

April 14, 2015

ATTY. JUSTINA F. CALLANGAN

Director

Corporate Governance and Finance Department

Securities & Exchange Commission

SEC Building, EDSA Greenhills

Mandaluyong City, Metro Manila



SUBJECT: ADDITIONAL AUB UPDATES AND CHANGES TO ACGR FOR 2014

Dear Atty. Callangan:

We submit as attached herewith additional updates to the Annual Corporate Governance Report (ACGR) of Asia United Bank Corporation for 2014 based on information from AUB's Audited Financial Statements as at and for the year ended December 31, 2014.

The attached report contains a summary of updated sections in the 2013 ACGR and the pertinent sections.

We hope that you will find everything in order.

Thank you.

Very truly yours,



ELIZABETH T. MIRANDA

VP / Head

Corporate Planning and Investor Relations



ATTY. RIA CARMELA R. CRUZ
Assistant Corporate Secretary

COVER SHEET

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S.E.C. Registration Number

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

ELIZABETH T. MIRANDA
Head – Corporate Planning and
Investor Relations

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(632) 631-3333 /
(632) 638-6888

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

LETTER / MISC

FORM TYPE

4TH Friday of May

Month

Day

Annual Meeting

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Secondary License Type, If Applicable

M	S	R	D
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Amended Articles Number/Section

97*

as of March 31, 2015

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

**No. of Shareholders Owning at Least 1 Board Lot*

Based on latest Report on the Number of Shareholders.

To be accomplished by SEC Personnel concerned

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SUMMARY OF ACGR UPDATES FOR 2014

April 2015

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A. BOARD MATTERS

A. Board of Directors

(a) Composition of the Board

(b) Corporate Governance Policy/ies

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.

Based on AUB's Revised Corporate Governance Manual as of July 31, 2014, the Bank adopts both the Organization for Economic Coordination's (OECD) and the Securities and Exchange Commission's (SEC) definitions of corporate governance.

- Based on the Organization for Economic Coordination and Development (OECD), Corporate Governance shall be defined as "a set of relationships between a company's board, its shareholders and other stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and maintaining performance are determined. More briefly, it is the system by which businesses are directed and implemented by the company's board of directors."
- Based on the SEC's Revised Code of Corporate Governance, Corporate Governance shall be defined as "the framework of rules, systems, and processes in the corporation that governs the performance of the Board of Directors and Management of ASIA UNITED BANK of their respective duties and responsibilities to shareholders and other stakeholders, which include, among others, customers, employees, suppliers, financiers, government, and the community in which it operates."

With respect to shareholders, the Board ensures that the Shareholder's rights to vote, power of inspection, right to information, right to dividends, derivative rights and appraisal right are respected, and provides clear rules on the entitlement of stockholders to these rights.

For the minority shareholders, the Board provides that a director will not be removed if it will deny minority shareholders representation in the Board. Minority shareholders also have the right to propose the holding of a meeting, and the rights to propose items in the agenda of the meeting, provided items are for legitimate purposes. Minority shareholders 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 with the definition of legitimate purposes.

With respect to its disclosure duties, AUB believes that transparency is the essence of corporate governance. It is therefore essential that all material information about the bank which could adversely affect its viability or the interest of its shareholders and other stakeholders be publicly and timely disclosed.

AUB's policies concerning the general responsibilities of the Board of Directors are as follows:

- The position of a bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner.
- The Board shall be responsible for fostering the long-term success of the Bank and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its shareholders and other stakeholders.

- The Board shall also formulate the bank's vision, mission, strategic objectives, policies and procedures that will guide its activities. In addition, the Board shall monitor and oversee the performance of senior management as the latter manages the day-to-day affairs of the bank.

The Bank also has a Corporate Governance Committee to assist the Board in fulfilling its corporate governance policies not only for the parent bank, but also for its subsidiaries. The board has also appointed compliance officer who is responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations. The compliance officer is vested with appropriate authority and provided with appropriate support and resources. Furthermore, the Bank's Revised Corporate Governance Manual also mandates that its compliance system applies to all concerned parties, starting from the Board of Directors, the Board Committees, the Corporate Officers and the Auditors.

(c) Review and Approval of Vision and Mission

How often does the Board review and approve the vision and mission?

On October 17-18, 2014, the bank conducted its annual strategic planning workshop, which was participated in by the Vice-Chairman of the Board, the President, and key representatives of the management team from both business and support groups / units of the parent bank and the Presidents of its subsidiaries. In this workshop, the participants revisited AUB's vision and mission statements as these will guide the bank's strategic objective, directions and strategies in the next five years. On its meeting last February 27, 2015, the Board approved this vision and mission statement which is as follows:

Our Vision – We are committed to be the bank of choice, known for financial strength and superior delivery of innovative products and services, driven towards total customer satisfaction.

Our Mission – We shall be guided by our chosen corporate values of Commitment, Integrity, Excellence, Leadership, and Teamwork in:

- Developing long-term partnerships with clients through the delivery of responsive, innovative and value-added products and services;
- Providing the delivery channels that are relevant to our market to ensure convenience and increase the bank's accessibility;
- Creating a dynamic and meritocratic employee work environment that fosters mutual respect, provides professional and personal growth, and encourages creativity;
- Dealing fairly with business partners; and
- Ensuring optimum returns for our stockholders.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group¹

(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 companies outside of its Group.

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jacinto L. Ng, Sr.	None	
Ramon Y. Sy	Apex Mining Co, Inc.	Chairman
	SPC Corporation	NED

¹ 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.
Abraham T. Co	None	
Jonathan C. Ng	None	
Atty. Lily K. Gruba	None	
George T. Chua	None	
Dr. Benjamin E. Diokno	None	
Justice Adolfo S. Azcuna	None	
Atty. A. Bayani K. Tan	Coal Asia Holdings, Inc.	NED
	Discovery World Corporation	NED
	First Abacus Financial Holdings Corp.	NED
	I-Remit, Inc.	NED
	Premium Leisure Corp.	NED
	TKC Steel Corporation	NED

(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
Jacinto L. Ng., Sr. Jonathan C. Ng	Republic Biscuit Corporation	Republic Biscuit Corporation (Rebisco) is owned by Mr. Jacinto L. Ng., Sr. (40.00%), and Mr. Jacinto C. Ng, Jr. (20.00%), Mr. Jonathan C. Ng (20.00%),
George T. Chua	Kuo Yu Philippines Holdings Corporation	Mr. George T. Chua owns 60% of the outstanding capital stock through voting preferred shares. Mr. George T. Chua is a Director of the Bank.
Jonathan C. Ng George T. Chua	Lambda Holdings Corporation	The said directors have shareholdings in Lambda Holdings Corporation. Jonathan C. Ng (20%), George T. Chua (15%).

(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:

The Company has not set any limit on the number of board seats in other listed companies that an individual director may hold simultaneously. As the Executive Profile of the Company will show, most of the directors of the Company have no concurrent directorships or officerships.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	N/A	

	Guidelines	Maximum Number of Directorships in other companies
Non-Executive Director	N/A	
Independent Director	In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry-out his duties and responsibilities.	
CEO	N/A	

(e) Shareholding in the Company

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

As of December 31, 2014

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jacinto L. Ng, Sr.	100	8,400	0.00%
Jonathan C. Ng	10	0	0.00%
George T. Chua	31,640	0	0.01%
Abraham T. Co	100	0	0.00%
Lily K. Gruba	80	0	0.00%
Ramon Y. Sy	21,010	0	0.01%
Adolfo S. Azcuna	10	0	0.00%
Benjamin Diokno	10,010	0	0.00%
A. Bayani K. Tan*	26,491	0	0.01%
TOTAL	97,851	8,400	0.03%

B. Chairman and CEO

C. Plan for Succession of CEO/Managing Director/President and Top Key Positions

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

During the meeting of the Board of Directors held on December 19, 2014, the board approved the Succession Management Framework for AUB, which was recommended by the Performance Evaluation, Compensation and Remuneration Committee.

Succession Management aims to ensure business sustainability by developing talents ready and capable of assuming key/ critical roles in the organization. By maintaining a talent pool of successors, Management will be able to respond to changes in the organization more effectively.

The proposed framework is composed of the following stages that ultimately lead to a deeper bench of potential successors in preparation for future vacancies in key/ critical positions in the organization:

- Identification of key/ critical positions in the organization
- Assessment of incumbents of identified key/ critical positions
- Identification of potential successors
- Preparation of Developmental plans for potential successors
- Monitoring of effectiveness of developmental plans

D. Other Executive, Non-Executive and Independent Directors

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Effectivity	Reason
Atty. A. Bayani K. Tan ²	Corporate Secretary	February, 21, 2014	Replacement for Atty. Maria Pilar Martinez-Caedo
Atty. A. Bayani K. Tan ³	Director	June 9, 2014	Increase the number of directors to nine to comply the number of directors stated in AUB's Articles of Incorporation

F. Orientation and Education Program

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

(b) State any in-house training and external courses attended by Directors and Senior Management⁴ for the past three (3) years (2012 to 2014):

AUB's Directors and Senior Management attended the following in-house training and external courses from 2012 to 2014:

1. Corporate Governance Seminar
Risks, Opportunities, Assessment and Management (ROAM), Inc.
December 5, 2014 (4 hours)
Tower 2, RCBC Plaza, Makati City
2. Updates on Corporate Practices in the Philippines
SyCipGorresVelayo & Company
November 21, 2014 (3 hours)
Makati Shangri La Hotel, Makati City
3. Corporate Governance Seminar
Risks, Opportunities, Assessment and Management (ROAM), Inc.
October 24, 2014 (4 hours)
Joy~Nostalg Center, Pasig City
4. Best Practices and Standards for Anti-Money Laundering Compliance
Oracle Financial Services & IndraPhils Inc.
May 24, 2012

²As approved by BangkoSentral ng Pilipinas on December 29, 2014

³Id.

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

5. Optimizing Tax Savings for Real Estate Transactions
CGBP
September 13, 2012

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

Please see Part F (b) above.

B. CODE OF BUSINESS CONDUCT AND ETHICS

1) Policies

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

Business Conduct and Ethics	Directors	Senior Management	Employees
(a) to (l)			
(k) Personal Investment Policy	Directors may purchase and sell investments for their personal or family accounts and risk as long as these transactions are consistent with laws and regulations and the Personal Investment Policy. All such investment decisions must be based solely upon publicly available information.	Members of the senior management may purchase and sell investments for their personal or family accounts and risk as long as these transactions are consistent with laws and regulations and the Personal Investment Policy. All such investment decisions must be based solely upon publicly available information.	Asia United Bank employees may purchase and sell investments for their personal or family accounts and risk as long as these transactions are consistent with laws and regulations and the Personal Investment Policy. All such investment decisions must be based solely upon publicly available information.

- 2) Dissemination of the Code
- 3) Compliance with the Code
- 4) Related Party Transactions

C. BOARD MEETINGS AND ATTENDANCE

- 1) Schedule of Meetings
- 2) Details of Attendance of Directors
- 3) Separate Meeting of Non-Executive Directors
- 4) Quorum Requirement

5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?
- (b) Do board members have independent access to Management and the Corporate Secretary? Yes
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?
- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.
- (e) Committee Procedures

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

Yes ☒

No ☐

Committee	Details of the procedures
Executive Committee	Based on the Executive Committee Charter, the directors who are members of the Executive Committee will receive the agenda and notice three days before the meeting date. Committee reports and recommendations will then be prepared and appropriately distributed as ongoing Committee activities dictate and make other regular reports to the Board.
Audit Committee	The Audit Committee Charter states that the minutes of committee's meetings which are held every two months will be approved by the Committee and maintained.
Trust Committee	Based on the Trust Committee Charter, the committee shall meet once every quarter and keep minutes of its actions and make periodic reports thereon to the Board.
Corporate Governance Committee	The Corporate Governance Committee Charter sets forth that its Committee Secretary shall arrange the meeting schedule and develop the agenda for each meeting. He shall send out the notice of meeting, agenda, minutes of previous meeting, and other necessary documents or reports to all committee members, including those who are directors, a few days before the scheduled meeting date to enable the members to review the details. Furthermore, the minutes of the committee meetings shall be submitted to the board preferably during the Board meeting for the month the committee.
Risk Oversight Committee	According to the Risk Oversight Committee Charter, the committee's secretary will send out meeting agenda, risk management reports, minutes of the previous meeting, and other necessary documents to all committee members, including those who are directors, at least one week before the scheduled meeting for the members to review the necessary details.

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

Committee	Details of the procedures
Performance Evaluation, Compensation and Remuneration Sub-Committee	Based on the Performance Evaluation, Compensation and Remuneration Committee Charter, the sub-committee shall report to its mother committee which in turn shall prepare consolidated reports to the Board.
Nomination Sub-Committee	The Nomination Committee Charter states that the sub-committee shall report to its mother committee which in turn shall prepare consolidated reports to the Board.

D. REMUNERATION MATTERS

- 1) Remuneration Process
- 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	Please refer to item D-1, CEO.	Please refer to item D-1, CEO.	Please refer to item D-1, CEO.
Non-Executive Directors	Please refer to next paragraph.	NA	NA

The Directors of AUB are entitled to a per diem of P60,000 for each meeting of the Board of Directors attended. The fee was last adjusted by the board in September, 2011.

The per diem given to Directors of AUB amounted to P3.60 million, P3.66 million, and P3.72 million in 2014, 2013 and 2012, respectively.

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.

Remuneration Scheme	Date of Stockholders' Approval
None	

3) Aggregate Remuneration

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

2014

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Please refer to item #5	n/a	n/a
(b) Variable Remuneration	Please refer to item #5	n/a	n/a
(c) Per diem Allowance	None	P2,160,000.00	P1,440,000.00
(d) Bonuses	n/a	n/a	n/a
(e) Stock Options and/or other financial instruments	n/a	n/a	n/a
(f) Others (Specify)	n/a	n/a	n/a
Total	0.00	P2,160,000.00	P1,440,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	n/a	n/a	n/a
2) Credit granted	n/a	n/a	n/a
3) Pension Plan/s Contributions	n/a	n/a	n/a
(d) Pension Plans, Obligations incurred	n/a	n/a	n/a
(e) Life Insurance Premium	2x annual gross salary	n/a	n/a
(f) Hospitalization Plan	P250k/year	n/a	n/a
(g) Car Plan	actual expense	n/a	n/a
(h) Others (Specify)	n/a	n/a	n/a
Total		n/a	n/a

4) Stock Rights, Options and Warrants

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:

2014

Name of Officer/Position	Total Remuneration
Antonio Agcaoili, EVP - Treasury	Total remuneration for 2014 – P19.453M
Eduardo Conde, SVP- Consumer Lending Business	
Sandy Tan – SVP – Branch Manager/Area 1 Head	
Herminia Musico, SVP – Financial Control	
Jorge Payawal, SVP- Compliance	

**The 5 members are not necessarily the 5 most highly-compensated and are arranged in random order.*

E. BOARD COMMITTEES

The following data were based on the Committee Accomplishment Reports of AUB's Board Committees. The highlights of the said results will be presented to the Corporate Governance Committee in 2015 and endorsed to the Board of Directors on or before June 2015.

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:

(a) Nomination Committee

No. of Members			Committee Charter	Functions	Key Responsibilities	Power
ED	NED	ID				
1	None	2	Updated as of 10/25/2012	Assist the Board of Directors in defining and assessing Board membership criteria and in ensuring that a process that identifies and develops highly qualified individuals to take on key board and board committee positions when vacancies occur is in place.	Review and recommend to the Board who of the directors should be assigned to what committee. Oversee the appointment of key senior management officers, from the level of Vice Presidents (VP) and up	Recommend to the Board through the Governance Committee qualified members of Board of Directors, key Senior Management officers, members of the Board and Bank Committees.

(b) Risk Management Committee

No. of Members			Committee Charter	Functions	Key Responsibilities	Power
ED	NED	ID				
None	2 1 Senior Officer - non-voting	1	Updated as of 10/25/2012	Review and recommend for approval by the Board of Directors AUB's written risk management program to identify, measure, monitor and control the following risks: Credit, Market, Interest Rate, Liquidity, Operational, Compliance, Strategic, Reputation, Technology-related. Review reports on risk exposures, recommend necessary actions	Establish a monitoring system to ensure that limits set are observed and that immediate corrective actions are taken whenever limits are breached. Evaluate the magnitude, direction and distribution of risks across the Bank and its subsidiary. Ensure that business units provide for ongoing review and validation of the adequacy and soundness of risk	Recommend a system of risk limits and authorities for approval by the Board, and any necessary changes to these limits and authorities.

No. of Members			Committee Charter	Functions	Key Responsibilities	Power
ED	NED	ID				
				and communicate risk mgmt. plan to concerned segment / group to address or reduce the risks. Report to the Board of Directors significant matters concerning risk exposures of the Bank including any BSP exam. findings on unsafe and unsound banking practices and actions taken to manage those risks	management policies and practices. Create and promote a risk culture that requires and encourages the highest standards of ethical behavior by risk managers and risk-taking personnel	

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jacinto L. Ng, Sr.	27 June 2014	51	50	98	17+ yrs.
Member (ED)	Abraham T. Co	27 June 2014	51	47	92	17+ yrs.
Member (NED)	Jonathan C. Ng*	27 June 2014	51	15	29	5+ yrs.
Member (Voting Officer)	Jacob C. Ng	27 June 2014	51	50	98	2+ yrs.

*During its meeting on March 27, 2015, AUB's Board of Directors appointed Mr. Ramon Y. Sy as a new member of the Executive Committee, replacing Mr. Jonathan C. Ng.

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Ret. Justice Adolfo Azcuna	27 June 2014	6	6	100	3 yrs. & 4 mos.
Vice Chairman (NED)	George Chua	27 June 2014	6	6	100	16 yrs. & 6 mos.
Member (ID)	Benjamin Diokno	27 June 2014	6	6	100	3 yrs. & 4 mos.
Member (Voting Officer)	Jacob Ng	27 June 2014	6	6	100	3 yrs. & 11 mos.
Member (Non-Voting Officer)	Florante Del Mundo	7/15/1998	6	6	100	16 yrs. & 5 mos.

Disclose the profile or qualifications of the Audit Committee members.

Justice Adolfo S. Azcuna

Justice Adolfo S. Azcuna, 76, Filipino, is an Independent Director of the Bank since August 2011. He also serves as an Independent Director in RBA and CURB, both AUB subsidiaries. He also holds the position of Chancellor of the Philippine Judicial Academy (PHILJA) of the Supreme Court of the Philippines. He was a former Partner of Azcuna, Yorac, Sarmiento, Arroyo, and Chua Law Firm. He served as an Associate Justice of the Supreme Court of the Philippines from 2002 to 2009. He was also the Chairperson of Philippine National Bank; Director of the Development Bank of the Philippines; and the Chief Presidential Legal Counsel, Press Secretary, and Spokesperson under President Corazon C. Aquino.

Justice Azcuna obtained his law degree from the Ateneo de Manila University and holds a post-graduate certificate from the Salzburg University.

George T. Chua

Mr. George T. Chua, 60, Filipino, was first elected Director of AUB in July 1998. He also serves as a Director of AULFC, RBA, and CURB and Chairman of the board of Quantuvis Resources Corp. He serves concurrently as Director/President of Manila Bay Development Corporation, Manila Bay Venture Capital Corporation, and Ciudad Nuevo Realty Corporation as well as the President of Great Jubilee Development Corporation.

Mr. Chua holds a B.S. degree in Management Engineering from the Ateneo De Manila University.

Dr. Benjamin E. Diokno

Dr. Benjamin E. Diokno, 66, Filipino, is an Independent Director of AUB since August 2011. He is currently an Independent Director in RBA and CURB, both AUB subsidiaries. He is also a retired professor in the School of Economics of the University of the Philippines. Dr. Diokno held various government positions; namely: Secretary of the Department of Budget and Management; Fiscal Adviser at the Office of the Senate President, Philippine Senate; Chairman and CEO of Philippine National Oil Company; Chairman of the Board of Local Water Utilities Administration; and Undersecretary of Department of Budget and Management. His most recent appointments include the following posts: Senior Advisor to the International Tax and Investment Company, Chairman of the Board of Trustees of the Pamantasan ng Lungsod ng Maynila and Chairman of the Board of Ospital ng Maynila

Dr. Diokno holds multiple degrees, including an A.B. in Public Administration, a Master's degree in Public Administration, and a Master's in Economics, all from the University of the Philippines as well as a Master's in Political Economy from John Hopkins University and a PhD in Economics from the Maxwell School of Citizenship and Public Affairs at Syracuse University.

Jacob C. Ng

Mr. Jacob C. Ng, 39, is currently the Vice-President / Chief Transformation Officer (CTO) of AUB. He is a director of the Rural Bank of Angeles. He is also a member of the Credit Committee and the Executive Committee. Prior to his appointment as CTO in October 2014, he served as Binondo Branch Manager. He joined AUB in November 2007 as Vice-President of the Consumer Lending Group. Before joining AUB, he was the Marketing Manager for Retail Branch Banking at Citibank, N.A.

Mr. Ng holds a Bachelor of Arts degree from the Ateneo de Manila University and an MBA in International Management, Specializing in Brand Management from Thunderbird, the Garvin School of International Management, AZ, USA.

Florante C. Del Mundo

Mr. Florante C. Del Mundo, 56, Filipino, joined AUB in 1998. He is currently the Senior Vice President and Head of Internal Audit. He served as Vice President and Head of Internal Audit at Union Bank of the Philippines. He was also an assistant vice president at Bank of the Philippine Islands from 1996 to 1997 and at Citytrust from 1983 to 1996. Mr. Del Mundo was a senior auditor at SGV & Co. from 1978 to 1983.

Mr. Del Mundo is a Certified Public Accountant and holds a B.S.B.A. in Accounting from the Philippine School of Business Administration and a degree in Management Development from the Asian Institute of Management.

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

1. Provide oversight and coordination to external auditor. Review External auditors audit plans and programs prior to actual review of annual financial statements
2. Present to the Audit Committee the results of its audit of the bank's financial statements
3. Recommend external auditor to be appointed by the stockholders during annual meeting

(c) Nomination Sub-Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Abraham T. Co	27 June 2014	1	1	100	17 yrs. & 7 mos.
Member (ID)	Adolfo S. Azcuna	27 June 2014	1	1	100	3 yrs. & 4 mos.
Member (ID)	Benjamin E. Diokno	27 June 2014	1	1	100	3 yrs. & 4 mos.

3) Changes in Committee Members

4) Work Done and Issues Addressed

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

a) Executive Committee

Work Done	Issues Addressed
1. Review of approved loans extended to individuals and corporations by individual officers and the Credit Committee	

b) Audit Committee

Work Done	Issues Addressed
1. Summarized Common Audit Findings for the first half of 2014 and submit the same to management for resolution 2. Reviewed the 1st to 4th Quarter AUB Financial Statements	1. To diminish common branch operation and control lapses, the committee released common audit findings for the first half of 2014 for resolution and resolutions of respective units. 2. Strengthen and cover report issued by Financial Control

Work Done	Issues Addressed
<ol style="list-style-type: none"> 3. Reviewed the monthly report of Risk Management Group 4. Review/ Revise Audit Plan/Progress for Year 2015 (November Audit Committee Minutes) 5. Review 2013 and 2014 Special Investigations 6. Concentration of Audit Review. Focus review of Branches' managed accounts/ suki clients, accounts handled by branch personnel known to have several borrowings, search for pre-signed documents-withdrawal slip/ATD and performance of lifestyle check on branch personnel. 7. Review the Quarterly Branch Goalbuster, FSO Incentives, Trust Incentives and Annual Branch of the Year/ Grand Slam Awards. 	<ol style="list-style-type: none"> 3. Strengthen and cover report issued by Risk Management 4. To plan/ strategize audit schedules of each auditors. 5. To determine common cause of fraud cases/ special cases to address the same. 6. To detect on-going fraud/shortage perpetuated by former ATB employees, old BM/SM (has not been rotated for more than 3 years), disgruntled branch personnel and incentive- driven FSO. 7. To review/ recompute correctness of the initial incentive worksheets provided by their respective units and to check whether policies/criterion are in place. To summarize disqualified branches/ individuals per audit review.

c) Nomination Committee

Work Done	Issues Addressed
<p>Under the Governance Committee, the Nomination Sub-Committee is tasked to assist the Board of Directors in defining and assessing Board membership criteria and in ensuring that a process that identifies and develops highly qualified individuals to take on key board and board committee positions when vacancies occur is in place.</p> <p>The Sub-Committee is in charge of reviewing and recommending to the Board who of the directors should be assigned to what committee.</p> <p>The Sub-Committee also oversees the appointment of key senior management officers, from the level of Vice Presidents (VP) and up.</p> <p>The Committee met on February 9, 2014 to screen the nominees for election at the Annual Stockholders' Meeting (ASM) on June 9, 2014 to determine whether they have all of the qualifications and none of the disqualifications for election to the Board of Directors. The Committee also prepared the Final List of Nominees for election to the Board of Directors at the ASM.</p>	<p>The following have been nominated for election to the Company's Board of Directors:</p> <ol style="list-style-type: none"> 1. Jacinto L. Ng, Sr. 2. Adolfo S. Azcuna (Independent Director) 3. George T. Chua 4. Abraham T. Co 5. Benjamin E. Diokno (Independent Director) 6. Lily K. Gruba 7. Jonathan C. Ng 8. Ramon Y. Sy 9. A. Bayani K. Tan <p>All nominees were determined to be qualified.</p> <p>Messrs Azcuna and Diokno were nominated by Mr. Co upon consultation with the Board of Directors. Both Independent Director nominees have accepted their nominations in writing.</p> <p>There are no relationships between the foregoing nominees for independent director and the persons who nominated them.</p> <p>Messrs. Azcuna and Diokno were first elected as independent directors in August 2011 and have served for less than three (3) years.</p>

Work Done	Issues Addressed
	No director has resigned or declined to stand for re-election to the Board of Directors due to disagreement on any matter.

d) Performance Evaluation, Compensation and Remuneration Committee

Work Done	Issues Addressed
1. Approve policy matters relating to personal investments of AUB employees, compensation and succession management	1. The following matters were approved: <ul style="list-style-type: none"> a. Succession Management Framework for AUB b. AUB Personal Investment Policy c. AUB Salary Scale

e) Corporate Governance Committee

Work Done	Issues Addressed
1. The CGC discussed and approved the Audit Committee's Self-Assessment for 2013. The report was submitted to SEC on May 15, 2014.	1. Complied with SEC Memorandum Circular No. 4, Series of 2012, Guidelines for the Assessment of Audit Committees of Companies Listed on the Exchange.
2. The CGC recommended a revision in the Manual of Corporate Governance to include the oversight function of the Audit Committee over the financial reporting process and over risk management activities. These revisions were incorporated in the Revised Manual of Corporate Governance that were approved by the board on July 25, 2014 and submitted to SEC and PSE on July 30, 2014.	2. Same as No. 1
3. The CGC discussed and approved AUB's first Annual Corporate Governance Report (ACGR) since the bank became listed. The ACGR was submitted to SEC and PSE on May 30, 2014.	3. Complied with SEC Memorandum Circular No. 5, Series of 2013, Annual Corporate Governance Report (ACGR).
4. The CGC recommended the appointment of Justice Adolfo S. Azcuna, an independent director, as Chairman of the Corporate Governance Committee.	4. Addressed the BSP ROE 2013 finding that the CGC was not chaired by an independent director
5. The CGC issued a memo dated September 2, 2014 to the chairpersons of the Board and Management Committees containing the following: <ul style="list-style-type: none"> a. A reminder to submit to the Board of Directors for their notation a copy of the minutes of each committee meeting, b. Some guidelines when submitting the minutes to the Board, and 	5. Further assisted the Board in fulfilling its corporate governance responsibilities and addressed BSP 2013 ROE finding on need to strengthen the board's corporate governance.

Work Done	Issues Addressed
<p>c. An instruction to prepare a Committee Accomplishment Report (CAR) for the period January to August 2014 and to submit it to the CGC.</p> <p>The CARs from the various committees, together with recommended action plans, were presented to the CGC on October 24, 2014 and to the Board on November 21, 2014.</p> <p>The CGC also asked all the bank committees to update their CARs to include the full year 2014 and submit to the CGC on or before January 30, 2015.</p> <p>6. The CGC requested the Board of Directors of the parent bank to fill out the Corporate Governance Scorecards (BOD and Individual Directors) for the 12-month period ended August 31, 2014. The results of the self-assessment, together with the recommended action plans, were presented to the CGC on October 24, 2014 and to the Board on November 21, 2014.</p> <p>7. The CGC revised its Charter based on the results of the existing Charter's review against BSP and SEC Circulars, AUB's Articles of Incorporation and By-Laws, and the functions of the CGC of other banks. One of the revisions is the addition of a 3rd committee objective as shown below, which will expand the coverage of the CGC to include the parent bank and its subsidiaries:</p> <p><i>"The Committee shall assist the board in defining an appropriate corporate governance framework that will enable the board to effectively provide oversight over the parent bank and its subsidiaries."</i></p> <p>The revised Charter was approved by the CGC and the Board on October 24, 2014 and November 21, 2014 respectively.</p>	<p>6. Complied with BangkoSentral ng Pilipinas Circular No. 749 Series of 2012 with subject "Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions" and The Securities and Exchange Commission Memorandum Circular No. 6 Series of 2009 with subject "Revised Code of Corporate Governance"</p> <p>7. This was done to:</p> <ol style="list-style-type: none"> Ensure that the CGC Charter is compliant with regulatory requirements and other banks' best practices. Address the BSP ROE finding on expanding oversight of parent bank's board to cover the entire group.

f) Risk Management Committee

Work Done	Issues Addressed
<ol style="list-style-type: none"> 1. Generation of Act vs. Plan report to monitor actual vs. budgeted Balance Sheet items for the bank 2. Accomplished Treasury Operational Plan report that highlights change in MCO Limits, BS VAR, GS VAR and FX VAR. 3. Conducted quarterly market risk stress tests (For March and June) in compliance with BSP requirements. 4. Monthly monitoring of MCO movement of the balance sheet to check if the limits are exceeded. 5. Monthly monitoring of Balance Sheet VAR through Earnings at Risk monitoring to see if the BS VAR limits are exceeded. 6. Monthly monitoring of daily EB and GS Sales and Purchases. 7. Report of Daily Monitoring and Reasonability Reports 8. Report of Day-to-Day change of EB VAR, GS VAR and FX VAR to see where VAR limits are exceeded 9. Monthly monitoring of Country Risk Limits and Credit Rating Limits for Treasury Products to see if limits are exceeded 10. Loan Loss Provisioning 11. Stress Testing using internal and BSP-recommended methods for individual groups/entities and industries. 12. CRRS Rating assignment review and validation. 13. Reclassification of industries depending on purpose of loan. 14. Separate monitoring of CTS w/ and w/o recourse 15. Separate monitoring of PVAO past due trend from total salary loans. 16. Monitoring of exposure concentration 	<ol style="list-style-type: none"> 1. To closely monitor if the actual bank operation results is at par with the one planned and approved by the board 5. I 6. In compliance with BSP's comment of a more frequent review of Daily Sales and Purchase Reports 9. Blank 10. Understated provisioning requirements. 11. Over-all assessment of large exposures to determine their impact on Bank's capital upon default. 12. Inaccurate ratings for entities which are performing badly. 13. Maintain industry concentration below the 25% limit. 14. Determine how much of the portfolio carries risk of non-payment upon default 15. Increasing past due trend for salary loans. 16. To ensure that SBL will not be breached

g) Trust Committee

Work Done	Issues Addressed
<ol style="list-style-type: none"> 1. Review of the business operations of AUB-Trust with discussions on income and assets held in trust (AHIT) 2. Administrative and investment review of outstanding trust accounts 3. Approval of credit facilities (new and renewal) relative to the investments made for accounts 4. Review relative to the risk management of trust 5. Regular updates on BSP ROE as of September 30, 2013 were discussed. 6. Discussion on the recent tax rulings including the Submission of Alphabetical List of Employees/Payees of Income Payments under BIR RR 1-2014 and imposition of GRT on SDA placement under BSP Memo M-2014-029. 7. Proposal on the creation of Wealth Management Unit presented 8. Amendments on the Plan Rules of the UITFs managed by AUB-Trust presented. Creation of a new UITF (Fund-of-Fund) also raised 	<ol style="list-style-type: none"> 1. The Trust Committee approved the UITF Incentive Program which was meant to fully utilize the Bank's extensive branch network and thereby improve AHIT level. AUB-Trust also identified areas where to put up Trust Centers which was raised and approved by the Committee during their meetings the previous year. 2. Enhanced administrative and investment review implemented starting August 2014 3. The Trust Committee instructed AUB-Trust to separate the documentation for the proposed credit facilities relative to the investments to be made for Diversified and Non-Diversified Account. Documentation for Diversified Accounts shall be the Loan Approval Documentation (LAM) and for Non-Diversified Accounts shall be Credit Approval Memorandum (CAM). 4. Enhanced reports on risk management were approved and implemented in relation to the findings of BSP including the revision of the Risk Control Self-Assessment Form and the Compliance Matrix covering review on compliance on existing regulations (BSP, SEC and BIR) on Trust. 5. Revisions on the Trust Manuals and Forms were made to comply with the findings of the BSP 6. Mr. Chua updated the Trust Committee on the position of TOAP on BIR RR 1-2014 to sign as co-petitioner in cases to be filed against BIR. On the matter of the imposition of GRT on SDA placements, TOAP decided to continue with the re-negotiations with BSP. 7. Formal proposal for the creation of Wealth Management Unit was endorsed to the Bank's Board of Directors. The unit is expected to provide and develop various Trust and Treasury products and services for the local and global market to align the Bank with the growing number of investors becoming more complex and sophisticated. 8. Amendments were made to make the UITFs more competitive in the market and allow more participation from retail investors.

Work Done	Issues Addressed
9. Discussions made on the matter of third party custodian for the bond holdings of the Group as it received a letter from HSBC advising the latter's resignation as third party custodian for Trust.	9. The Group has since transferred its Php denominated holdings to BTR for its Government Securities and to PDTC for its Corporate Bonds. For the Usd Denominated Bonds, the Group is in the process of opening an account with Cedel to serve as its third party custodian

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.

a) Executive

Planned Programs	Issues to be Addressed
None	None

b) Audit

Planned Programs	Issues to be Addressed
1. Annual Plan / Program 2. Focus Review 3. Special Investigations 4. Manpower/ Strategies/ Budget Review	1. Various branch lapses / issues to be addressed as audit release reports. 2. Assess / check consistency of controls in place. 3. Audit Special Reviews to further investigate frauds, shortages and other special cases. 4. Compute for additional manpower and costing needed to attain Audit Objective and Plan for Year 2015.

c) Nomination

Planned Programs	Issues to be Addressed
<p>The Board approved on April 25, 2014 the following functions of the Nomination Committee:</p> <p>i) ensure that the Board of Directors has an appropriate balance of required industry knowledge, expertise, and skills needed to govern the Corporation towards achieving its intended goals and objectives; (ii) review and evaluate all candidates nominated to Officer positions in the Corporation that require Board approval prior to effectivity of such Officer appointments or promotions; and, (iii) shortlist,</p>	<p>The new provisions were added to implement and mirror the provisions of the Securities Regulation Code, its implementing rules, and the Code of Corporate Governance on committees and the compliance officer.</p>

assess, and evaluate all candidates nominated to become a member of the Board.	
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d) Performance Evaluation, Compensation and Remuneration Committee

Planned Programs	Issues to be Addressed
1. Continuing review of Compensation and Benefits	1. Rationalization of benefits based on employee needs; Competitiveness with market

e) Corporate Governance

Planned Programs	Issues to be Addressed
<p>1. In a memo dated November 12, 2014, the CGC requested the members of the following committees to fill out the pertinent Corporate Governance Scorecard for the 10-month period ended October 31, 2014:</p> <ul style="list-style-type: none"> • Audit Committee, • Corporate Governance Committee, and • Risk Oversight Committee. <p>The results of the self-assessment will be presented to the CGC on February 27, 2015.</p> <p>2. The CGC requested the Investor Relations Unit to develop and AUB Corporate Governance Scorecard for the other board-level committees. Those for the Executive Committee and the Trust Committee will be presented to the CGC on February 27, 2015.</p> <p>3. In a memo dated December 23, 2014, the CGC also requested the directors of AUB's subsidiaries to fill out the Corporate Governance Scorecards (Board and Individual Directors).</p> <p>The results of the self-assessment will be presented to the CGC on February 27, 2014.</p> <p>4. The CGC requested each board and management committee to review and update as needed their respective committee charters. Deadline for submission to the board of the revised charter or minutes of meeting, whichever is applicable, is March 31, 2015.</p> <p>5. The CGC shall assist the Board in (1) Defining a structure that will enable the effective group-wide oversight and (2) Establishing a risk tolerance for the group which shall be linked to the process of determining the AUB Group's adequacy of</p>	<p>1. Comply with BangkoSentral ng Pilipinas Circular No. 749, Series of 2012 with subject "Guidelines in Strengthening Corporate Governance in BSP Supervised FI's" and The Securities and Exchange Commission Memorandum Circular No. 6, Series of 2009 with subject "Revised Code of Corporate Governance"</p> <p>2. Same as item no. 1</p> <p>3. This was carried out to:</p> <ul style="list-style-type: none"> a. Strengthen the Parent Bank's oversight over the board of directors of its subsidiaries. b. Achieve item no. 1 <p>4. Comply with annual review of committee charters.</p>

Planned Programs	Issues to be Addressed
<p>capital. Due to other priorities, the target completion date has been moved to the end of June 2015.</p> <p>6. The CGC shall regularly review and revise AUB's Manual of Corporate Governance to address the areas for improvement noted in its first Annual Corporate Governance Report. Timing: 2014-2015.</p>	<p>5. Strengthen the Parent Bank's oversight over its subsidiaries.</p> <p>6. Strengthen AUB's corporate governance function.</p>

f) Risk Management

Planned Programs	Issues to be Addressed
1. Improve processes to address concerns raised per BSP Report of Examination	1. Market Risk Documentation, Monitoring, Limits Setting

g) Trust

Planned Programs	Issues to be Addressed
<p>1. The Bank plans to undertake a self-assessment scoreboard for Trust Committee members. The Corporate Governance Committee is undertaking the preparation of the self-scoring template.</p> <p>2. Regular discussions on the strategic plans of the Group.</p> <p>3. Enhance risk management of the Group.</p> <p>4. Creation of a Wealth Management Unit.</p> <p>5. Enhance administrative and investment review of accounts.</p>	<p>1. To address corporate governance</p> <p>2. Revisiting business plan</p> <p>3. To align the risk management of the Group commensurate with the nature and level of fiduciary activities undertaken.</p> <p>4. To expand the business of Trust and Treasury by developing products and services for more complex and sophisticated investors.</p> <p>5. To strengthen the Group's asset management process</p>

F. RISK MANAGEMENT SYSTEM

1) Statement on Effectiveness of Risk Management System

Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

Overall Risk Management Philosophy

AUB adopts a top-down risk management framework, with the Board of Directors setting policy, defining the overall institutional tolerance for risk and creating the framework that allocates responsibilities and institutes controls for compliance with policies. The responsibility for implementation of these risk management procedures resides at all levels of the Bank and its subsidiaries, with all employees receiving training on their role in both the risk and internal control processes.

Review

Board of Directors – Risk Management Committee (“RMC”) and Assets and Liabilities Committee (“ALCO”)

On a monthly basis, the Board of Directors is apprised of the decisions and matters for its attention by the RMC, which advises the Board on setting and monitoring adherence to limits that reflect AUB's maximum tolerance for each major risk, including credit risk, market risk, interest rate risk, foreign exchange risk, liquidity risk and operational risk. AUB's RMC is actively involved in planning, reviewing, approving and assessing all risks involved. AUB's ALCO is responsible for managing AUB's statement of financial position, including its liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

Risk Management Unit (“RMU”)

The RMC directly oversees the RMU, which is an independent unit within the Bank that is principally tasked with quantifying risks using established methodologies such as value-at-risk (“VaR”), stress testing, back testing and capital sensitivity to risk. The RMU reports its findings and makes recommendations to the RMC to assist the Board in setting overall risk management policy that ensures an appropriate balance between risk and return.

The RMU is responsible for the following tasks:

- identifying, analyzing and measuring risks from AUB's trading, position-taking, lending, borrowing and other transactional activities, and recommending risk management policies accordingly;
- recommending policies and procedures to mitigate risk in any identified areas;
- conducting stress tests on AUB's trading portfolios, which are documented and reported to the RMC and the Board;
- participating in ALCO meetings for recommending trading limits to the RMC and developing risk reduction strategies;
- establishing standards and procedures for monitoring and reporting compliance;
- assigning credit risk ratings and assisting traders in recommending credit limits for financial counterparties to the RMC;

- ensuring that automated systems adequately measure risks, prepare risk identification reports and VaR calculators;
- analyzing exposures and making recommendations to the RMC with respect to limits and enhancements to the risk limit structure; and
- monitoring and reporting compliance with approved limits.

In addition, the Operations and Information Technology Risk Manager represents the RMU in the Product Committee, which is responsible for setting product development policies and guidelines. Vulnerabilities in the existing risk management framework are identified, evaluated and reviewed by the risk manager of the affected area (either credit, market or operational), and appropriate policies and procedures are implemented to ensure that risks are addressed and documented properly in product manuals.

Treasury Operations and Market Risk Officers

Treasury Operations is responsible for reviewing daily mark-to-market valuation, which is calculated by an automated process. Market risk officers within the RMU are responsible for performing VaR calculations for all of AUB's risk positions using independent data sources; ensuring compliance with internal limits and reporting all limit exceptions to the RMC.

Senior Management

The senior management is responsible for implementing the Board-approved risk strategy, ensuring that procedures and policy are applied consistently throughout the Bank and that all levels of staff are informed of their responsibilities with respect to risk management. Senior management is also responsible for developing the specific policies, processes and procedures for managing risks in all of AUB's products, activities and systems according to the Board-approved framework.

Internal Audit Function

Finally, the Bank's Audit Committee assumes the internal audit function, which is responsible for monitoring the performance and adequacy of AUB's risk management functions and ensuring compliance with the internal risk management policies through periodic reviews and spot checks. It also identifies internal control deficiencies and assists in reviewing new and existing products and instruments to ensure sufficient internal controls.

IAG conducts an annual audit of the Risk Management Unit. The last audit conducted was in 2014.

G. INTERNAL AUDIT AND CONTROL

1) Statement on Effectiveness of Internal Control System

- Explain how the internal control system is defined for the company;
- A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- Period covered by the review;

January to December 2014.
- How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

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

2) Internal Audit

- (a) Role, Scope and Internal Audit Function
- (b) Appointment / Removal of Internal Auditor
- (c) Reporting Relationship with the Audit Committee
- (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.

2014

Name of Audit Staff	Reason
Aris Ocariza – SAM	Moved to another bank
Ramrod Jarina– AM	Changed industry
Clarissa Ann Opinaldo – OA/AS	Moved to another company
Maritess Erasquin – OA / AS	Moved to another bank

- (e) Progress against Plans, Issues, Findings and Examination Trends
- (f) Audit Control Policies and Procedures
- (g) Mechanisms and Safeguards

(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 following officers attest to the company's full compliance with the SEC Code of Corporate Governance by signing on the Bank's Annual Corporate Governance Report and on the reports on the updates made in it:

Annual Corporate Governance Report	Updates and Changes to the ACGR
1. Mr. Jacinto L. Ng, Sr., Chairman of the Board	1. Ms. Elizabeth T. Miranda, VP / Head – Corporate Planning and Investor Relations
2. Abraham T. Co, President / Chief Executive Officer	2. Atty. Ria Carmela R. Cruz, Assistant Corporate Secretary
3. Justice Adolfo S. Azcuna, Corporate Governance Committee Chairman / Independent Director	
4. Dr. Benjamin E. Diokno, Corporate Governance Committee Member / Independent Director	
5. Jorge S. Payawal, Compliance Officer	

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>AUB's commitment in providing excellent customer service and attaining total customer satisfaction are key factors in the carefully designed Complaints Handling Policy of the bank. Complaints shall be managed and addressed efficiently, and shall be used as basis and gauge for continuous improvement of AUB's operations and services.</p> <p>During its meeting on February 27, 2015, the Board approved AUB's updated Complaints Handling Policy.</p> <p>This update was disclosed to the Philippine Stock Exchange and the Securities and Exchange Commission then the purpose, five-step process and procedures of the policy were summarized and posted in the company's website.</p> <p>Please refer to Exhibit 2, Complaints Handling Policy, for more details.</p>	<p>All complaints and inquiries are handled by the AUB Customer Care under the Client Relations Management Unit. The team aims to effectively and efficiently address all complaints with urgency and importance at all times through the following five-step procedure:</p> <ul style="list-style-type: none"> • Receipt of complaints and inquiries • Forwarding to branch or unit concerned • Facilitation and Resolution • Communication of Resolution to Customer • Closure
Supplier/contractor selection practice	<p>The main objective of the Supply and Services Management Division (SSMD) is to search for reliable vendors who can support the bank in streamlining costs and optimizing existing resources.</p> <p>SSMD shall only source and procure products and services that will provide the bank with the best value for every centavo. Best value is defined as the best possible product or service at the least possible cost.</p>	<p><u>Accreditation</u></p> <p>Require the vendor to submit the accreditation requirements.</p> <ul style="list-style-type: none"> • Evaluate and process the application for accreditation. • Require renewal of the accreditation on an annual basis. <p><u>Selection</u></p> <ul style="list-style-type: none"> • Source, compare, and select from at least two alternative suppliers and subject to the ten-point value purchase criteria.
Environmentally friendly value-chain	<p>AUB's technologically-advanced systems and processes allow the bank to deliver not only efficient results but also environment-friendly procedures.</p>	<p>These systems include the following:</p> <ul style="list-style-type: none"> • Virtual Teller Kiosks (VTKs) <p>As early as 2009, AUB began using Virtual Teller Kiosks (VTKs) to reduce over-the-counter queues and speed up straight-forward self-service tasks. Moreover, this automated process lessened the probability of human error in processing</p>

	Policy	Activities
		<p>transactions and eliminated the need to do account reconciliation at the end of every banking day as all transactions have already been encoded in a database.</p> <p>Besides achieving efficiency, using the VTK also enabled AUB to lessen paper consumption as its clients no longer needed to use deposit slips their cash and check deposits.</p>
Community interaction	<p>AUB's Revised Corporate Governance Manual mandates that the Board shall identify the Bank's stakeholders which includes the community in which the corporation operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>Hence, AUB believes in making positive contributions to the communities where our branches are located and to the less fortunate members of the society in general.</p>	<p>Included among AUB's community interaction activities in 2014 are the following:</p> <ul style="list-style-type: none"> • A Summer Apprenticeship Program for university students from various schools from April to May 2014, • Participation in a six-day Faculty Immersion Program from May 19-24, 2014 which is a collaboration between the Bankers' Association of the Philippines and the Philippine Association of Collegiate Schools of Business (PACSB), and • The renewal of its partnership with Operation Smile Philippines last October 2014 <p>For more details on the above-mentioned initiatives, kindly read this report's Corporate Social Responsibility Initiatives section.</p>
Anti-corruption programmes and procedures	On December 19, 2014, the Board approved AUB's Personal Investment Policy as recommended by its Performance Evaluation, Compensation and Remuneration Committee.	<p>The policy provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints.</p> <p>The policy also applies to all employees of subsidiaries of Asia United Bank.</p>
Safeguarding creditors' rights	The Bank, thru its Remedial Management Unit, complies with BSP Circular No. 454, which provides guidelines on unfair collection practices. The RMU personnel, its collection agencies, lawyers, and other agents ensure that in all its collection efforts, they observe good faith and reasonable conduct and refrain from engaging in unscrupulous or untoward acts.	

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

In compliance with SEC Memorandum Circular No. 11, Series of 2014, the bank complied with the template for publicly-listed companies' website. The bank now has a Corporate Social Responsibility section in its website. It also has a separate section on Corporate Social Responsibility in its 2014 creative annual report.

3) Performance-enhancing mechanisms for employee participation.

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

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

As of January 2015, a total of 3,307 principals and dependents were enrolled under the HMO program with the following highlights:

- Company's top illnesses for Outpatient are (for principals):
 - Hypertension
 - Upper Respiratory Tract Infection
 - Diabetes Mellitus
- Company's top illnesses for Inpatient are (for principals):
 - Thromboembolism
 - Carcinoma in situ of the bronchus and lung
 - Urinary Tract Infection
- Preventive measures and awareness campaigns such as:
 - Infographics
 - Enforcement of annual physical check-up/executive check-up
- Members were also provided:
 - Consultations (onsite consultation with nurses on basic needs)
 - Assistance in check-up schedules and coordination with hospitals and clinics
 - Routine Checkups (annual)
 - Flu Vaccinations
 - Wellness Programs and Lectures
 - Monitoring of Health Problems
 - Infographics
- Access to various hospital and clinics is convenient to its members.
- The company utilization of 52% of the annual premium for inpatient availments and 48% of the annual premium for outpatient availments.
- Company's top illnesses for Outpatient are (for dependents):
 - Upper Respiratory Tract Infection
 - Hypertension
 - Urolithiasis
- Company's top illnesses for Inpatient are (for dependents):
 - Lower Respiratory Tract Infection
 - Infectious Gastroenteritis
 - Dengue

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

The bank launched several in-house development programs to address the staffing requirements for the new branches and sent employees to public /external programs, based on endorsement of their supervisors. For 2014, these programs included the following:

- Corporate Orientation
- Mock Branch
- Branch Manager Orientation Program
- Customer Service
- Signature Verification
- Bills Verification / Counterfeit Detection
- BizKit Hands-On
- Professional Selling Skills
- UITF Certification
- Branch Manager Development Program
- Field Sales Officer Development Program
- Service Manager Development Program
- Relationship Manager Development Program
- BM / RO / Sales Manager Training
- BANCNET Product Orientation

- AMLA Orientation
- Professional Imaging
- Managing Change
- Account Management Workshop
- Commercial Loans Documentation Workshop
- BAP Faculty Immersion
- Summer Apprenticeship Program
- FATCA
- e-LAM
- BizKit Czar
- Branch IS Training
- PA Briefing
- Power Coaching
- Basic Supervision
- Management Training Program

Our training investment for 2014 was approximately P9.57Mn.

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

- 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.

I. DISCLOSURE AND TRANSPARENCY

- 1) Ownership Structure
- 2) Does the Annual Report disclose the following:

	SEC 17-A for 2013	Source / Explanation
Key risks	Yes	<ul style="list-style-type: none"> • "Risk Management" • "Supplemental Risk Management Discussion"
Corporate objectives	Yes	<ul style="list-style-type: none"> • "Business Development" • "Plan of Operation"
Financial performance indicators	Yes	<ul style="list-style-type: none"> • "Key Performance Indicators"
Non-financial performance indicators	Yes	<ul style="list-style-type: none"> • "Business Development" • "Headcount" • "Branch Network"
Dividend policy	Yes	<ul style="list-style-type: none"> • "Dividends" under "Operational and Financial Information"
Details of whistle-blowing policy	No	<ul style="list-style-type: none"> • This is disclosed in the bank's 2013 Annual Corporate Governance Report, under the "Code of Business Conduct and Ethics" section.
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes	<ul style="list-style-type: none"> • "Directors, Executive Officers, Promoters and Control Persons"
Training and/or continuing education programme attended by each director/commissioner	No	<ul style="list-style-type: none"> • This is disclosed in the bank's 2013 Annual Corporate Governance Report, under the "Orientation and Education Program" section.

	SEC 17-A for 2013	Source / Explanation
Number of board of directors/commissioners meetings held during the year	No	<ul style="list-style-type: none"> This is disclosed in the bank's 2013 Annual Corporate Governance Report, under the "Board Meetings and Attendance" and the "Board Committees" sections.
Attendance details of each director/commissioner in respect of meetings held	No	<ul style="list-style-type: none"> This is disclosed in the bank's Annual Corporate Governance Report, under the "Board Meetings and Attendance" and the "Board Committees" sections.
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes	<ul style="list-style-type: none"> "Control and Compensation Information"

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

AUB follows SEC Memorandum Circular No. 5, Series of 2013, which states that, "[t]he Corporate Governance section in the Annual Report (SEC Form 17-A) shall be deleted. Hence, its disclosures which refer to its corporate governance practices are found in its Annual Corporate Governance Report.

3) External Auditor's fee

2014

Name of Auditor	Year	Audit Fee	Non-audit Fee
SycipGorresVelayo & Co.	2014	PhP1,850,000.00	PhP1,050,000.00

Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. The fees presented above include out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.

4) Medium of Communication

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

Press releases (broadsheets, periodicals), Radio and print ads, advisory letters to clients, SMS messages, email blasts, [official Facebook page](#)

In October 2014, AUB launched its own Social Media pages in Facebook, Twitter, Youtube channel and Instagram. To date, AUB has reached 3, 593 likes in Facebook and it is now making its name more visible in the digital world.

5) Date of release of audited financial report

6) Company Website

7) Disclosure of RPT

Please refer to Note 29 of the Group's Notes to Financial Statements for 2014 (Exhibit 1).

RPT	Relationship	Nature	Value

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

The Parent Company ensures at all times that transactions with related parties are made in the ordinary course of business and on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

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	Last April 25, 2014, the Board of Directors approved amendments to the Bank's By-Laws to delete the requirement of the affirmative vote of 3/4 of the outstanding capital stock on special matters enumerated, with the object of reverting to the requirements of the Corporation Code. The said resolution of the Board was approved by the stockholders during the Annual Stockholders' Meeting last June 9, 2014.
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(b) System Used to Approve Corporate Acts

(c) Stockholders' Rights

(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.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

On April 25, 2014, the Board of Directors approved a resolution to revert the required vote to the Corporation Code's requirements in annual stockholders' meetings for increase/decrease of authorized capital stock, and amendments to the Articles of Incorporation and By-Laws of the Corporation. [The said resolution was approved during the Annual Stockholders' Meeting held last June 9, 2014.](#)

K. INVESTORS RELATIONS PROGRAM

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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	Self-assessment process for the board of directors using the AUB Corporate Governance Scorecard for Board of Directors.	During this self-assessment the following areas were covered for review: <ul style="list-style-type: none"> • The Board • The Chairman • The Members of the Board • Board Meetings • Board Committees and Board Issues
Board Committees	Self-assessment process for the following board committees using the AUB Corporate Governance Scorecards: <ol style="list-style-type: none"> a. Corporate Governance Committee b. Audit Committee c. Risk Oversight Committee 	The self-assessment of the said committees included the questions on: <ul style="list-style-type: none"> • The Committee Charter • Committee Membership • Committee Functions
Individual Directors	Self-assessment process for the individual directors using the AUB Corporate Governance Scorecards for Individual Directors.	In this exercise, the directors were asked to evaluate themselves based on their own participation in the Board.
CEO/President	Self-assessment process for Individual Directors. The bank plans to add a separate section to assess the CEO/President in the AUB Corporate Governance Scorecard for the Board of Directors in addition to section evaluating the Chairman.	The self-assessment for the board of directors included a section specific to the Chairman of the Board.

In August 2014, the Corporate Governance Committee distributed Corporate Governance Scorecards to the Board of Directors assessing the Board and the individual directors. During the meeting of the Board held on November 21, 2014, the reports of the Corporate Governance Committee on the results of the said self-assessment were approved by the Board.

In November 2014, the same committee sent out Corporate Governance Scorecards for the Audit, Risk Oversight and Corporate Governance Committees. Scorecards were also distributed to the directors of AUB's subsidiaries namely, Asia United Leasing and Finance Company, Cavite United Rural Bank and Rural Bank of Angeles in December 2014.

N. INTERNAL BREACHES AND SANCTIONS

INDEX TO EXHIBITS

The table below presents the index to exhibits attached to this report on AUB updates and changes to ACGR for 2014.

Exhibit No.	Description	Page No.
1	Note 29 to Audited FS, Related Party Transactions	35
2	Complaints Handling Policy approved by AUB's Board of Directors on February 27, 2015	40

EXHIBIT 1
NOTE 29 TO AUDITED FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS

29. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Parent Company's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Parent Company's employees.

The Parent Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Group and the Parent Company from such services amounted to ₱0.88 million, ₱0.62 million and ₱0.30 million in 2014, 2013 and 2012, respectively. Further, total deposit liabilities of the Parent Company to these related party retirement funds amounted to ₱100.84 million, and ₱55.34 millions at December 31, 2014 and 2013, respectively.

Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24.

The compensation of the key management personnel of the Group follows (in millions):

	2014	2013	2012
Short-term employee benefits	₱141.96	₱132.76	₱94.93
Post employment benefits	1.63	1.53	0.75
	₱143.59	₱134.29	₱95.68

Remunerations given to directors of the Group, which were approved by the Board Remuneration Committee amounted to ₱3.60 million, ₱3.66 million and ₱3.72 million in 2014, 2013 and 2012, respectively.

The Group has no fixed incentive program in place. The Group aims to attract, motivate and retain employees through a competitive salary scheme which includes both direct (salary and cash-related) and indirect (non-cash benefits) compensation. It is the

Group's policy to offer a compensation package that is fair and competitive with current market rates of the industry.

The Parent Company and the subsidiaries share the same key management personnel and directors. Hence, the compensation of key management personnel and remunerations given to directors of the subsidiaries are paid directly and recorded by the Parent Company. The Parent Company does not provide allocation of the above expenses to the subsidiaries and affiliates.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.

Other Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Transactions between the Group and its associated companies also qualify as related party transactions.

Related party transactions of the Parent Company by category of related party are presented below (amounts in millions):

December 31, 2014			
Category	Amount/Volume	Outstanding Balances	Nature, Terms and Conditions
Significant Investor			
Deposit liabilities		P807.70	These are demand, savings and time deposits account with annual fixed interest rates ranging from 0.00% to 1.75%
Deposits	P2,995.68		
Withdrawals	2,391.36		
Key Management Personnel			
Loans and receivables		83.78	These are employee loans under BSP approved plan with annual interest rate of 8.00% and maturity of 3 years, no impairment
Issuances/availments	42.18		
Repayments	35.16		
Deposit liabilities		30.45	These are savings account with annual fixed interest rates ranging from 0.00% to 0.13%
Deposits	823.75		
Withdrawals	861.46		
Other Related Parties			
Loans and receivables		6.73	Loans with interest rate ranging from 4.50% to 9.25% and terms of 60 days to 91 months; secured by real estate properties, chattel and pledge of receivables with aggregate fair value of P16.90 million, no impairment
Issuances/availments	87.26		
Repayments	223.61		
Guarantees and Commitments		15.56	
Deposit liabilities		452.81	These are demand, savings and time deposits account with annual fixed interest rates ranging from 0.00% to 1.88%
Deposits	4,256.19		
Withdrawals	4,217.35		

December 31, 2013			
Category	Amount/Volume	Outstanding Balances	Nature, Terms and Conditions
Significant Investor			
Deposit liabilities		P203.39	These are demand, savings and time deposits account with annual fixed interest rates ranging from 0.00% to 1.60%
Deposits	P7,154.23		
Withdrawals	(8,716.51)		
Key Management Personnel			
Loans and receivables		76.75	These are employee loans under BSP approved plan with annual interest rate of 8.00% and maturity of 3 years, no impairment
Issuances	25.08		
Repayments	(29.88)		
Deposit liabilities		68.16	These are savings account with annual fixed interest rates ranging from 0.00% to 0.13%
Deposits	654.14		
Withdrawals	(633.04)		
Other Related Parties			
Loans and receivables		P143.09	Loans with interest rate ranging from 6.50% to 18.00% and terms of 60 days to 91 months;
Issuances	P155.87		

Repayments	(149.05)		secured by real estate properties, chattel and pledge of receivables with aggregate fair value of ₱ 143.09 million, no impairment
Deposit liabilities		413.97	These are demand, savings and time deposits account with annual fixed interest rates ranging from 0.00% to 1.88%
Deposits	5,215.73		
Withdrawals	(5,386.72)		

Interest income earned and interest expense incurred from the above loans and receivables and deposit liabilities in 2013, 2012 and 2011 follow:

	Significant Investor			Key Management Personnel			Other Related Parties		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Interest income	₱–	₱–	₱–	₱6.67	₱5.71	₱ 6.75	₱1.30	₱3.64	₱24.02
Interest expense	0.27	10.37	71.69	2.96	0.47	0.02	6.29	4.28	2.62

Related party transactions of the Parent Company with the subsidiaries are as follow:

December 31, 2014			
Category	Amount/Volume	Outstanding Balances	Nature, Terms and Conditions
Subsidiaries			
Deposit liabilities		₱174.55	These are demand and savings deposits by subsidiaries with the Parent Company with annual fixed interest rates ranging from 0.00% to 0.13%
Deposits	₱2,583.01		
Withdrawals	2,587.36		
Interest expense	1.14		Interest expense on deposit liabilities
Other assets	200.00		Payments to the Parent Company related to the acquisition of CBP, unsecured
(Notes 15 and 36)		–	
Accounts receivable	5.08		Various expenses paid by the Parent Company in behalf of the Subsidiaries
Advances to AULFC	60.00	60.00	Unsecured non-interest bearing advances by AULFC from the Parent Company
Rent income	0.69	–	Rent income earned on the leased premises

December 31, 2013			
Category	Amount/Volume	Outstanding Balances	Nature, Terms and Conditions
Subsidiaries			
Deposit liabilities		₱61.43	These are demand and savings deposits by subsidiaries with the Parent Company's branches with annual fixed interest rates ranging from 0.00% to 0.13%
Deposits	₱1,851.87		
Withdrawals	2,113.66		
Interest expenses	0.04		Interest expense on deposit liabilities
Other assets	200.00	200.00	Advances/investment in subsidiary RBA
(Notes 15 and 36)			
Accounts receivable	0.50	0.50	Various expenses paid by the Parent Company in behalf of CURB
Rent income	3.78	–	Rent income earned on the leased premises
Accounts payable	–	0.04	Various expenses paid by RBA in behalf of the Parent Company

Transactions with subsidiaries have been eliminated in the consolidated financial statements.

Other related party transactions of the subsidiaries with related parties other than the Parent Company include advances from non-controlling shareholders of AULFC amounting to

₱150.00 million and ₱20.00 million as at December 31, 2014 and 2013, respectively. This is a short-term, unsecured and non-interest bearing borrowings recorded under 'Other liabilities' in the consolidated statement of condition (see Note 20).

Regulatory Reporting

As required by BSP, the Parent Company discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	Parent Company	
	2014	2013
Total outstanding DOSRI accounts	₱22,297,046	₱158,856,112
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans		—
Percent of DOSRI accounts granted after under		
BSP Circular No. 423 to total loans	0.03%	0.32%
Percent of DOSRI accounts to total loans	0.03%	0.32%
Percent of unsecured DOSRI accounts to total		
DOSRI accounts		—
Percent of past due DOSRI accounts to total		
DOSRI accounts		—
Percent of nonaccruing DOSRI accounts to total DOSRI accounts		—

The Parent Company's subsidiaries and affiliates do not have loans, other credit accommodations and guarantees to DOSRI during 2014 and 2013.

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer

of such corporation as representative of the bank/quasi-bank as reported to the BSP. As at December 31, 2014 and 2013, the Parent Company is in compliance with these requirements.

BSP issued Circular No. 654 allows a separate individual limit to loans of banks and quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of twenty-five percent (25.00%) of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed twelve and one-half percent (12.50%) of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As at December 31, 2014 and 2013, the Parent Company does not have any subsidiary or affiliate that is engaged in energy and power generation.

BSP Circular No. 779 extend for another three (3) years the original three (3) year period allowing a separate single borrower's loan (SBL) limit of 25% of the net worth of the lending bank/quasi-bank for loans, credit accommodations and guarantees granted for undertaking infrastructure and/or development projects under the Public-Private Partnership (PPP) Program. The extension of another three (3) years for the separate 25% SBL for PPP infrastructure and/or development projects is expected to encourage the financial sector's participation in the PPP Program of the government, particularly with respect to the projects.

BSP Circular No. 785 grants exclusions from the DOSRI cap for all loans and other credit accommodations covered by guarantees of international and regional multilateral financial institutions where the government is a participant or a shareholder.

EXHIBIT 2

COMPLAINTS HANDLING POLICY

AUB's commitment in providing excellent customer service and attaining total customer satisfaction are key factors in the carefully designed Complaints Handling Policy of the bank. Complaints shall be managed and addressed efficiently, and shall be used as basis and gauge for continuous improvement of AUB's operations and services.

As part of the policy, all complaints and inquiries shall be handled by a dedicated team called AUB Customer Care under the Client Relations Management Unit. The team shall effectively and efficiently address all complaints with urgency and importance at all times.

AUB's Complaint's Handling Policy follows a five-step process in monitoring and resolving all complaints and inquiries.

AUB's COMPLAINTS HANDLING PROCESS



Upon receipt of all customer complaints and inquiries coursed through any of the feedback channels such as AUB Website, Customer Care Email, Branches, other units and BSP, AUB Customer Care will forward these concerns to the branches or unit concerned for proper facilitation and resolution.

AUB Customer Care shall communicate the resolution undertaken to customers once complaints are resolved. Complaints shall be considered closed if the action or decision made by AUB is believed to have satisfied the complaint.

A report with a summary of the nature of received complaints, actions taken to resolve them and turnaround time shall be consolidated in order to: (1) Identify reasons behind recurring complaints, (2) Analyze actions taken on the resolution of such complaints and (3) Recommend measures on how to improve the overall quality of AUB's products and services. The information gathered through monitoring and analysis shall be the basis for the assessment of overall customer experience against our objective of total customer satisfaction.