efficient lighting and air conditioning systems, acquiring technologies to automate processes, including installing video conferencing facilities at the head office and business centers in Luzon, Visayas, and Mindanao to reduce the need for travel and thereby contribute to a reduction in land and air travel emissions. We have also developed policies on conserving energy, water, and paper supplies bank wide and have begun using recycled paper for annual reports, and eventually other publications and printed marketing materials. The internal "Going Green" campaign launched in 2012 was sustained in 2013, enjoining employees to adopt as well as promote sustainable working and living practices to others. The heads of the different branches, departments, and subsidiaries are the environment ambassadors tasked to remind the staff to support the campaign at every possible opportunity, as well as to monitor and police their own areas of responsibility.</i></p>
<p>Community interaction</p>	<p><i>We integrate social, environmental, and governance practices into our day-to-day business activities to maintain a balance between the Bank's business interests and our stakeholders' welfare, and create a positive impact on our people, customers, investors, the environment, the economy, and the communities we serve. We engaged our employees and partnered with customers, various community groups, and charitable organizations to support causes that serve the interests and the needs of society as a whole.</i></p>	<p><i>The Bank supports various noteworthy projects for the underprivileged sector, provide educational assistance to promising children, undertake charitable fundraising, and encourage employee volunteerism. At the same time, the Bank's branches nationwide actively participate in a number of local events such as sports tournaments, cultural fairs, and anniversary celebrations and conventions of different associations, organizations, and universities to uphold community values and traditions and foster camaraderie in the communities where the Bank operates. In 2013, we continued to contribute to social development, again supporting the Child Sponsorship Program of CFC-ANCOP (Answering the Cry of the Poor, a ministry of Couples for Christ),</i></p>

		<p>sponsoring 16 ANCOP scholars for the school year 2013-2014. At the same time, deserving children of China Bank employees continue to benefit from the Bank's scholarship programs for high school and college education—the G.U.D Scholarship Fund, named after Board Vice Chairman Gilbert U. Dee, and the D.C.C. Scholarship Fund, named after our founding father, Dee C. Chuan. In addition, China Bank is committed to help in times of great need. Donation drives were conducted for the victims of the three major disasters in 2013: Typhoon Maring, Bohol Earthquake, and Typhoon Yolanda. Proceeds of the Typhoon Maring and Bohol Earthquake donation drives were turned over to the Philippine Red Cross for relief efforts. Taking the long-term view on the rehabilitation assistance for Yolanda victims, the proceeds of the Typhoon Yolanda donation drive will be used to help survivors get back on their feet through viable livelihood. we are working with a humanitarian organization on this project and details are still being finalized.</p>
<p>Anti-corruption programmes and procedures?</p>	<p><u>China Bank is committed to honest and ethical business practices and does not tolerate any form of bribery and corruption. We take our legal responsibilities very seriously and expect our directors and employees at all levels and grades to do the same. China Bank directors and employees are to act professionally, fairly, and with integrity in all our business dealings and relationships wherever we operate; thus, they 1) must never offer, promise, or give a financial or other advantage to any person or party, including public officials, with the intention of inducing or rewarding improper performance by them of their duties or to facilitate the transaction of the Bank, and 2) must never directly or indirectly accept or agree to receive a financial or other advantage as a reward for performing any act prejudicial to the Bank, the director/employee himself, or a third party.</u></p>	<p>We have a whistle-blowing policy, wherein employees, customers, shareholders, and third party service providers are encouraged to report questionable activity, unethical conduct, fraud or any other malpractice by mail, phone or e-mail, without fear of reprisal or retaliation because the identity of the whistleblower is kept confidential. Disclosures are directed to the attention of the Chief Compliance Officer, who is responsible to determine the sufficiency and validity of the report. If determined sufficient in form and substance, the CCO shall refer the disclosure either to the Audit Division and/ or Human Resources Division for further investigation. If the CCO finds the report baseless, he is required to respond to the Whistleblower of its status within 24 hours from receipt thereof. Meritorious disclosure, as may be determined by the CCO should be given recognition and may be entitled to an award as deemed necessary by the HRD or the Investigation Committee.</p>
<p>Safeguarding creditors' rights</p>	<p><u>China Bank is committed to fair and honest business conduct, upholding all contractual obligations to protect the rights of our creditors and the Bank's reputation. We enter into binding contracts with our guarantee of honoring the mutually agreed-upon terms and conditions. In the event of liquidation,</u></p>	<p>Bank deposits are insured with the PDIC up to a maximum of P500,000.00</p> <p>In compliance with BSP Rules, proper disclosures are done on:</p> <p>Deposit Interest; Truth in Lending Act;</p>

	<p><u>we uphold the law of giving priority to creditors in the payment of obligations in the normal course of business.</u></p>	<p>Notice on temporary closure due to relocation; Publication of Statement of Condition; Posting of Audited Financial Statement and availability of the Annual Report in conspicuous areas of the branches and business office; Notice to depositors on: cut-off time; service charges and maintenance fees at teller's counters or conspicuous area of the branch.</p>
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2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
Yes, *The Bank's Annual Report has a separate Section on Corporate Social Responsibility.*

3) Performance-enhancing mechanisms for employee participation.

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

We take genuine interest in our people's welfare. We advocate a good work-life balance to keep our team motivated, healthy, and energized. Our employees enjoy adequate personal and family time-off, and are allowed to have flexible work schedules, as warranted.

In place are various sports, recreational, and health and wellness programs to provide our employees with activities outside of the workplace, strengthen camaraderie, and promote community participation and personal growth. We have a year-round schedule of sports activities like bowling, basketball, and badminton, as well as health and wellness programs in the form of group exercises (e.g. Zumba and Aerobics) as a way to improve one's physical condition and not only to release stress after a hard day's work. This is in addition to the series of activities (i.e. check-up, immunization) and articles on health and wellness which we publish monthly.

We also continually review our HR policies, developing new ones not only in compliance with laws and regulations, but also in keeping with our commitment to protect our greatest asset—our people. All HR policies are available in China Bank's intranet system for easy reference of employees.

The following policies, among others, with regard to employee welfare are in place in the Bank:

- *Battered Women Leave*
- *Hepatitis B Prevention and Control in the Workplace*
- *Drug-free Workplace*
- *Solo Parent Leave*
- *Tuberculosis Prevention and Control in the Workplace*
- *Tuberculosis (TB) in the workplace pursuant to DOLE Department Order No.73-05 Series of 2005*
- *HIV and AIDS Prevention and Control in the Workplace*
- *Breastfeeding in the Workplace*

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

*Annual Check-up programs for employees – bankwide approx. 4,000 employees
In-house program thru Annual PE Allowance – 175 utilization
Immunization/vaccination program for employees and dependents – 997 employees and dependents
Regular Exercise Programs – 20 to 40 participants per sessions
Continuing education program on health and wellness
Regular booth sampling (medicines) – participated by around 300-700 employees*

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

Training	Company Name
<i>AMLA E-Learning</i>	<i>China Banking Corporation</i>
<i>AMLA of 2001-Circular 706 (2011 Update)</i>	<i>China Banking Corporation</i>
<i>Bank Accounting for Non-Accountants</i>	<i>China Banking Corporation</i>
<i>Bank Fraud: Detection & Prevention & RCL</i>	<i>China Banking Corporation</i>
<i>Bank Security Seminar</i>	<i>China Banking Corporation</i>
<i>Basic Credit Course</i>	<i>China Banking Corporation</i>
<i>Basic Teller Course</i>	<i>China Banking Corporation</i>
<i>BLS-Adult CPR Training For Lay Rescuers</i>	<i>China Banking Corporation</i>
<i>Branch Head Training Program</i>	<i>China Banking Corporation</i>
<i>Branch Lending Course</i>	<i>China Banking Corporation</i>
<i>Branch Operations and Control Course/SDP</i>	<i>China Banking Corporation</i>
<i>Branch Operations Course</i>	<i>China Banking Corporation</i>
<i>Briefing on AMLA and Other Updates</i>	<i>China Banking Corporation</i>
<i>Briefing on New Generation Phil Notes</i>	<i>China Banking Corporation</i>
<i>Building Customer Loyalty</i>	<i>China Banking Corporation</i>
<i>Career Planning Workshop</i>	<i>China Banking Corporation</i>
<i>CBC IT Audit Workshop</i>	<i>China Banking Corporation</i>
<i>Check Security Features</i>	<i>China Banking Corporation</i>
<i>Clearing & Accounting Operations Course</i>	<i>China Banking Corporation</i>
<i>Coaching in the Workplace Workshop</i>	<i>China Banking Corporation</i>
<i>Counterfeit Detection Seminar</i>	<i>China Banking Corporation</i>
<i>Credit Course</i>	<i>China Banking Corporation</i>
<i>Customer Relations Assistants' Course</i>	<i>China Banking Corporation</i>
<i>Effective Business Writing Course</i>	<i>China Banking Corporation</i>
<i>FCBS - Loans Course</i>	<i>China Banking Corporation</i>
<i>FCBS - BM Course</i>	<i>China Banking Corporation</i>
<i>FCBS - CRA Course</i>	<i>China Banking Corporation</i>
<i>FCBS - GL Course</i>	<i>China Banking Corporation</i>
<i>FCBS - GL Orientation</i>	<i>China Banking Corporation</i>
<i>FCBS - Loans Course</i>	<i>China Banking Corporation</i>
<i>FCBS - Operations Course</i>	<i>China Banking Corporation</i>
<i>FCBS - Teller Course</i>	<i>China Banking Corporation</i>
<i>FCBS Dimension Loan Migration Training</i>	<i>China Banking Corporation</i>
<i>FCBS Pre-Live Briefing for BOHs</i>	<i>China Banking Corporation</i>
<i>Finacle Core Banking System Technical Tr</i>	<i>China Banking Corporation</i>
<i>Financial Statement Analysis Workshop</i>	<i>China Banking Corporation</i>
<i>First Aid Training for Office Employees</i>	<i>China Banking Corporation</i>
<i>Handling Customer Complaints Workshop</i>	<i>China Banking Corporation</i>
<i>ID Verification Seminar</i>	<i>China Banking Corporation</i>
<i>Industrial First Aid and BLS - CPR</i>	<i>China Banking Corporation</i>
<i>Info Classification & Handling Guideline</i>	<i>China Banking Corporation</i>
<i>Introduction to Business Process Mgt</i>	<i>China Banking Corporation</i>
<i>Investment & FCDU Seminar</i>	<i>China Banking Corporation</i>
<i>ISDP Follow Through Session</i>	<i>China Banking Corporation</i>
<i>Junior Executive Training Program</i>	<i>China Banking Corporation</i>
<i>Leader Fish</i>	<i>China Banking Corporation</i>
<i>Leadership Greatness</i>	<i>China Banking Corporation</i>
<i>Leadership Greatness Follow Up Session</i>	<i>China Banking Corporation</i>
<i>Leadership Skills for Supervisors</i>	<i>China Banking Corporation</i>
<i>Learning Sessions for Rpm and Psych Grad</i>	<i>China Banking Corporation</i>
<i>Lect Demo: Basic Life Support & First Aid</i>	<i>China Banking Corporation</i>
<i>Managing Conflict in the Workplace</i>	<i>China Banking Corporation</i>
<i>Managing Generation Y Workforce</i>	<i>China Banking Corporation</i>

<i>MS EXCEL TRAINING</i>	<i>China Banking Corporation</i>
<i>Negotiable Instruments Law & LANAF</i>	<i>China Banking Corporation</i>
<i>New Employee's Orientation Course</i>	<i>China Banking Corporation</i>
<i>Occupational First Aid Training</i>	<i>China Banking Corporation</i>
<i>Orientation for New Officers</i>	<i>China Banking Corporation</i>
<i>Peso Counterfeit Detection Briefing</i>	<i>China Banking Corporation</i>
<i>Positive Discipline Workshop</i>	<i>China Banking Corporation</i>
<i>Problem Solving and Decision Making</i>	<i>China Banking Corporation</i>
<i>Product Knowledge Orientation</i>	<i>China Banking Corporation</i>
<i>Professional Image Enhancement Workshop</i>	<i>China Banking Corporation</i>
<i>Project Management</i>	<i>China Banking Corporation</i>
<i>SEC Fixed Income Salesman Review</i>	<i>China Banking Corporation</i>
<i>Service Quality Management Workshop</i>	<i>China Banking Corporation</i>
<i>Service Star Workshop</i>	<i>China Banking Corporation</i>
<i>Seven Habits Experience</i>	<i>China Banking Corporation</i>
<i>Seven Habits of Highly Effective People</i>	<i>China Banking Corporation</i>
<i>Signature Verification Course</i>	<i>China Banking Corporation</i>
<i>Supervisory Development Program</i>	<i>China Banking Corporation</i>
<i>Telephone Skills Training</i>	<i>China Banking Corporation</i>
<i>Treasury Learning Session</i>	<i>China Banking Corporation</i>
<i>UITF Accreditation Seminar</i>	<i>China Banking Corporation</i>
<i>UITF Refresher Course</i>	<i>China Banking Corporation</i>
<i>Values Enhancement & Work Attitude</i>	<i>China Banking Corporation</i>

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

China Bank has a noncontributory defined benefit retirement plan.

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 Whistleblowing policy was created to establish and maintain mechanisms by which officer and staff may, in confidence and without fear of retaliation, disclose concerns about suspected, actual or threatened 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.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of 31 December 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corporation (Non-Filipino)</i>	<i>469,623,353</i>	<i>25.33%</i>	<i>Various Stockholders/Clients</i>
<i>SM Investments Corporation</i>	<i>318,975,815</i>	<i>17.21%</i>	<i>Sy Family PCD Nominee Corporation Stockholders</i>
<i>Sysmart Corporation</i>	<i>274,633,398</i>	<i>14.82%</i>	<i>Henry Sy, Sr. and Family Sycamore Pacific Corporation Stockholders</i>
<i>PCD Nominee Corporation (Filipino)</i>	<i>220,744,312</i>	<i>11.91%</i>	<i>Various Stockholders/Clients</i>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Nancy D. Yang, SVP</i>	<i>1,940,602</i>	<i>None</i>	<i>0.1131%</i>
<i>Rene J. Sarmiento, SVP</i>	<i>16,942</i>	<i>None</i>	<i>0.0010%</i>
<i>Gerald T. Dee</i>	<i>5,026</i>	<i>None</i>	<i>0.0003</i>
<i>Rosemarie Gan</i>	<i>83,131</i>	<i>None</i>	<i>0.0048%</i>
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes

Dividend policy	Yes
Details of whistle-blowing policy	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	
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
<i>SGV & Co./Ernst & Young</i>	<i>For 2013 – P1,860,000.00</i>	
<i>SGV & Co./Ernst & Young</i>	<i>For 2014 – 2,046,000.00</i>	

**and other related fees.*

4) Medium of Communication

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

Telephone

Intranet through Lotus Notes

Inter-office Memorandum

Fax Machines

Mobile Phones (for Whistleblowing)

5) Date of release of audited financial report: *March 4, 2015*

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)	Yes

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

7) Disclosure of Significant RPT

Name of Counterparty and Relationship	Type of Transaction	Amount/Contract Price
St. Luke's Medical Center, Inc. (SLM)/St. Luke's Medical Center (Global City), Inc. (Related through common directorship)	Renewal of import/domestic L/C Line and increase thereof	US \$ 2.0 Mn
JJACCIS Development Corp. (JDC) (Related through common directorship)	Renewal and increase in the Omnibus Line.	P 500.0 Mn
Suntree Holdings Corp. (SHC) (Related through common directorship)		
St. Luke's Medical Center (Global City), Inc. (SLM)/ St. Luke's Medical Center (Global City), Inc. (SLG) (Related through common directorship)	Review of Corporate buyers limit.	P 50.0 Mn
SM Investments Corporation and its subsidiaries: (SMIC is a Stockholder)	Review of Corporate buyers limit	P 1.0 Bn
SM Retail Inc. & its subsidiaries (Supervalve, Inc., Sanford Marketing Corp., Super Shopping Market, Inc., SM Mart, Inc.)		
SM Prime, Inc & its subsidiaries (SM Land, Inc., SM Development Corp., SM Synergy Property Holdings, Corp., SM Residences, Inc.) (Affiliate)		
BDO Unibank & its subsidiaries (Affiliate)		
SM Hotels & Conventions Corp. & its subsidiaries (Affiliate)		
Kultura Filipino (Affiliate)		
Watson's Personal Care Stores Philippines, Inc. (Affiliate)		
Quantum Amusement Corp. (Related through Common directorship)	Omnibus Line (30 days extension)	P 72.950 Mn
China Bank Savings, Inc. (Subsidiary)	Treasury Interbank limit	P 627.192 Mn US 0.200 Mn
	Renewal of Import Letter of Credit	US \$ 10.00 Mn
Planters Development Bank (PDB) (Subsidiary)	Treasury Interbank limits	P 1,029.06 Mn
	Omnibus Line	P 100.0 Mn
SM Investments Corporation (Stockholder)	Underwriting for the upcoming 7-year and 10-year retail bonds	P 10.0 Bn
Manufacturer's Life Insurance Co. (Phil.), Inc. (Affiliate)	Renewal of pre-settlement risk limit	Pre-settlement Risk Line Php 200.0 Mn USD 400,000.00
Manulife ChinaBank Life Assurance Corporation (Affiliate)		
Henry Sy, Sr. (Stockholder)	Renewal of loan line	P 300.0 Mn
SM Investments Corporation (Stockholder) Multi Realty Development Corp. (Affiliate) Sybase Equity Investments Corp. (Affiliate)	Renewal / reinstatement of loan line	P 15.5 Bn
Sysmart Corporation (Stockholder)	Renewal of loan	P 5.0 Bn
SM Prime Holdings, Inc. Costa Del Hamilo, Inc. (Affiliate) SM Hotels and Conventions Corp. (Affiliate)	Renewal of line	Loan Line P 1.0 Bn BP line P 100.0 Mn

Summerhills Home Development Corp. (Affiliate)	Renewal of loan line	P 500.0 Mn
SM Development Corporation (Affiliate)	Renewal of loan line	P 200.0 Mn
	Grant of Bills Purchase line	P 50.0 Mn
SM Development Corporation, and the following: SM Synergy Properties Holdings Corp. Twenty Two Forty One Properties, Inc. Costa Del Hamilo, Inc. Intercontinental Development Corp. (Affiliates)	Contract to sell purchase facility	P 9.50 Bn
SM Prime Holdings, Inc. (Affiliate)	Underwriting for the up-coming 5.5- year, 7-year, and 10-year retail bonds.	P 15.0 Bn
Super Industrial Corporation (Related through common directorship)	Loan Transaction	P 50.0 Mn
Manuel Bautista Sy	Loan line	P 50.0 Mn
Union Motor Corporation (Related through common directorship)	Renewal of omnibus line	P 150.0 Mn
BDO Unibank, Inc. (Affiliate)	Interbank Term limits	USD 4,579.510 Mn
Rizal Commercial Banking Corporation (Related interest through a directors)	Interbank Term limits	USD 2,853.860 Mn
BDO Private Bank (Affiliate)	Pre-settlement risk limits – Peso IRS	USD 3.0 Mn
	Pre-settlement risk limits – USD IRS	USD 3.0 Mn
	Pre-settlement risk limits – Cross Currency	USD 3.0 Mn
	Settlement limit – Peso IRS	USD 4.0 Mn
	Settlement limit – USD IRS	USD 4.0 Mn

All of the above Significant Related Party Transactions of the Bank were reviewed by the Board and the Board has ensured that these transactions were conducted in a fair and arm's length way.

Significant refers to transactions that are 50M and above.

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?

As an advocate of good corporate governance, we recognize that Related Party Transactions may give rise to a conflict of interest. Through the Board of Directors, we ensure that transactions with related parties are reviewed to make sure that such are conducted at arm's length or upon terms not less favorable to the Bank than those offered to others, and that corporate or business resources of the Bank are not misappropriated or misapplied; and more important, that these transactions are duly disclosed as prescribed by BSP Circular 749, Series of 2012.

Related party refers to any of the Bank's directors, officers, stockholders and their related interests (DOSRI). Related interests mean individuals related to each other or common law, and two or more corporations owned or controlled by a single individual or by the same family group or the same group of persons.

In accordance with the Bank's policy, the Related Party Transaction Committee is tasked to review related party transactions. No director is allowed to participate in the discussion / deliberation, including approval of a transaction where he is a related party.

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	<i>In accordance with Article III, Section 6 of the Bank's By-Laws, no meeting of stockholders shall be competent to transact business unless a majority of the outstanding capital stock is represented.</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<i>The Bank follows the provisions of the Corporation Code.</i>
Description	<i>The majority vote of the shares present or represented at the stockholders' meeting, provided there is a quorum, is required to carry a stockholders' action on any matter taken up during the meeting, except in cases where greater vote for an act or business is required by the Corporation Code or by law.</i>

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
<p><i>The Board China Bank is committed to respect the following rights of the stockholders (as provided for in the Corporation Code:</i></p> <ol style="list-style-type: none"> 1. Voting Rights, which are, right to elect, remove and replace directors through cumulative voting; to vote on corporate acts. In this regard, a director shall not be removed without cause if it will deny minority shareholders representation in the Board. 2. Pre-emptive Right, unless denied in the articles of incorporation, which includes the right to subscribed to the capital stock of the Bank. 3. Power to inspect corporate books and records including minutes of Board meetings and stock registries. Without cost or restrictions, they also have the right to be furnished with annual reports and financial statements. 4. Right to information and periodic reports, upon request, about the personal and professional information of the directors and officers, their holdings of the Bank's shares and dealings, relationships among directors and key officers, including their compensation <p><i>Minority shareholders have the right to any and all information relating to matters for which the management is accountable for; have the right to propose the holding of a meeting and to propose items in the agenda, as long as they are for legitimate business purposes.</i></p>	<ol style="list-style-type: none"> <i>1. The Bank's Nominations and Corporate Governance Committees adopted rules governing the nomination and election of directors, allowing shareholders to nominate within a period of time before the stockholders' meeting. For 2013 elections, the rules pertinently stated that the nomination forms should be submitted to any of the members of the Committees or to the Corporate Secretary on or before March 7, 2013. The rules were approved by the Board of the Directors on February 6, 2013, and disclosed to the regulatory agencies immediately thereafter. The stockholders' meeting was held on May 2, 2013 .</i> <i>2. The Bank has been consistently declaring both cash <u>and</u> stock dividends to its shareholders for the last ten (10) years.</i>

<p>5. Right to receive dividends.</p> <p><i>Shareholders shall have the right to receive dividends subject to the discretion of the Board.</i></p> <p>6. Appraisal Right or right to dissent and demand payment of the fair value of their shares in accordance with the existing law like the Corporation Code of the Philippines.</p>	
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Dividends

Declaration Date	Record Date	Payment Date
<i>May 8, 2014</i>	<i>19 September 2014</i>	<i>15 October 2014</i>
<i>May 7, 2015</i>	<i>12 August 2015</i>	<i>09 September 2015</i>

(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.

2. Measures Adopted	3. Communication Procedure
<p><i>The Bank encourages its stockholders to attend and participate in the annual or special stockholders' meeting. Starting with the process of notifying the stockholders of the meeting, the Bank mails the Information Statement (SEC Form 20-IS), which provides the particulars of the meeting, to the stockholders at least fifteen (15) business days prior to the stockholders' meeting. A copy of the same is disclosed to the Philippine Stock Exchange (PSE) and accessible through the Bank's website at www.chinabank.ph. In addition, it has been the practice of the Bank to publish a Notice of Meeting, with the agenda of the meeting, in a newspaper of national circulation at least thirty (30) days before the meeting. Also, stockholders who visit or call the Bank are reminded of the meeting.</i></p> <p>4.</p>	<p><i>During the meeting, the Chairman of the Board/Chairman of the Meeting constantly asks the stockholders for other matters or concerns that they may want to raise, whether or not related to the agenda of the meeting.</i></p> <p>5. <i>The stockholders and other interested parties may communicate with the Board or any of its members, through the Office of the Corporate Secretary or Investor Relations Office, any time in person or through letter, email, landline phone or mobile phone</i></p>
<p>6.</p>	<p>7.</p>

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Significant corporate actions which require stockholder action are initially approved by the Board of Directors. The Board action is immediately disclosed and becomes accessible to the stockholders through the PSE and Bank website. Further, the corporate action is included in the agenda and materials distributed to the stockholders before the meeting. The stockholders may freely raise their comments on the corporate action on or prior to the stockholders' meeting.

9. 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: *March 30 & 31, 2015*
 - b. Date of the Annual/Special Stockholders' Meeting: *May 7, 2015*
10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The Chairman opened the floor and gave the stockholders the opportunity to ask questions or raise comments or concerns.

Mr. Philip Turner stood up and asked to be updated on the Bank's compliance with the global standards on chip based payment cards.

SVP and Chief Information Officer Alexander C. Escucha answered that the Bank's credit cards from the start already bear the EMV chip technology, compliant with the global standards for credit, debit and ATM cards. In addition, steps to install anti-skimming devices have been made to further provide protection against fraudulent transactions. He added that about 70% of the Bank's ATM machines are also already EMV compliant, while the Board has approved the replacement and upgrade of the remaining 25%.

Another matter which stockholder Turner wished to be clarified on, related to the demonetization of notes. Mr. Escucha explained that he had clarified with the office of the Bangko Sentral ng Pilipinas (BSP) Deputy Governor Diwa Guinigundo about this. BSP announced that the process of demonetization of old banknotes had commenced on January 1, 2015 as part of its objective of preserving the integrity of the Philippine currency.

He went on to explain that for the year 2015, the public may continue to use the old banknotes in their transactions up to December 31, 2015. From January 1, 2016 up to December 31, 2016, the public may no longer use the notes, but they will still be allowed to exchange these old notes with authorized financial institutions. Starting January 1, 2017, the public can no longer use or exchange the old notes, as they shall be considered demonetized and will no longer have any monetary value.

Mr. Escucha further stated that the branches have already started to retain the old notes deposited and issue new ones for withdrawals; and the Bank's information campaign on this will include inserts in the statements of accounts, messages in our ATM screens and also notices on the teller counters.

Finally, Mr. Turner questioned the current practice of banks of retaining the physical checks after transaction; he felt that this may raise problems especially in legal cases where the physical checks are required to be presented in court.

President & CEO Ricardo R. Chua recalled that the original checks are given back to the originating/issuing bank. Nonetheless, he assured the stockholder that should he need to have the original check for legal purposes, the Bank can make it available to him. He also recalled that a check truncation project is in the works, where the electronic image of a check will be sufficient basis for clearing.

The Bank will closely monitor the developments and inform the stakeholders accordingly.

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

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
<p><i>Out of 1, 1,716,414,317 total subscribed and outstanding shares of the Bank, the holders of 1,370,409,445 shares representing 79.84% or more than 2/3 of the outstanding capital stock of the Bank are present either in person or by proxy.</i></p> <p>▪ <i>Reading of the minutes of the annual stockholders' held on May 8, 2014</i></p>	<p><i>Votes Cast:</i></p>		
	<p><i>1,370,359,442</i></p>	<p><i>Against: 50,003</i></p>	<p><i>None</i></p>
<p>▪ <i>2014 Annual Report and Financial Statements</i></p>	<p><i>Annual Report</i> <i>1,370,409,445</i></p>	<p><i>None</i></p>	<p><i>None</i></p>
	<p><i>Financial Statement</i> <i>1,370,409,445</i></p>	<p><i>None</i></p>	<p><i>None</i></p>
<p>▪ <i>All Acts of the Board of Directors, which include the approval for the acquisition by the Bank of Planters Development Bank, approval of related party transactions, and all acts of the Executive Committee and of the various committees of the Bank and Management, during the fiscal year 2013 and immediate preceding the stockholders' meeting:</i></p>	<p><i>1,370,409,445</i></p>	<p><i>None</i></p>	<p><i>None</i></p>
<p>▪ <i>Election of the board</i></p>			

Name of Director	Type of Director	Votes Cast			Percentage (Based on shares present or represented at the meeting)
		For	Against	Abstain	
Hans T. Sy	Director	For	1,370,322,270	-	99.994%
		Against	87,175	-	0.006%
		Abstain	0	-	0.000%
Gilbert U. Dee	Director	For	1,370,351,376	-	99.996%
		Against	58,069	-	0.004%
		Abstain	0	-	0.000%
Ricardo R. Chua	Director	For	1,370,351,376	-	99.996%
		Against	58,069	-	0.004%
		Abstain	0	-	0.000%
Peter S. Dee	Director	For	1,370,351,376	-	99.996%
		Against	58,069	-	0.004%
		Abstain	0	-	0.000%
Joaquin T. Dee	Director	For	1,370,351,376	-	99.996%
		Against	58,069	-	0.004%
		Abstain	0	-	0.000%
Herbert T. Sy	Director	For	1,370,351,376	-	99.996%
		Against	58,069	-	0.004%
		Abstain	0	-	0.000%

Harley T. Sy	Director	For	-	1,370,351,376	-	99.996%
		Against	-	58,069	-	0.004%
		Abstain	-	0	-	0.000%
Jose T. Sio	Director	For	-	1,370,351,376	-	99.996%
		Against	-	58,069	-	0.004%
		Abstain	-	0	-	0.000%
Dy Tiong	Independent Director	For	-	1,370,322,270	-	99.994%
		Against	-	87,175	-	0.006%
		Abstain	-	0	-	0.000%
Alberto S. Yao	Independent Director	For	-	1,370,322,270	-	99.994%
		Against	-	87,175	-	0.006%
		Abstain	-	0	-	0.000%
Roberto F. Kuan	Independent Director	For	-	1,370,409,445	-	100.000%
		Against	-	0	-	0.000%
		Abstain	-	0	-	0.000%

▪ Re-election of the external auditor	1,370,322,270	Against: 87,175	None
▪ Declaration of 10% cash dividend equivalent to P1.00 per share and of 8% stock dividends.	1,364,595,774	Against: 5,813,671	None
16.	17.	18.	19.
20.	21.	22.	23.

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

May 8, 2015

(e) Modifications

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

Modifications	Reason for Modification
None	None

(f) Stockholders' Attendance

(i) Details of Attendance in the 2015 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	All directors and majority of senior officers	May 7, 2015	By poll	0.76%	79.08%	79.84%
Special	None	None	None	None	None	None

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

Yes, SyCip Gorres Velayo & Co. has been appointed as the independent party to count and validate votes at the meeting. Further, the Bank's transfer agent, Stock Transfer Service, Inc. assists in counting and validating the votes during the last meeting.

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

Yes.

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	<i>Not encouraged, but accepted</i>
Notary	<i>Not required</i>
Submission of Proxy	<i>At least three (3) business days before the meeting</i>
Several Proxies	<i>Allowed</i>
Validity of Proxy	<i>Five (5) years unless otherwise stated, withdrawn or superseded by the personal appearance of stockholder</i>
Proxies executed abroad	<i>Allowed</i>
Invalidated Proxy	<i>None</i>
Validation of Proxy	<i>Through the Office of the Corporate Secretary</i>
Violation of Proxy	<i>None</i>

(h) Sending of Notices

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

Policies	Procedure
<i>The notices must be sent to the stockholders not less than fifteen (15) business days prior to the meeting, in accordance with the By-Laws.</i>	<i>The notices must be sent to the stockholders not less than fifteen (15) business days prior to the meeting, in accordance with the By-Laws.</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<i>For 2014 - 1,997 For 2015 - 1,979</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>For 2014 - April 4 and 7, 2014) For 2015 - March 30 & 31, 2015</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>For 2014 - April 4 and 7, 2014) For 2015 - March 30 & 31, 2015</i>

State whether CD format or hard copies were distributed	<i>Hard copies</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>Yes</i>

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

Each resolution to be taken up deals with only one item.	<i>Yes</i>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<i>Yes</i>
The auditors to be appointed or re-appointed.	<i>Yes</i>
An explanation of the dividend policy, if any dividend is to be declared.	<i>Yes</i>
The amount payable for final dividends.	<i>Yes</i>
Documents required for proxy vote.	<i>Yes</i>

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p><i>The Bank adheres to the provisions under the Corporation Code in recognizing, implementing and protecting the rights of the stockholders, regardless of the amount of stockholdings.</i></p> <p><i>Investors' Rights and Protection (as contained in the Bank's Manual on Corporate Governance)</i></p> <p><i>Rights of Investors/Minority Interests. The Board shall be committed to respect the following rights of the stockholders:</i></p> <ol style="list-style-type: none"> <i>1. Voting Right</i> <i>2. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.</i> <i>3. Cumulative voting shall be used in the election of directors.</i> <i>4. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.</i> 	<p><i>The Bank adheres to the provisions under the Corporation Code in recognizing, implementing and protecting the rights of the stockholders, without qualification.</i></p>

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

Yes. In accordance with the Bank's Corporate Governance Manual, minority shareholders have the right to elect, remove and replace directors and vote on certain corporate acts, which are in accordance with the Corporation Code.

K. INVESTORS RELATIONS PROGRAM

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

Corporate affairs-related communications are usually handled and/or screened by the Marketing Services Department of the Bank (under ICRG), but there are also proprietary internal and external announcements that are carried out by certain groups or divisions. Internal announcements are primarily sent and broadcasted using the Bank's lotus notes. A range of channels/ mediums are used to disseminate major company announcements to its various stakeholders, such as, but not limited to the following: Corporate Notices via print advertisement in broadsheets, press releases, monthly statements, customer advisory standees, corporate website, flyers, posters, streamers.

Major company announcements are generally discussed, reviewed and approved by the Management Committee of the Bank.

- 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	<i>Provide timely/accurate financial data & analysis to credit rating agencies and interested parties that project China Bank in best possible light.</i>
(2) Principles	<p><i>i) Investor relations shall cover the timely and accurate response to requests for corporate information from stakeholders, investors, credit rating agencies, correspondent banks, and other constituencies and the compliance with regulatory reporting requirements of the Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP) and Philippine Stock Exchange (PSE).</i></p> <p><i>ii) This shall involve extensive analyses and anticipation of information needs, with focus on timely issues such as asset quality, profitability or capital adequacy with the objective of presenting the Bank's performance and competitive advantages in an objective, transparent, and concise manner. The disclosure statement shall be a key input to credit-related investment decisions by third parties.</i></p>
(3) Modes of Communications	<p><i>Face to face discussions, e-mail or fax hard copies</i></p> <p><i>Email Address: investor-relations@chinabank.ph</i></p> <p><i>acescucha@chinabank.ph</i></p> <p><i>Fax Number: (632) 892-0238</i></p>
(4) Investors Relations Officer	<p><i>Alexander C. Escucha,</i></p> <p><i>Senior Vice President and Head, Investor and Corporate Relations Group</i></p>

- 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?

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

The transaction price was arrived at through a detailed due diligence process. This due diligence process covers the engagement of Punongbayan & Araullo for the determination of the fair value of assets and liabilities, including intangibles. The inputs of this third party were critical in supplementing necessary information to our own internal due diligence team in evaluating the fairness of the transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
<p><i>In 2014, we continued to engage our employees and partner with our customers, various community groups, and charitable organizations to aid calamity victims, promote education and resource conservation, and support cultural and community development.</i></p> <p><i>China Bank had a successful donation drive for the survivors of Typhoon Yolanda, and in January 2014, the proceeds were turned over to the Philippine Red Cross and the Manipulon Rehabilitation Project (Estancia, Iloilo) of the Archdiocese of Jaro, Commission on Health Care to help support their efforts of rehabilitating the affected areas and rebuilding the survivors' livelihood towards self-sufficiency.</i></p>	 <p>HELP FOR YOLANDA SURVIVORS</p> <p>P2M to Philippine Red Cross P950K to the Manipulon Rehabilitation Project (Estancia, Iloilo)</p>
<p><i>We sustained our social investments by supporting charities, foundations, and associations to help the sectors and communities they represent. Foremost is the Child Sponsorship Program of CFC-ANCOP (Answering the Cry of the Poor, a ministry of Couples for Christ) which provides primary and secondary education to children of indigent families. We are also a benefactor of the Ateneo de Manila University scholarship program, and for the deserving children of our own employees, the Dee C. Chuan and the Gilbert U. Dee Scholarship Funds.</i></p>	 <p>EMPOWERING THE YOUTH THROUGH EDUCATION</p> <p>32 China Bank scholars</p> <p>16 - CFC-ANCOP Child sponsorship program 1 - Ateneo de Manila 12 - Gilbert U. Dee Scholarship Fund (High School) 3 - Dee C. Chuan Scholarship Fund (College)</p>
<p><i>In protecting the environment, we believe that less is more. In 2014, we continued to implement various conservation strategies to minimize power, water, and paper consumption, as well as to reduce waste despite our growing workforce and operations. We also encouraged our employees and customers to adopt and promote sustainable working and living practices through our "Going Green" campaign.</i></p> <p><i>We cultivate a culture of meaningful giving. Our branches nationwide supported various fundraising projects, medical missions, and sports and cultural events to help enhance the quality of life and build goodwill in their own communities. Even our employees supported various worthy causes, doing what they can to reach out and make a difference in society.</i></p> <p><i>Moving forward, we are committed to do more and give back more so that society at large will benefit from China Bank's continued success. We plan to adopt a comprehensive corporate social responsibility strategy closely linked with our business strategy to deepen our involvement beyond charitable giving. We are confident that China Bank can make a significant step forward through a more structured approach to social activities and bigger budget allocations for our various CSR projects and programs.</i></p>	 <p>GROWING AND GOING GREEN</p> <p>Replaced flourescent lights in branches and signages with LED bulbs, and A/C system with newer, more energy-efficient units</p> <p>Reduced printed reports by 30% and print-as-needed reports by 67%</p> <p>Implemented E-announcements for employee updates</p> <p>Discontinued printing of SOA ATM Savings (Clients may view/request their statement of account through our e-channels)</p>

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
Board of Directors	<p><i>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board—the individual members, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</i></p> <p><i>Last year, the Board and our CEO once again conducted a self assessment of their performance in 2014. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</i></p> <p><i>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</i></p>	<p><i>Rating Description</i> <i>0 Poor - Leading practice or principle is not adopted in the company’s Manual of Corporate Governance</i> <i>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made yet been made</i> <i>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</i> <i>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i> <i>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</i></p>
Board Committees	<p><i>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board—the individual members, the committees, and the collective—and the CEO. A specific CEO self- assessment was introduced in 2010 in compliance with the best practices on corporate governance.</i></p> <p><i>Last year, the Board and our CEO once again conducted a self assessment of their performance in 2014. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</i></p> <p><i>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant</i></p>	<p><i>0 Poor - Leading practice or principle is not adopted in the company’s Manual of Corporate Governance</i> <i>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made</i> <i>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</i> <i>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i> <i>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</i></p>

	<p><i>deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</i></p>	
Individual Directors	<p><i>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board— the individual members, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</i></p> <p><i>Last year, the Board and our CEO once again conducted a self-assessment of their performance in 2012. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</i></p> <p><i>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</i></p>	<p><i>0 Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance</i></p> <p><i>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made</i></p> <p><i>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</i></p> <p><i>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i></p> <p><i>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</i></p>
CEO/President	<p><i>In compliance with the existing rules and on international best practices, an annual self-assessment is conducted by the Board— the individual members, the committees, and the collective—and the CEO. A specific CEO self-assessment was introduced in 2010 in compliance with the best practices on corporate governance.</i></p> <p><i>Last year, the Board and our CEO once again conducted a self assessment of their performance in 2014. The formal self-rating system focuses on the level of compliance with leading practices and principles on good governance and identifies areas for improvement.</i></p> <p><i>The Compliance Office summarizes the results of the evaluation, discussed by the Corporate Governance Committee and reported to the Board. Based on the results of the annual</i></p>	<p><i>0 Poor - Leading practice or principle is not adopted in the company's Manual of Corporate Governance</i></p> <p><i>1 Needs Improvement - Leading practice or principle is adopted in the Manual but compliance has not yet been made</i></p> <p><i>2-3 Fair - Leading practice or principle is adopted in the Manual and compliance has been made but with major deviation(s) or incompleteness</i></p> <p><i>4 Good - Leading practice or principle is adopted in the Manual and compliance has been made but with minor deviation(s) or incompleteness</i></p> <p><i>5 Excellent - Leading practice or principle is adopted in the Manual and full compliance with the same has been made</i></p>

	<i>evaluation, there are no significant deviations and in general, the Bank has fully complied with the provisions and requirements of the Corporate Governance Manual.</i>	
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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.

Bellow is the internal policy on sanctions imposed for any violation of the corporate governance manual

- “1. *Strictly observe and implement the provisions of this Manual, the following penalties shall be imposed, after notice and hearing, on the Bank’s directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:*
 - 1.1 *In case of **first violation**, the subject person shall be reprimanded.*
 - 1.2 *Suspension from office shall be imposed in case of **second violation**. The duration of the suspension shall depend on the gravity of the violation.*
 - 1.3 ***For third violation**, the maximum penalty of removal from office shall be imposed.*
- 2. *The commission of a third violation of this Manual by any member of the Board of the Bank or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.*
- 4. *The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.*

Violations	Sanctions
<i>None</i>	<i>None</i>

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 06 January 2016.

SIGNATURES

(On Leave)
HANS T. SY
(Signature over Printed Name)

Chairman of the Board

(Original Signed)
RICARDO R. CHUA
(Signature over Printed Name)

President & Chief Executive Officer

(Original Signed)
ROBERTO F. KUAN
(Signature over Printed Name)

Independent Director

(Original Signed)
ALBERTO S. YAO
(Signature over Printed Name)

Independent Director

(Original Signed)
ATTY. MARISSA B. ESPINO
(Signature over Printed Name)

Chief Compliance Officer

SUBSCRIBED AND SWORN to before me this 07 day of January 2016, affiant(s) exhibiting to me their identification documents, as follows:

NAME	IDENTIFICATION DOCUMENT
Hans T. Sy	Passport No. EB-44448660 Issued on 14 January 2012
Ricardo R. Chua	SSS ID No. 03-2416389-8
Alberto S. Yao	SSS ID No. 03-1301449-2
Robert F. Kuan	Passport No. EC0637710 issued in Manila valid until March 20, 2019
Atty. Marissa B. Espino	Passport No. EB4316316 to expire on 23 December 2016.

(Original Signed)
JAY ANGELO N. ANASTACIO
Notary Public for the City of Makati
Appt. No.M-332 until December 2016
4/F Philcom Building
8755 Paseo de Roxas, Makati City
PTR No. 5324685 01.05.16; Makati City
IBP No. 1016938 12.28.15; Quezon City
Roll of Attorney's No. 39202

Doc No. 510
Page No. 103
Book No. 5
Series of 2016.

06 January 2016

SECURITIES AND EXCHANGE COMMISSION

Attention : **Atty. Justina F. Callangan**
Director
Corporate Governance and Finance Department

Mr. Vicente Graciano P. Felizmenio, Jr.
Director
Markets & Securities Regulation Department

Gentlemen:

In compliance with the Securities and Exchange Commission's Memorandum Circular Nos. 1 and 12 Series of 2014, we would like to submit to you the Banks Consolidated Changes in the ACGR for 2015, as approved, noted and confirmed by the Board last 06 January 2016.

Summary of the additional ACGR Updates:

Section	Updates / Revisions
1. Composition of the Board	Updated the number of years served as director.
2. Duties and Responsibilities of the Board	Inclusion of the requirement under BSP Memo No. 2014-011 on Board's responsibility with regard to the Financial Statements as audited by the external auditor. Inclusion in the Manual of the BSP rules on Expectations for an Effective External Audit Function, Consumer Protection, Internal Audit, and Credit Risk Management.
3. Mission and Vision	Inclusion of the statement on the Bank's periodic review of its "Mission and Vision" that is aligned with the Bank's corporate strategy.
4. Limit on the Number of Board Seats in Other listed companies	To include the limit of five (5) listed companies only where an Independent Director or a Non-Executive Director may hold the same position on a concurrent basis.
5. Term Limits for Independent Directors	To included a provision that Independent Directors may be elected up to five (5) listed companies only within the conglomerate.
6. Shareholding in the Company	Updated to reflect the as of September 30, 2015 data.
7. Plan for Succession	Updated to discuss directors' plan for the succession of the CEO/Managing Director/President and the top key management positions to include the option to use professional search firms.

8. voting Results of the last Annual Stockholders Meeting (for the Election of Directors)	Updated to reflect the as of May 7, 2015 results of voting in the Annual Stockholders' Meeting.
9. Orientation and Education Program	Updated the list of Education Program to cover up to 2015.
10. In-House Training attended by the Board	Updated the discussion to include the AML seminar attended by the Board and Senior Management in 2015.
11. Continuing Education Program For Directors	Updated to include their 2015 Training.
12. Board Meetings & Attendance	Updated to mention that non-executive directors without the presence of the executive directors, met at least once in 2014.
13. Quorum requirement for Board Decision	Updated to include, among others, that in cases where a decision is to be arrived at by the Board, as a matter of policy, decisions should be made only upon a quorum of 2/3 of the members of the Board, unless a different quorum is required by existing laws, rules and regulations.
14. Changes in Existing Policies	Incorporated the updates made in the CG Manual which were approved by the CG Committee and the Board.
15. Aggregate Remuneration	Indicated the aggregate remuneration of the Directors for the year 2014. No AFS yet to reflect the 2015 figures.
16. Stock Rights	Disclosure of the Stock Rights Offering conducted by the Bank in 2014
17. Remuneration of Management	Updated in 2015 to reflect the 2014 figures.
18. Board Committees	Updated the number of members and current membership, functions, key responsibilities and board committees, particularly the Related Party Transaction.
19. Committee Meetings	Updated to reflect the number of meetings in 2014 and the attendance of the directors.
20. Committee Members	Updated to reflect the length of continuous service in the committee and updated the profile or qualifications of the Audit Committee Members.
21. Nomination Committee	Membership was updated to be composed entirely of three (3) independent directors.
22. Audit Committee	Updated the profile and qualifications of the Audit Committee members
23. Audit Committee's Responsibility	Inclusion of the Audit Committee's responsibility to review and monitor the external auditor's competency as required under BSP Circular No. 871.
24. Risk Management	Indicated the 2014 annual and continuing review of

Review of Risk Policy	the risk policy of the Bank.
Risk Policy, (a) Company	Updated the Credit and Operational Risk Policies
Control System Set Up	Updated the Market and Credit Risk Sections.
25. Risk Management - Group	Updated the Market and Credit Risk Sections.
26. Internal Audit and Control - Internal Control System	Indicated the annual and continuing review of internal control for 2014.
27. Compliance with SEC Code of Corporate Governance	Inclusion of the annual certification by the Chief Compliance Officer and the President & CEO.
28. Role of the Stakeholders Anti-corruption programmes and procedures, and Safeguarding creditors' rights	Discussion of write-up on anti-corruption policy was updated.
Policy on Health, Safety and welfare of employees	Updated to include programs and activities of the Bank showing advocacy of promoting health, safety and welfare of employees.
Training and Development Programs for employees	Reflected the training programs implemented in 2015 for the employees of the Bank.
29. Disclosure and Transparency Ownership Structure	Updated to reflect the ownership details as of 30 September 2015.
External Audit Fees	Reflected the 2014 Audit Fees. No AFS yet to in order to reflect the 2015 figures.
Disclosure of Significant RPTs	2014 Summary included in the 2015 RPT report. The relationship disclosures were updated and a statement on the fairness of the transaction as conducted at arm's length basis was included.
30. Rights of Stockholders Dividends	Updated to reflect the 2015 declaration.
Stockholders' Participation, giving out of notice	Indicated the dates when the notice was made and the date of the Annual Stockholders' Meeting.
Questions and Answer during the ASM	Reflected the questions and answers during the 2015 Annual Stockholders' Meeting.
Results of the 2015 ASM	Updated to include the resolutions and the votes cast for each resolution.
Date of Publishing of the votes	Reflected the May 8, 2015 publication date.

Date of the publishing of the result of the ASM	Reflected the May 8, 2015 date as the date of the publication of the result of the ASM.
Stockholders' Attendance	Updated the details required, such as type of meeting, date of meeting and the voting procedures, etc.
Definitive Information Statement	Reflected the required data like number of stockholders, date of distribution, etc.
31. Investor Relations Program Mergers and Acquisition	Updated to include information about the Investor Relations Officer (Item K.2). Updated to mention the name of the independent party engaged by the Bank on mergers and acquisition.
32. Corporate Social Responsibility	Updated the write-ups and added the 2014 activities.
33. Board, Director, Committee and CEO Appraisal	Updated to provide the process followed and the criteria used in assessing the annual performance of the board and its committees, individual director and the CEO/President.

Thank you very much.

Very truly yours,

(Original Signed)
ATTY. MARISSA B. ESPINO
 VP, Chief Compliance Officer

(Original Signed)
ATTY. CORAZON I. MORANDO
 VP & Corporate Secretary