



## SEC FORM-ACGR (FOR PC/RI)

### ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

1. For the fiscal year ended **December 31, 2021**
2. SEC Registration Number **16962**
3. BIR Tax Identification Number **000-504-532-000**
4. Exact Name of the Issuer as specified in its charter **China Bank Savings, Inc.**
5. Province, Country or other jurisdiction of incorporation or organization .....
6. Address of Principal Office  
**CBS Building, 314 Sen. Gil J. Puyat Avenue,  
Makati City**
7. **1200**  
Postal Code
8. Issuer's telephone number, including area code **(632) 8988-8555**
9. Former name, former address, and former fiscal year, if changed since last report  
.....
10. Industry Classification Code (For SEC's use only) .....

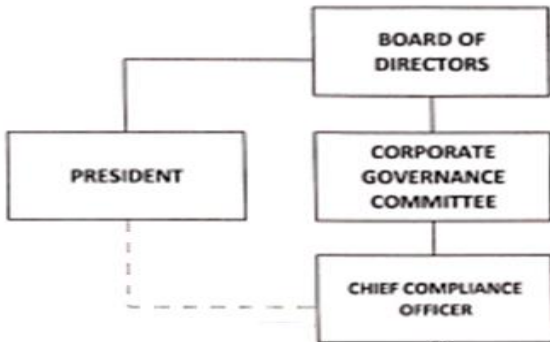
# ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

RECOMMENDATION	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
THE BOARD'S GOVERNANCE RESPONSIBILITIES			
<b>Principle 1. ESTABLISHING A COMPETENT BOARD</b>			
The company should be headed by a competent, working Board to foster the long-term success of the corporation, and to sustain its competitiveness and growth in a manner consistent with its corporate objectives and the long-term best interests of its shareholders/members and other stakeholders.			
<b>Recommendation 1.1</b>			
1 The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	Compliant	<p>The Bank's Board of Directors is composed of directors with diverse educational background, professional experience and expertise. Each member is selected based on the "fit and proper" standard of the Bangko Sentral ng Pilipinas (BSP) which consider, among others, integrity, competence, independence, leadership, and experience. All Bank directors have been evaluated and confirmed by the Monetary Board of the BSP.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 35 (Qualification of Directors)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> <li>- Definitive Information Statement: Pages 13-15 (Business experience)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> </ul>	
2 The Board has an appropriate mix of competence and expertise.	Compliant	<p>To ensure diversity, the Board has identified the required skills and mix of qualifications of directors.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Definitive Information Statement: Pages 13-15 (Business experience)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> </ul>	

3	Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant	<p>The qualifications of the directors nominated to the Board are duly assessed/evaluated by the Corporate Governance and Nominations Committees.</p> <p>Every year during their election/re-election, Bank Directors certify that they possess all the qualifications and none of the disqualifications set forth by the BSP. In addition, they also evaluate their continuing qualification by way of the annual Board, Board Member and Board Committee self-assessments.</p> <p>Link/Reference:  - Definitive Information Statement: Pages 6-9 (Members of the BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	
<b>Recommendation 1.2</b>				
1	The Board is headed by a competent and qualified Chairperson.	Compliant	<p>Mr. Ricardo R. Chua is the Bank's Chairman of the Board. He is also an Advisor to the Board of China Banking Corporation since November 1, 2017. A Certified Public Accountant, Mr. Chua graduated with a Bachelor of Science degree in Business Administration, Major in Accounting, cum laude, from the University of the East, and completed his Master's in Business Management (MBM) from the AIM. He has had trainings in banking operations and corporate directorship, and attended AML and corporate governance seminars. His election/appointment to the Board was confirmed by the Monetary Board of the BSP.</p> <p>Link/Reference:  - Definitive Information Statement: Page 6 (Member of BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	
<b>Recommendation 1.3</b>				
1	The company provides a policy on training of directors.	Compliant	At least annually, as part of the continuing education program for directors, a corporate governance training program is conducted by a training provider duly accredited by the Securities and Exchange Commission. Annual training/continuing education is	

			<p>contained in the Bank's Manual on Corporate Governance which serves as the Board Charter as well.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"><li>- Manual on Corporate Governance: Page 59 (Education Program), Page 90 (Continuing Education Program for the Directors and Officers)</li></ul> <p><a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p> <ul style="list-style-type: none"><li>- Board Trainings (Annex 1)</li></ul>	
2	The company has an orientation program for first-time directors.	Compliant	<p>First-time Directors are required to undergo an orientation program, for at least eight (8) hours, while the annual continuing training shall be at least four (4) hours by an SEC-accredited provider. The training program should cover topics relevant in carrying out their duties and responsibilities as directors. They are also provided with an orientation kit containing, among others, their Duties and Responsibilities as a Director, Manual on Corporate Governance, Code of Ethics for Directors, and the charters of the committees where the elected director is a member of.</p>	
3	The company has relevant annual continuing training for all directors.		<p>The Policy of the Bank requiring an orientation program is provided in the Manual on Corporate Governance.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"><li>- Board Trainings (Annex 1)</li><li>- Manual on Corporate Governance: Page 59 (Education Program), Page 90 (Continuing Education Program for the Directors and Officers)</li></ul> <p><a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
Recommendation 1.4				
1	The Board has a policy on board diversity.	Compliant	<p>Board composition considers educational background, business experience in banking or related industry, competence, knowledge, skills and to include ethnicity, culture, skills, etc.</p>	

			<p>In 2021, the Board has four (4) female members of which two (2) are independent members. The rest of the directors are male.</p> <p>Links/References:  - Definitive Information Statement: Pages 6-9 (Members of BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	
<b>Recommendation 1.5</b>				
1	The Board is assisted by a Corporate Secretary.	Compliant	<p>The Bank's Corporate Secretary is Atty. Arturo Jose M. Constantino III. He is not the Chief Compliance Officer nor a director of the Bank</p> <p>Links/References:  - Definitive Information Statement: Page 12 (Executive Officers)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	
2	The Corporate Secretary is a separate individual from the Compliance Officer.	Compliant		
3	The Corporate Secretary is not a member of the Board of Directors.	Compliant		
4	The Corporate Secretary attends annual training/s on corporate governance.	Compliant	<p>The Bank's Corporate Secretary has attended the Corporate Governance Orientation Program held on August 3 to August 4, 2021 organized by SEC accredited provider.</p> <p>Link/Reference:  - Copy of Certificate of Participation (Annex 2)</p>	
<b>Recommendation 1.6</b>				
1	The Board is assisted by a Compliance Officer.	Compliant	<p>The Bank's Chief Compliance Officer is Mr. Rechie W. Lastimoso with a rank of Senior Manager. Even though his corporate rank is lower than a Senior Vice President, he has direct reporting line to the Board through the Corporate Governance Committee. He has the authority to review/evaluate and sign off on business policies and initiatives for any regulatory implications. He however resigned effective December 1, 2021.</p> <p>Links/References:  - Definitive Information Statement: Page 12 (Executive Officers)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	<p>To update, a new Chief Compliance Officer in the name of Atty. Corazon T. Llagas with a rank of Vice President has started with China Bank Savings, Inc. on January 3, 2022. Her appointment was confirmed by the BSP on 22 February 2022.</p>
2	The Compliance Officer has a rank of Senior Vice-President or an equivalent position with adequate stature and authority in the corporation.	Compliant		

3	The Compliance Officer is not a member of the board.	Compliant	<p>The Bank's CCO, Rechie W. Lastimoso is not a member of the Bank's Board of Directors. Pursuant to BSP rules, the Compliance Division is an independent unit with the Chief Compliance Officer functionally reporting to the Corporate Governance Committee of the Board, and administratively, to the President.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- 2021 Annual report: Page 61 (Compliance Risk Mgmt. System) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> <li>- Manual on Corporate Governance: Pages 73 (Compliance Function), 75 (Duties and Responsibilities of Compliance Office) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> </ul>  <pre> graph TD     BD[BOARD OF DIRECTORS] --- P[PRESIDENT]     BD --- CGC[CORPORATE GOVERNANCE COMMITTEE]     CGC --- CCO[CHIEF COMPLIANCE OFFICER]     P -.- CCO </pre>	
4	The Compliance Officer attends annual training/s on corporate governance.	Compliant	<p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- Copy of Certificate (Annex 3)</li> </ul>	

## Principle 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The fiduciary roles, responsibilities, and accountabilities of the Board, as provided under the law, the company's articles of incorporation and bylaws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders/members and other stakeholders.

### Recommendation 2.1

1	The Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company, shareholders and stakeholders.	Compliant	<p>Bank Directors are required to act on a fully informed basis, in good faith and with due diligence for the best interest of the Bank. In order to provide the Bank Directors with relevant information, materials for the Board meetings are provided to them five (5) business days prior to the Board meeting. The corresponding minutes of the meetings are prepared after every session and routed to the members of the Board for comments and approval.</p> <p>Further, to remind the directors of their duty to act on a fully informed basis, with due diligence and in the interest of the company, they are required to accomplish the annual Corporate Governance Self-Assessment checklist.</p> <p>Link/Reference: Manual on Corporate Governance: Page 42 (Board Materials) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
<b>Recommendation 2.2</b>				
1	The Board oversees the development and approval of the company's business objectives and strategy.	Compliant	The business plans and strategies are presented to the Board for review and approval. On 21 October 2021, the Bank's 2022 - 2026 business plans were presented to the Board and after some deliberation, the Board approved Management's projections and recommendations.	
2	The Board oversees and monitors the implementation of the company's business objectives and strategy.	Compliant	<p>This is consistent with the Bank's Manual on Corporate Governance which provides that the Board is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values.</p> <p>Links/References: - Board Minutes on Business Plan (Annex 4) - Manual on Corporate Governance: Page 13 (BOD Responsibilities) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
<b>Recommendation 2.3</b>				

1	The Board ensures and adopts an effective succession planning program for directors, key officers and management.	Compliant	<p>The Manual on Corporate Governance provides that the Board establishes an effective succession planning program. The program includes a system for identifying and developing potential successors for the CEO and other critical positions.</p> <p>The Bank believes that excellent leadership talent positively contributes to the overall organizational performance. The Bank implements and maintains a Succession Planning and Management Program that ensures the availability of qualified officers for key positions for the entire life of the organization.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 13 (BOD Responsibilities) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> <li>- 2021 Annual Report: Page 67 (Retirement &amp; Succession Policy) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> <li>- Succession Management Program (Annex 5)</li> </ul>	
2	The Board adopts a policy for the retirement of directors and key officers.	Compliant	<p>The Bank's By-Laws provides for replacements in the event of vacancy in the Board. Vacancies occurring in the Board of Directors, other than by removal or by expiration of term, may be filled by election or appointment made by the remaining directors, if still constituting a quorum, otherwise, said vacancy shall be filled by the stockholders in a regular or special meeting called for the purpose, in accordance with law. The person so elected to fill a vacancy shall hold office only for the unexpired term of his predecessor in office.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Amended By-Laws: Article IV Section 8 (Vacancies) <a href="https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf">https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf</a></li> <li>- 2021 Annual Report: Page 67 (Retirement &amp; Succession Policy) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> <li>- Retirement Policy for Directors</li> </ul>	China Bank Savings adopts the Retirement policy of the parent bank China Bank Corporation.



			<a href="https://cbs.com.ph/about/Corporate_Governance.aspx">https://cbs.com.ph/about/Corporate_Governance.aspx</a>	
<b>Recommendation 2.4</b>				
1	The Board aligns the remuneration of key officers and board members with the long-term interests of the company.	Compliant	<p>Remuneration Committee provides oversight on the remuneration of Senior Management and other key personnel, ensuring that compensation is consistent with the Bank's culture, strategy and control environment.</p> <p>Links/References:  - 2021 Annual Report: Page 55 (Remuneration Committee)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
2	The Board adopts a policy specifying the relationship between remuneration and performance.	Compliant	<p>Under the By-Laws, the net profits or earnings of the Bank, after deducting the expenses of administration shall be disposed of as follows: Twenty per centum (20%) to surplus, the maximum amount of which to be accumulated shall be left to the discretion of the Board; not more than five per centum (5%) as bonus to the members of the Board of Directors; not more than five per centum (5%) as bonus to the executive officers; and the balance may be declared as dividends and appropriated for other purposes at the discretion of the Board of Directors.</p> <p>Annual salary increases and performance bonuses of officers are performance-based. While performance of officers, in turn, is rated under separate policies and specific guidelines, performance rating is among the basis for bonus, salary increase and promotion.</p> <p>Links/References:  - Definitive Information Statement: Page 17 (Compensation Plans)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a>  - Amended by-laws: Article XIII Section 1  <a href="https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf">https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf</a></p>	

3	The Directors do not participate in discussions or deliberations involving his/her own remuneration.	Compliant	<p>In accordance with the Bank's By-Laws, the per diem paid to each director for attendance at any meeting of the Board of Directors or Committee shall be the sum fixed by the Board.</p> <p>Links/References:  - Amended By-Laws: Article IV Section 9 (Directors' Fees)  <a href="https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf">https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf</a></p>
<b>Recommendation 2.5</b>			
1	The Board has a formal and transparent board and election policy.	Compliant	<p>The Bank's Nomination Process contains the nomination and election policy, which is updated annually or as the need arises. The Nomination Process form part of the Bank's Manual on Corporate Governance.</p>
2	The Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	<p>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 the Nominations Committee and/or the Corporate Governance Committee thru any member or to the Corporate Secretary. The rules likewise state that the Committees shall pre-screen the qualifications of the nominees on the basis of the nomination and/or supporting papers, ensuring that the nominee's qualities meet the fir and proper standards and are aligned with the Bank's strategic direction.</p> <p>Links/References:  - Nomination Process (Annex 6)  - Manual on Corporate Governance: Page 12 (Nomination and Election of Directors)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>  - Definitive Information Statement: Page 3 (Nomination of Directors)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>

3	The Board nomination and election policy includes how the company accepted nominations from shareholders/ members.	Compliant	<p>The Nomination Process sets forth the nomination policies / requirements.</p> <p>In accordance with the By-Laws as to manner of voting, any stockholder shall be allowed to vote either in person through remote communication, in absentia, or by proxy duly executed in writing signed by the stockholder or his duly authorized attorney-in-fact, subject to compliance with the requirements of existing rules and regulations.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Nomination Process (Annex 6)</li> <li>- Amended By-laws: Article III Section 2 (Manner of Voting) <a href="https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf">https://cbs.com.ph/assets/files/CBSI%20Amended%20By-Laws%202022.pdf</a></li> <li>- Definitive Information Statement: Page 3 (Nomination of Directors) <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> </ul>	
4	The Board nomination and election policy includes how the board reviews the qualifications of nominated candidates.	Compliant	<p>The Nomination Process contained the corresponding provisions in reviewing the qualifications of the nominees for directorship.</p> <p>The Corporate Governance and Nominations Committees pre-screen the qualifications of the nominees on the basis of the nominations and/or supporting papers and prepare a final list of candidates containing all relevant information about the nominees.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Nomination Process (Annex 6)</li> <li>- Definitive Information Statement: Page 3 (Nomination of Directors) <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> <li>- 2021 Annual Report: Page 54 (Nomination Committee) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> </ul>	

5	The Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement/removal of a director.	Compliant	<p>The Nominations Committee, in accordance with its Charter, is tasked to assess the effectiveness of the Board process and procedures in the election or replacement of directors.</p> <p>Link/Reference:  - Nominations Committee Charter  <a href="https://cbs.com.ph/assets/files/Nominations%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Nominations%20Committee%20Charter.pdf</a></p>	
6	The Board has a process for identifying the quality of directors/trustees that is aligned with the strategic direction of the company.	Compliant	<p>The position of a Director in China Bank Savings is one of trust. Thus directors are selected for their integrity, credibility, leadership, and ability to render independent judgment, among others.</p> <p>The Bank's Nominations and Corporate Governance Committees are tasked to identify the quality of directors to ensure they are aligned with the strategic direction. The nomination and election process are set forth in the Nominations Process that is incorporated in the Bank's Manual on Corporate Governance.</p> <p>Links/References:  - Manual on Corporate Governance: Page 63 (Nominations Committee)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>  - Nominations Committee Charter  <a href="https://cbs.com.ph/assets/files/Nominations%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Nominations%20Committee%20Charter.pdf</a></p>	
<b>Recommendation 2.6</b>				
1	The Board has overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	<p>The Board is responsible for approving the Bank's RPT policy, which covers guidelines and procedures for the review and approval of material RPTs to ensure that these are conducted at arm's length basis.</p> <p>In 2021, the RPT Policy was updated to comply with the rules of the BSP and SEC. It is uploaded to the Bank's internal public folder and on the Bank's website. Further, to aid in identifying the Bank's</p>	

			<p>related parties, the RPT Registry is updated regularly.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Related Party Transactions Policy and Guidelines <a href="https://cbs.com.ph/about/corporate_governance/RPT_Policy_and_Guidelines.aspx">https://cbs.com.ph/about/corporate_governance/RPT_Policy_and_Guidelines.aspx</a></li> <li>- RPT Committee Charter <a href="https://cbs.com.ph/assets/files/Related%20Party%20Transaction%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Related%20Party%20Transaction%20Committee%20Charter.pdf</a></li> </ul>	
2	The RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	Compliant	<p>The Bank's RPT policy requires all material RPTs to be reviewed and vetted upon by the RPT Committee before they are endorsed for the Board's approval. As guiding principle, RPTs shall be at arm's length, in the ordinary course of business &amp; in the interest of the Bank and on substantially similar terms as those offered to other non-related parties.</p> <p>Price Discovery Mechanism is in place to ensure that RPT are engaged into terms that promote the best interest of the Bank and its stakeholders.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- RPT Committee Charter <a href="https://cbs.com.ph/assets/files/Related%20Party%20Transaction%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Related%20Party%20Transaction%20Committee%20Charter.pdf</a></li> <li>- RPT Policy and Guidelines <a href="https://cbs.com.ph/about/corporate_governance/RPT_Policy_and_Guidelines.aspx">https://cbs.com.ph/about/corporate_governance/RPT_Policy_and_Guidelines.aspx</a></li> </ul>	
<b>Recommendation 2.7</b>				
1	The Board is primarily responsible for approving the selection of Management, led by the Chief Executive Officer (CEO) or his/her equivalent, and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as may be applicable).	Compliant	<p>The Board oversees the selection of the CEO and other key personnel, including members of senior management and heads of control functions (CRO, CCO, CAE) based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold</p>	

			<p>the general operating philosophy, vision and core values of the Bank.</p> <p>Link/Reference:  - Manual on Corporate Governance: Page 16 (BOD Responsibilities), 75 (Appointment of CCO), 76 (Appointment of CAE), 88 (Appointment of CRO).  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
2	<p>The Board is primarily responsible for assessing the performance of Management, led by the CEO or his/her equivalent and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as may be applicable).</p>	Compliant	<p>The Board regularly monitors and assesses the performance of the management team and heads of control functions (CRO, CCO, CAE) based on approved performance standards.</p> <p>The Board of Directors assesses 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. This may be facilitated by the Corporate Governance Committee or external facilitators.</p> <p>Link/Reference:  - Manual on Corporate Governance: Pages 16, 18 (BOD Responsibility)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
<b>Recommendation 2.8</b>				
1	<p>The Board establishes an effective performance evaluation framework that includes a standard or criteria for assessment and ensures that Management's performance is on par with the standards set by the Board and Senior Management.</p>	Compliant	<p>The Corporate Governance Committee is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its Committees and executive management; and shall also conduct an annual self-evaluation of its performance. The Chairman of the Corporate Governance Committee certifies that it has conducted the fit and proper test" on the Bank's directors and Senior Management.</p> <p>Link/Reference:  - 2021 Annual Report: Page 58 (Selection Process for the</p>	

			Board and Senior Management) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a>	
2	The Board establishes an effective performance evaluation framework that includes a standard or criteria for assessment and ensures that personnel's performance is on par with the standards set by the Board and Senior Management.	Compliant	<p>The Bank's Management establishes measurable standards, initiatives and specific responsibilities and accountabilities for each Bank personnel. Senior Management oversees the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board of Directors for the performance of the Bank.</p> <p>Link/Reference:  - Manual on Corporate Governance: Page 69 (Officer's Responsibilities on Corporate Governance)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
<b>Recommendation 2.9</b>				
1	The Board ensures that an appropriate internal control system is in place.	Compliant	<p>Internal control is a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, rules, supervisory requirements, and the organization's policies and procedures. Control activities are every business levels' function and implemented mainly by Compliance Division, Internal Audit and Risk Management Division.</p> <p>Links/References:  - Manual on Corporate Governance: Page 72 (Internal Control Framework)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
2	The internal control system includes a mechanism for monitoring and managing potential/actual conflicts of interest of the board members/trustees, management	Compliant	The Board approved a Code of Conduct or Code of Ethics, which articulates acceptable and unacceptable activities, transactions and behaviours that could result or potentially result in conflict of interest, personal gain at the expense of the Bank as well as the	

	and shareholders/members.		<p>corresponding disciplinary actions and sanctions.</p> <p>In accordance with the Bank's Code of Ethics, situations that would give rise to a conflict of interest are to be avoided. If transactions with the Bank cannot be avoided, the same should be done in the regular course of the business and upon terms not less favourable to the Bank than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. Employee ensures that their personal interests do not conflict or appear to be in conflict with the duties and responsibilities which they must perform for the Bank and its clients.</p> <p>Likewise the directors, senior management and employees are expected to observe the proper conduct of business in accordance with DOSRI and Related Party Transactions policies, procedure and guidelines to ensure that such are thoroughly reviewed and approved on an arms-length basis.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 14 (BOD Responsibilities) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> <li>- Code of Ethics: <a href="https://cbs.com.ph/about/Code_of_Ethics.aspx">https://cbs.com.ph/about/Code_of_Ethics.aspx</a></li> </ul>	
3	The Board adopts an Internal Audit Charter.	Compliant	<p>The Charter recognizes the authority of the Internal Audit function, to initiate direct communication with any Bank personnel; to examine any activity or entity; and to access any records, files, data and physical properties of the Bank, in performing its duties and responsibilities</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 84 (Internal Audit Charter) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> <li>- Internal Audit Charter (Annex 7)</li> </ul>	



<b>Recommendation 2.10</b>			
1	The Board ensures that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	<p>The Board oversees the enterprise risk management framework and ensures that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.</p> <p>Links/References:  - Manual on Corporate Governance: Page 55 (Board Responsibilities)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>  - Enterprise Risk Management Framework (Annex 8)</p>
2	The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	Compliant	<p>The Bank's Risk Management Group is responsible for overseeing risk management function and supports the Board in the development of the risk appetite and risk appetite statement of the Bank and for translating the risk appetite into risk limits structure.</p> <p>Risk Management function oversees the Enterprise Risk Management (ERM) process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation.</p> <p>Links/References:  - Manual on Corporate Governance: Pages 86 (Risk Management Function)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>
<b>Recommendation 2.11</b>			
1	The Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary duties.	Compliant	<p>The Manual on Corporate Governance serves as the Charter of the Board, and sets forth its function/role, duties and responsibilities. The duty of care and loyalty are the two key elements of the fiduciary duty of the Board. The duty of care requires the members of the Board to act on a fully informed basis, in good faith, with due</p>

			diligence and care. The duty of loyalty is expressed when the board members act in the best interest of the Bank and all its stakeholder, such as the depositors, creditors, employees and regulators.	
2	The Board Charter serves as a guide to the directors/trustees in the performance of their functions.	Compliant	In addition, an Orientation Kit is provided to the new members of the Board. This document contains the specific duties and responsibilities of the Directors, the Directors' affirmation of his possession of all qualifications and none of the disqualifications of a Director as embodied in the Self-assessment, as well as the applicable Board Committee Charters (i.e., those which the Director is a member of).	
3	The Board Charter is publicly available.	Compliant	<p>Link/Reference:</p> <p>- Manual on Corporate Governance</p> <p><a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	

### Principle 3. ESTABLISHING BOARD COMMITTEES

The board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, compliance and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all the board committees should be contained in their respective board committee charters.

#### Recommendation 3.1

1	The Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Compliant	<p>To aid the Board in the effective performance of its functions, duties, and to address specific tasks / responsibilities, the Bank's Board of Directors created eight board-level committees namely: (1) Executive, (2) Corporate Governance, (3) Audit, (4) Risk Management, (5) Nominations, (6) Compensation and Remuneration, (7) Related Party Transactions and (8) Retirement.</p> <p>Each committee has its own charter containing provisions on its composition, functions and responsibilities. These charters are posted on the Bank's website.</p> <p>Links/References:</p> <p>- Board Matters</p>	
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			<a href="https://cbs.com.ph/about/corporate_governance/Board_Matters.aspx">https://cbs.com.ph/about/corporate_governance/Board_Matters.aspx</a>	
<b>Recommendation 3.2</b>				
1	The Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	Compliant	<p>The Audit Committee is responsible for overseeing the senior management's activities in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.</p> <p>Links/References:  - Audit Committee Charter  <a href="https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf</a></p>	
2	The Audit Committee is composed of at least three (3) qualified non-executive directors, the majority of whom, including the Chairperson, are independent directors.	Compliant	<p>In 2021, the three (3) members of the Audit Committee are all Independent Directors. The members of the Committee are:</p> <p>Ms. Claire Ann T. Yap – Chairman/Independent Director  Mr. Philip S. L. Tsai – Vice Chairman/Independent Director  Ms. Margarita L. San Juan – Member/Independent Director</p>	
3	All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	Compliant	<p>The members of the Audit Committee have the relevant background / knowledge, skills, expertise and experience in the areas of accounting, auditing and finance.</p> <p>Links/References:  - Definitive Information Statement: Page 8 (Members of BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a>  - 2021 Annual Report: Pages 54 (Audit Committee)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	

4	The Chairperson of the Audit Committee is not the Chairperson of the Board or of any other committee.	Compliant	<p>Ms. Claire Ann T. Yap is the Chairman of the Audit Committee. She is not the Chairman of the Board or of any other Board Committee.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Definitive Information Statement: Page 8 (Members of BOD) <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> <li>- 2021 Annual Report: Pages 54 (Audit Committee) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> </ul>	
<b>Recommendation 3.3</b>				
1	The Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Compliant	<p>The Corporate Governance Committee is tasked to assist the Board of Directors in fulfilling its corporate governance responsibilities by ensuring compliance with and proper observance of corporate governance laws, rules, principles, and best practices. It oversees the implementation of corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of the Bank's size, complexity and business strategy, as well as its business and regulatory environment.</p> <p>Moreover, together with the Nominations Committee, it handles reviews and evaluates the qualifications of all persons nominated to the Board and those nominated to other positions requiring appointment by the Board of Directors.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- Corporate Governance Committee Charter <a href="https://cbs.com.ph/assets/files/Corporate%20Governance%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Corporate%20Governance%20Committee%20Charter.pdf</a></li> </ul>	
2	The Corporate Governance Committee is composed of at least three (3) members, majority of whom, including the Chairperson, should be independent directors.	Compliant	<p>In 2021, the three (3) members of the Corporate Governance Committee are all Independent Directors. The members of the Committee are:</p> <p>Ms. Margarita L. San Juan – Chairman/Independent Director Ms. Claire Ann T. Yap – Vice Chairman/Independent Director Mr. Genaro V. Lapez – Member/Independent Director</p>	

			<p>Links/References:</p> <ul style="list-style-type: none"> <li>- Definitive Information Statement: Page 8-9 (Members of BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> <li>- 2021 Annual Report: Page 53 (Corporate Governance Committee)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> </ul>	
<b>Recommendation 3.4</b>				
1	The Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	<p>The Board Risk Oversight Committee is responsible for the oversight of the Bank's enterprise risk management system to ensure its functionality and effectiveness. It oversees the system of limits to discretionary authority that the board delegated to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Risk Oversight Committee Charter  <a href="https://cbs.com.ph/assets/files/Risk%20Oversight%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Risk%20Oversight%20Committee%20Charter.pdf</a></li> </ul>	
2	The BROC is composed of at least three (3) members, the majority of whom should be independent directors, including the Chairperson.	Compliant	<p>In 2021, the three (3) members of the Risk Oversight Committee are all Independent Directors. The members of the Committee are:</p> <p>Mr. Philip S.L. Tsai – Chairman/Independent Director  Ms. Margarita L. San Juan – Vice Chairman/Independent Director  Ms. Claire Ann T. Yap – Member/Independent Director</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Definitive Information Statement: Page 8 (Members of BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></li> <li>- 2021 Annual Report: Page 54 (Risk Oversight Committee)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> </ul>	

3	At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	Compliant	<p>Mr. Tsai is a seasoned banker and has thorough knowledge/experience on risk management &amp; governance. Other members of the Committee have attended the relevant seminars to equip themselves of their responsibilities.</p> <p>Link/Reference:  - Definitive Information Statement: Page 8 (Members of BOD)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	
<b>Recommendation 3.5</b>				
1	All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	<p>All committees have their respective Charters. The Charters contain all the required information related to the function of each committee and the specific duties of its members. The Charters also provide for the performance evaluation of the committee.</p> <p>All charters are made available in the Bank's website.</p>	
2	The Committee Charters provide standards for evaluating the performance of a committee and its members.	Compliant	<p>Link/Reference:  - Board Matters  <a href="https://cbs.com.ph/about/corporate_governance/Board_Matters.aspx">https://cbs.com.ph/about/corporate_governance/Board_Matters.aspx</a></p>	
<b>Principle 4. FOSTERING COMMITMENT</b>				
To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.				
<b>Recommendation 4.1</b>				
1	The Directors attend and actively participate in all meetings of the Board, Committees and shareholders/members in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	Compliant	<p>In 2021, the Board actively participated in Board Meetings either in person or through remote communication/video or teleconferencing as required in the Bank's Manual on Corporate Governance.</p> <p>Links/References:  - Manual on Corporate Governance: Page 40 (Board and Committee Meetings)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20</a></p>	

			<a href="#">Governance-Revised%202022.pdf</a> - Board Attendance Certification (Annex 9)	
2	The Directors review meeting materials for all Board and Committee meetings.	Compliant	The members of the Board are provided with materials five (5) days prior to Board and Committee meeting.  Links/References: - Manual on Corporate Governance: Page 42 (Board Materials) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
3	The Directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Compliant	The minutes of meetings reflect robust discussions by the Board on issues/proposals/initiatives presented by Management. Whenever necessary, or to arrive at an informed decision, Board members seek clarifications and/or explanations during the meetings.  The corresponding minutes of meetings is made available upon validation for comments.	
<b>Recommendation 4.2</b>				
1	Non-executive directors concurrently serve in not more than ten (10) public companies and/or registered issuers. If concurrently sitting in at least three (3) publicly listed companies, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers.	Compliant	The Bank, in selecting independent directors and non-executive directors, considers the number and types of entities where the candidate is likewise elected as such, to ensure that he will be able to devote sufficient time to effectively carry-out his duties and responsibilities. In relation to the limit on directorship of independent directors and non-executive directors, the Bank policy follows the corresponding MORB provision which states that:  <i>"There shall be no limit in the number of covered companies a person may be elected as non-executive director or independent director, except in conglomerates where an ID can only be elected up to five (5) listed companies within the conglomerate. Each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement."</i>	

			Links/References: - Manual on Corporate Governance: Page 4 (Independent and Non-Executive Directors) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
<b>Recommendation 4.3</b>				
1	The Directors notify the company's board before accepting a directorship in another company.	Compliant	Bank directors are required to notify the Board before accepting a directorship in another company. The Bank's policy on multiple Board seats is included in the Manual on Corporate Governance.  Link/Reference: - Manual on Corporate Governance: Page 33 (Multiple Board Seats) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
<b>Principle 5. REINFORCING BOARD INDEPENDENCE</b>				
The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.				
<b>Recommendation 5.1</b>				
1	The Board is composed of a majority of non-executive directors who possess the necessary qualifications.	Compliant	Non-executive directors, who include independent directors, comprise at least majority of the members to promote the independent oversight of management by the Board of Directors; that no director or small group of directors can dominate the decision making process. The President of the Bank is the only executive director from among the members of the Board.  The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.  Link/Reference: - Manual on Corporate Governance: Page 2 (Composition of the Board) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	



<b>Recommendation 5.2</b>			
1	The Board has at least two (2) independent directors or such number as to constitute one-third (1/3) of the board, whichever is higher.	Compliant	<p>The Bank's Board is composed of 11 directors and one-third of the Board or at least four (4) are Independent Directors, namely:</p> <p>Mr. Philip S.L. Tsai  Ms. Margarita L. San Juan  Ms. Claire Ann T. Yap  Mr. Genaro V. Lapez (<i>elected on June 17, 2021</i>)</p> <p>Links/References:  - Definitive Information Statement: Pages 6-9 (Members of the Board)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>
<b>Recommendation 5.3</b>			
1	The independent directors possess all the qualifications and none of the disqualifications to hold the position.	Compliant	<p>Each Independent Director nominated to the Board in 2021 certified that he/she possess all the qualifications and none of the disqualifications, as contained in the Bank's Definitive Information Statement.</p> <p>Links/References:  - Definitive Information Statement: Pages 8-9 (Members of the Board)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>
<b>Recommendation 5.4</b>			
1	The company perpetually bars an independent director from serving in such capacity after the term limit of nine (9) years.	Compliant	<p>In accordance with the Bank's CG Manual, an independent director may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same bank, but may continue to serve as regular director.</p> <p>Link/Reference:  - Manual on Corporate Governance: Page 8 (Term Limits for</p>

			Independent Director) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
2	In the instance that the company retains an independent director in the same capacity after nine (9) years, the Board provides meritorious justification and seeks shareholders'/members' approval during the annual regular meeting.	Compliant	<p>In 2021, there is no independent director of the Bank who has served for more than nine (9) years. The Independent Directors are:</p> <p>Mr. Philip S.L. Tsai - served for four (4) years only  Ms. Margarita L. San Juan - served for eight (8) years only  Ms. Claire Ann T. Yap – served for one (1) year only  Mr. Genaro V. Lapez - served for six (6) months only</p> <p>Links/References:  - Definitive Information Statement: Pages 8-9 (Members of the Board)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a>  - 2021 Annual Report Page 38 (Members of the Board)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
<b>Recommendation 5.5</b>				
1	The positions of Chairperson of the Board and Chief Executive Officer (or its equivalent) are held by separate individuals.	Compliant	<p>The position of the Chairman and the Chief Executive Officer are held by separate individuals.</p> <p>Mr. Ricardo R. Chua is the Chairman of the Board, while Mr. James Christian T. Dee is the President.</p> <p>Link/Reference:  - 2021 Annual Report Page 38 (Directors and Executive Officers)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a>  - Definitive Information Statement: Pages 6-7 (Members of the Board)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	

2	The Chairperson of the Board and Chief Executive Officer (or its equivalent) have clearly defined responsibilities.	Compliant	<p>The position of Chairman of the Board and President are held by two different people, and their roles are clearly distinct and separate. The Chairman and the President are not related to each other either by consanguinity or affinity.</p> <p>Chairman Ricardo R. Chua being a non-executive Director, is not involved in the day-to-day operations of China Bank Savings Inc., but is responsible for the leadership and effective running of the Board, including maintaining a relationship of trust with Board members, promoting a sound decision-making process by encouraging critical discussion of dissenting views and ensure that the performance of the Board is evaluated at least once a year. He chairs Board meetings and makes certain that agenda is focused on strategic matters, including risks, arranges regular and/or separate sessions with the non-executive Directors to review Management's performance.</p> <p>The President, who is also a member of the Board, is responsible for managing the bank's day-to-day operations, as well as the development and execution of the corporate and business strategies as established by the Board of Directors.</p> <p>Links/References:  - 2021 Annual Report Page 38 (Directors and Executive Officers)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a>  - Definitive Information Statement: Pages 6-7 (Members of the Board)  <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>	
<b>Recommendation 5.6</b>				
1	The Board designates a lead director among the independent directors if the Chairperson of the Board is not an independent director.	Compliant	<p>Ms. Margarita L. San Juan is the Bank's lead Independent Director. The duties and responsibilities of the lead independent director are in the Manual on Corporate Governance.</p> <p>Links/References:  - Manual on Corporate Governance: Page 8 (Lead Independent</p>	

			<p>Director)</p> <p><a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p> <p>- 2021 Annual Report Page 40 (Members of the Board)</p> <p><a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
<b>Recommendation 5.7</b>				
1	The Directors/Trustees with material interest in a transaction affecting the corporation fully disclose his/her adverse interest, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of transaction.	Compliant	<p>Any director of the Bank who has an interest in the transaction does not participate in the deliberation and shall abstain in the approval of the transaction.</p> <p>Links/References:</p> <p>- Manual on Corporate Governance: Page 98 (Related Party Transactions)</p> <p><a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
<b>Recommendation 5.8</b>				
1	The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive directors present.	Compliant	<p>To maintain objectivity and independence, periodic meetings between NEDs/Independent Directors (including the Lead Independent Director) and Heads of Compliance, Internal Audit and Risk are held in accordance with the relevant Committee Charters (i.e., Compliance Audit, Risk &amp; Corporate Governance). These meetings are conducted without the presence of management.</p>	
2	The meetings are chaired by the lead independent director, if applicable.	Compliant	<p>A meeting was likewise convened with the external auditor, IAD and members of the Audit Committee, without the presence of management.</p> <p>Links/References:</p> <p>- Secretary's Certificate of Audit Committee Meeting (Annex 10)</p>	

Principle 6. ASSESSING BOARD PERFORMANCE				
The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.				
Recommendation 6.1				
1	The Board conducts an annual self-assessment of its performance as a whole.	Compliant	The Board of Directors assesses at least annually its performance and effectiveness as a body, as well as its various committees. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his performance in the board and board-level committees. The results thereof are reported to the Board through the Corporate Governance Committee.  Links/References: - Manual on Corporate Governance: Page 45 (Performance Evaluation) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a> - 2021 Annual Report: Page 60 (Board and Committee Performance Evaluation) <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a>	
2	The Chairperson conducts an annual self-assessment of his performance.	Compliant		
3	The individual members conduct a self-assessment of their performance.	Compliant		
4	Each committee conducts a self-assessment of its performance.	Compliant		
Recommendation 6.2				
1	The Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors/trustees and committees.	Compliant	As stated, the performance assessment of the Board and board-level committees is done through self-assessment.  On the other hand, the Bank also welcomes communications on matters pertaining to the management of the Bank, stockholders’ benefits, rights and any other bank-related issues of importance. Stockholders who wish to communicate with any or all members of the Board, may raise their concerns thru the Office of the Corporate Secretary.	
2	The system allows for a feedback mechanism from the shareholders/members.	Compliant	Links/References: - Manual on Corporate Governance: Page 45 (Performance Evaluation)	

			<a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a> - Definitive Information Statement: Page 27 (Schedule A: Questions and Answers) <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a>	
<b>Principle 7. STRENGTHENING BOARD ETHICS</b>				
The Board directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.				
<b>Recommendation 7.1</b>				
1	The Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of board members.	Compliant	The Bank's core values are the foundation of the Bank's Code of Ethics – for the <b>Board of Directors</b> and <b>employees</b> , wherein the Board sets the tone from the top of the Bank's commitment to adhere to the ethical conduct of its business embodying the principles of integrity, fairness, accountability and transparency.  Link/Reference: - Code of Ethics <a href="https://cbs.com.ph/about/Code of Ethics.aspx">https://cbs.com.ph/about/Code of Ethics.aspx</a>	
2	The Code is properly disseminated to the members of Board.	Compliant	The <b>Code of Ethics for Directors</b> provides the guiding principles on the performance of their duties in accordance with the fit and proper rules; and establishes standards for professional and ethical conduct. Each Director is required to acknowledge receipt of the Code.  Link/Reference: - Code of Ethics <a href="https://cbs.com.ph/about/Code of Ethics.aspx">https://cbs.com.ph/about/Code of Ethics.aspx</a>	
3	The Code is disclosed and made available to the public through the company website.	Compliant	The copies of the Codes are available in Bank's website and also made available in the Bank's intranet to be readily accessible to all employees.  Link/Reference: - Code of Ethics	

			<a href="https://cbs.com.ph/about/Code of Ethics.aspx">https://cbs.com.ph/about/Code of Ethics.aspx</a>	
<b>Recommendation 7.2</b>				
1	The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	<p>The Board requires full compliance with the Code of Ethics. The Board, through Human Resources Division (HRD), ensures that every employee is aware of and upholds the Code. To promote compliance with the Code, all new employees are given a copy of the Code of Ethics booklet and undergo the New Employees' Orientation Program (NEOP) wherein the Code is comprehensively discussed.</p> <p>Link/Reference: - Code of Ethics <a href="https://cbs.com.ph/about/Code of Ethics.aspx">https://cbs.com.ph/about/Code of Ethics.aspx</a></p>	
<b>DISCLOSURE AND TRANSPARENCY</b>				
<b>Principle 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES</b>				
The Board should establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.				
<b>Recommendation 8.1</b>				
1	The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders/members and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	Compliant	<p>The Board shall ensure that individual members of the Board and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Bank's performance, financial condition and risk exposures. The Bank's website contains relevant information about the Bank.</p> <p>Links/References: - Manual on Corporate Governance: Page 18 (Responsibilities of BOD), Page 94 (Right to Information) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a> - Investor Relations: <a href="https://cbs.com.ph/about/Investor Relations.aspx">https://cbs.com.ph/about/Investor Relations.aspx</a></p>	

Recommendation 8.2				
1	The company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within five (5) business days.	Compliant	In accordance with the Bank's updated Manual on Corporate Governance, the Directors and Officers shall commit at all times to fully disclose to the Bank material information dealings in the company's shares by the said directors and officers within five (5) business days.	
2	The company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within five (5) business days.	Compliant	Links/References: - Manual on Corporate Governance: Page 92 (Reportorial or Disclosure System of Bank's Corporate Governance Policies) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
Recommendation 8.3				
1	The company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	The Manual on Corporate Governance institutionalizes the principles of good corporate governance in the organization.  The latest revised version has been duly submitted to SEC, and posted accordingly in the website.	
2	The company's MCG is submitted to the SEC.	Compliant	Link/Reference: - Manual on Corporate Governance <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
3	The company's MCG is posted on the company website.	Compliant		
Recommendation 8.4				
1	The company's corporate governance policies and practices and all relevant information are disclosed in its Annual Corporate Governance Report (ACGR).	Compliant	In compliance with SEC Memorandum Circular No. 24 series of 2019, the initial version of Bank's ACGR was duly submitted to SEC, and posted accordingly in the website.  Link/Reference: - Annual Corporate Governance Report <a href="https://cbs.com.ph/about/Corporate_Governance.aspx">https://cbs.com.ph/about/Corporate_Governance.aspx</a>	
2	The company's ACGR is submitted to the SEC.	Compliant		
3	The company's ACGR is posted on the company website.	Compliant		



Principle 9. STRENGTHENING EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY			
The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1	The Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of external auditors.	Compliant	<p>The Audit Committee exercises oversight of external auditors. It is primarily responsible for the selection and appointment of these auditors, subject to stockholder ratification.</p> <p>The Committee also facilitates the approval / disapproval of the corresponding service fees. Moreover, they handle the performance evaluation and if necessary, the re-appointment or dismissal of the external auditors.</p> <p>Link/Reference:  - Audit Committee Charter:  <a href="https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf</a>  - 2021 Annual Report: Page 37 (Audit Committee's Approval Policies)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>
2	The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and the shareholders/members.	Compliant	<p>As provided under the Audit Committee Charter, the appointment of the Bank's incumbent external auditor, SGV &amp; Co. has been presented to, and duly ratified by the stockholders.</p> <p>As stated in the reply above, the audit fees are endorsed by the Audit Committee.</p> <p>Link/Reference:  - 2021 Annual Report: Page 72 (Exhibits and Reports)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>

3	For the removal of external auditor, the reasons for such removal or change are disclosed to the SEC, the shareholders/members, and the public through the company website and required disclosures.	Compliant	<p>The incumbent external auditor of the Bank, SGV and Co. was re-elected in 2021.</p> <p>Link/Reference:  - 2021 Annual Report: Page 72 (Exhibits and Reports)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
<b>Recommendation 9.2</b>				
1	The Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	Compliant	<p>The assessment of the independence of the external auditor and oversight, among others are part of the responsibilities of the Audit Committee.</p> <p>The responsibilities of the Audit Committee are discussed in the Charter.</p> <p>Link/Reference:  - Audit Committee Charter: Page 4 (Duties and Responsibilities)  <a href="https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf</a></p>	
2	The Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	Compliant	<p>As specified in the Audit Committee Charter, the Committee has the responsibility to oversee the external auditors.</p> <p>Link/Reference:  - Audit Committee Charter: Page 4 (External Auditor)  <a href="https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf</a></p>	
<b>Recommendation 9.3</b>				
1	The company discloses the nature of non-audit services performed by its external auditor in the Annual Report to manage potential conflict of interest cases.	Compliant	Audit Committee evaluate and determine the non-audit work and disallow any non-audit work that will conflict with the duties as an external auditor or may pose a threat to the external auditor's independence. The non-audit work, if allowed, should disclose in the corporation's annual report and Corporate Governance Report.	

			<p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 47 (Authority of Audit Committee), Page 85 (Non-Audit Work and Conflict of Interest)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> <li>- 2021 Annual Report: Page 37 (Independent Public Accountant)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></li> </ul>	
2	The Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	<p>The Bank ensure that other non-audit work to be given to the external auditor shall not be in conflict with the functions of the external auditor, or does not pose a threat to his independence.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 85 (Non-Audit Work and Conflict of Interest)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></li> </ul>	
<b>Principle 10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING</b>				
The Board should ensure that the company discloses material and reportable non-financial and sustainability issues.				
<b>Recommendation 10.1</b>				
1	The Board has a clear and focused strategy on the disclosure of non-financial information.	Compliant	<p>China Bank Savings is committed to sustainability and to creating positive economic, social, and environmental outcomes. Sustainability is regarded as fundamental to sound business practices and good corporate citizenship. The Bank recognizes that the continued growth of business is interconnected with the fulfillment of broader development goals, including environmental and social sustainability. And as investors and customers become more aware of the world's environmental and social challenges, the Bank sharpens its focus not only on delivering strong financial performance, but also in making a positive social and environmental impact.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 99 (Sustainability,</li> </ul>	
2	The company discloses to all shareholders/members and other stakeholders the company's strategic and operational objectives with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability.	Compliant		

			<p>Environment, Social and Non-Financial Information)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>  - 2021 Annual Report: Page 70 (Sustainability Framework)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
<b>Principle 11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION</b>				
The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, stakeholders and other interested users.				
<b>Recommendation 11.1</b>				
1	The company has a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.	Compliant	<p>The Bank's website is closely monitored and managed to ensure that it contains up-to-date disclosures and information.</p> <p>Links/References:  - CBS Website: <a href="https://cbs.com.ph/About Us.aspx">https://cbs.com.ph/About Us.aspx</a></p>	
<b>INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORKS</b>				
<b>Principle 12. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS</b>				
To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management system.				
<b>Recommendation 12.1</b>				
1	The company has an adequate and effective internal control system in the conduct of its business.	Compliant	<p>The Board through Internal Audit Division monitors and evaluates the adequacy and effectiveness of the bank's internal control system, integrity of financial reporting, and security of physical and information assets. It ensures review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management.</p> <p>Links/References:  - Manual on Corporate Governance: Pages 46 (Audit Committee)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>  - Annual Audit Plan (Annex 11)  - Audit Committee Charter:</p>	

			<a href="https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf</a>	
2	The company has an adequate and effective enterprise risk management framework in the conduct of its business.	Compliant	<p>The identification and assessment of operational risks which are inherent in all the Banks products, activities, processes and systems are performed through the Risk and Control Self-Assessment (RCSA) Program. This facilitates the determination of priority operational risk areas, the assessment of mitigating controls in place, and the institutionalization of additional measures to ensure a controlled operating environment.</p> <p>The Risk Oversight Committee oversees the enterprise risk management framework and ensures that there is periodic review of the effectiveness of the risk management systems and recovery plans. It ensures that corrective actions are promptly implemented to address risk management concerns.</p> <p>Links/References:  - Manual on Corporate Governance: Page 55 (Risk Management Committee)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>  - Risk Oversight Committee Charter:  <a href="https://cbs.com.ph/assets/files/Risk%20Oversight%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Risk%20Oversight%20Committee%20Charter.pdf</a></p>	
<b>Recommendation 12.2</b>				
1	The company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	Compliant	<p>The Bank's Internal Audit Division provides independent, objective assurance and consulting services designed to add value to the Bank's governance, risk management, internal control processes and improve the company's operations.</p> <p>It assesses the Bank's system of risk management, control, and governance processes, as designed and represented by management, to determine whether it is adequate and functioning to ensure that quality and continuous improvement are fostered in the organization's control process, among others.</p>	

		Links/References: - Annual Audit Plan (Annex 11) - Audit Committee Charter: <a href="https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf">https://cbs.com.ph/assets/files/Audit%20Committee%20Charter.pdf</a>	
<b>CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS/MEMBERS</b>			
<b>Principle 13. PROMOTING SHAREHOLDER/MEMBER RIGHTS</b>			
The company should treat all shareholders/members fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
<b>Recommendation 13.1</b>			
1	The Board ensures that basic shareholder/member rights are disclosed in the Manual on Corporate Governance.	Compliant	<p>The fundamental rights of shareholders, amongst them, preemptive right, power of inspection, right to information, right to dividends and appraisal right are contained in the Manual on Corporate Governance.</p> <p>Link/Reference: - Manual on Corporate Governance: Pages 93 (Transparency) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>
<b>Recommendation 13.2</b>			
1	The Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders'/Members' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting.	Compliant	<p>The Notice for the 2021 Annual Stockholders' Meeting as contained in the Definitive Information Statement was sent out / published in two leading newspapers of general circulation on 12 May 2021 and 19 May 2021, which is 36 and 29 days, respectively, before the original Annual Stockholders' Meeting of 17 June 2021.</p> <p>Link/Reference: - Definitive Information Statement (Annex A: Explanation of Agenda Items) <a href="https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf">https://cbs.com.ph/assets/files/2021%20Definitive%20Information%20Statements.pdf</a></p>
<b>Recommendation 13.3</b>			
1	The Board encourages active shareholder/member participation by making the result of the votes taken	Compliant	The 2021 Annual Stockholders Meeting was held on 17 June 2021. Voting results during the ASM was disclosed within the same day.

	during the most recent Annual or Special Shareholders'/Members' Meeting publicly available the next working day.		Links/References: - Minutes of 2021 Annual Stockholders' Meeting <a href="https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20Stockholders%20Meeting.pdf">https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20Stockholders%20Meeting.pdf</a>	
2	The minutes of the Annual and Special Shareholders'/Members' Meetings were made available on the company website within five (5) business days from the date of the meeting.	Compliant	The 2021 Annual Stockholders Meeting was held on 17 June 2021. The minutes of the ASM was posted on the Bank's website.  The votes on each agenda item is clearly reflected in the minutes of the meeting, including all the questions asked and the reply thereto.  Links/References: - Minutes of 2021 Annual Stockholders' Meeting <a href="https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20Stockholders%20Meeting.pdf">https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20Stockholders%20Meeting.pdf</a>	
<b>Recommendation 13.4</b>				
1	The Board makes available, at the option of a shareholder/member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Compliant	The Bank has an alternative dispute resolution system in place, and is duly documented in the Manual on Corporate Governance.  Link/Reference: - Manual on Corporate Governance: Page 30 (Additional Duties of Board of Directors) <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a>	
<b>Recommendation 13.5</b>				
1	The Board establishes an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement with its shareholders/members.	Compliant	The Head of the Parent Bank's Investor and Corporate Relations Group (CBC) is FVP Gerald O. Florentino. With matters regarding China Bank Savings shareholders/members, contact person is Assistant Corporate Secretary Atty. Anna Mariela Marifosque-Jandayan.  Links/References: - Minutes of 2021 Annual Stockholders' Meeting: Page 8 (Other Matters) <a href="https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20St">https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20St</a>	

			<a href="#">ockholders%20Meeting.pdf</a>	
2	The IRO or CRO or its equivalent is present at every shareholders'/members' meeting.	Compliant	<p>Atty. Anna Mariela Marifosque-Jandayan, the Assistant Corporate Secretary was present in the 2021 ASM as indicated in the corresponding Minutes.</p> <p>Link/Reference:  - Minutes of 2021 Annual Stockholders' Meeting  <a href="https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20Stockholders%20Meeting.pdf">https://cbs.com.ph/assets/files/Minutes%20of%20Annual%20Stockholders%20Meeting.pdf</a></p>	
<b>DUTIES TO STAKEHOLDERS</b>				
<b>Principle 14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS</b>				
The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.				
<b>Recommendation 14.1</b>				
1	The Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Compliant	<p>In 2021, the Bank, through its Board and Management has identified topics/issues that are highly significant to its stakeholders.</p> <p>The Bank believes that it is through proper understanding of stakeholders' needs, concerns, and expectations, and more importantly, embedding their feedback into the corporate strategy and daily business that it is able to develop long term-solutions, make responsible business decisions, and perform better.</p> <p>Links/References:  - 2021 Annual Report: Pages 30 (Plan of Operation)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
<b>Recommendation 14.2</b>				
1	The Board establishes clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.	Compliant	<p>The Bank treats its stakeholders fairly and ensures their protection.</p> <p><b>Policy on Fair Treatment to Stakeholders</b>  The policies are in Pages 93-95 of the Bank's Manual on Corporate</p>	



		Governance (Transparency).	
<b>Principle 15. ENCOURAGING EMPLOYEES' PARTICIPATION</b>			
A mechanism for employee participation should be developed to create a symbiotic working environment consistent with the realization of the company's objectives and good corporate governance goals.			
<b>Recommendation 15.1</b>			
1	The Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Compliant	<p>In place are policies and programs to ensure not just high-performance standards among our employees but as well as group-wide synergy towards the realization of corporate goals and business objectives.</p> <p>The Bank is committed to consistently engage its employees to ensure that all employees are heard and updated of these goals and key result areas to make them more effective. Our Human Resources Group has put in place various training and engagement activities, including a periodic town hall where employees are kept abreast of significant developments in various areas - Bank's overall performance, COVID-related initiatives and governance matters. A Q&amp;A portion during the town hall encourages employees to air their concerns.</p> <p>Moreover, part of the activities of the Bank is the commitment to continually strengthen compliance and governance culture through education and training.</p> <p>In order to raise awareness level, Compliance Division regularly conducts briefing to Compliance Coordinators of branches and head office units. This training program provides venue as well to better appreciate and understand compliance principles, concepts, and elements of good corporate governance.</p> <p>The Compliance Coordinators are required to cascade their learning to their respective areas. All new employees of the Bank undergo a basic orientation on Compliance System, Anti-Money Laundering and Governance, among others.</p>

			<p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- 2021 Annual Report: Page 66 (Orientation and Education Program)</li> </ul> <p><a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
<b>Recommendation 15.2</b>				
1	The Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics.		<p>The Bank is committed to honest and ethical business practices and does not tolerate any form of bribery and corruption. Bank directors and employees are expected to act professionally, fairly, and with integrity in all our business dealings and relationships wherever we operate.</p> <p>Link/Reference:</p> <ul style="list-style-type: none"> <li>- Manual on Corporate Governance: Page 14 (Bank's Corporate Culture and Values)</li> </ul> <p><a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p> <ul style="list-style-type: none"> <li>- Corporate Governance (Anti-Bribery and Corruption)</li> </ul> <p><a href="https://cbs.com.ph/about/Corporate_Governance.aspx">https://cbs.com.ph/about/Corporate_Governance.aspx</a></p> <ul style="list-style-type: none"> <li>- Code of Ethics: <a href="https://cbs.com.ph/about/Code_of_Ethics.aspx">https://cbs.com.ph/about/Code_of_Ethics.aspx</a></li> <li>- Anti-Bribery and Corruption</li> </ul> <p><a href="https://cbs.com.ph/about/Corporate_Governance.aspx">https://cbs.com.ph/about/Corporate_Governance.aspx</a></p>	China Bank Savings adopts the policy of the parent bank China Bank Corporation on Anti-Bribery and Corruption.
2	The Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	Compliant	<p>The Board has imposed a policy of full compliance with the Code of Ethics and other policies. HRD ensures that every Bank employee is aware of, and upholds the Code.</p> <p>Given the mandate of the Board, HRD ensures that the training programs present the pertinent Bank policies governing their respective functions.</p> <p>Links/References:</p> <ul style="list-style-type: none"> <li>- Code of Ethics: <a href="https://cbs.com.ph/about/Code_of_Ethics.aspx">https://cbs.com.ph/about/Code_of_Ethics.aspx</a></li> </ul>	

### Recommendation 15.3

1	The Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation.	Compliant	<p>The Bank does not and will not tolerate unethical or illegal conduct, thus a Whistleblowing mechanism was established to ensure that employees, customers, shareholders, and third-party service providers will have a way to report questionable activity, unethical conduct, fraud or any other malpractice, by mail, phone or e-mail. Disclosures or reports are handled under the strictest measures of confidentiality and anonymity to allay fears of reprisal or retaliation.</p> <p>Link/Reference:  - Manual on Corporate Governance: Page 50 (On Whistleblowing)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
2	The Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Compliant	<p>Reports can be submitted to the Bank's Chief Compliance Officer who determines the substance and validity of all whistle-blower reports. If the disclosure or information is complete and is sufficient in form and substance, the matter shall be endorsed to Audit Division and/or HRD for further investigation, subject to the Bank's Administrative Disciplinary Rules and Procedures.</p> <p>If on preliminary examination of the report, the Chief Compliance Officer finds the disclosure baseless, without substance or merit in its totality, the whistle-blower shall be notified of such fact within twenty four (24) hours from receipt of the report.</p> <p>Link/Reference:  - Manual on Corporate Governance: Page 50 (On Whistleblowing)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	
3	The Board supervises and ensures the enforcement of the whistleblowing framework.	Compliant	<p>All disclosures and their corresponding status and resolution are regularly reported to the Board, thru the Audit Committee.</p> <p>Link/Reference:  - Manual on Corporate Governance: Page 50 (On Whistleblowing)  <a href="https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf">https://cbs.com.ph/assets/files/Manual%20on%20Corporate%20Governance-Revised%202022.pdf</a></p>	

## Principle 16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

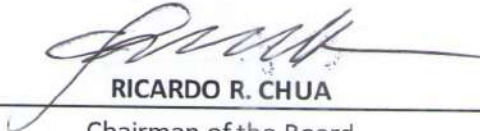
The company should be socially responsible in all its dealings with the communities in which it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

### Recommendation 16.1


1	The company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Compliant	<p>Community involvement is a cornerstone of CBS' programs. The Bank supports a wide range of noteworthy projects for the underprivileged sector, provide educational assistance to promising children, undertake charitable fundraising, and encourage employee volunteerism in its efforts to give back to society.</p> <p>Brigada Eskwela - CBS CBS supports clean, safe, learner-friendly school facilities and improving the quality of public education in the country. The Bank is a regular participant of Brigada Eskwela, the annual campaign of the Department of Education to mobilize parents, students, faculty and private sector stakeholders to clean, refurbish and rehabilitate public elementary and high school campuses and facilities before the start of each school year. With the pandemic preventing face-to-face classes, CBS quickly adapted to the virtual learning system and supported Brigada Eskwela by sponsoring production of learning modules for learners in select schools across the country. This response contributed to safe, uninterrupted public education for 33,244 learners in 21 cities.</p> <p>Link/References:  - 2021 Annual Report: Page 69 (Corporate Social Responsibility Initiatives)  <a href="https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf">https://cbs.com.ph/assets/files/CBS%202021%20Annual%20Report.pdf</a></p>	
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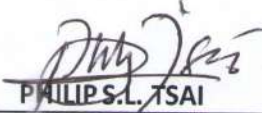
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report (ACGR) is signed on behalf of the registrant by the undersigned.


#### SIGNATURES


  
**RICARDO R. CHUA**  
Chairman of the Board

  
**JAMES CHRISTIAN T. DEE**  
President

  
**ANTONIO S. ESPEDIDO, JR.**  
Independent Director

  
**PHILIP S.L. TSAI**  
Independent Director

  
**CLAIRE ANN T. YAP**  
Independent Director

  
**GENARO V. LAPEZ**  
Independent Director

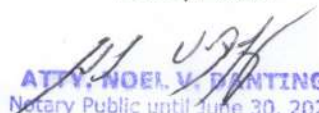
  
**ATTY. CORAZON T. LLAGAS**  
Chief Compliance Officer

  
**ATTY. ARTURO JOSE M. CONSTANTINO III**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 30 2022 day of \_\_\_\_\_, 2022, affiant(s) exhibiting to me their identification documents, as follows:

NAME	IDENTIFICATION DOCUMENTS
Ricardo R. Chua	SSS NO. 03-2416321-8
James Christian T. Dee	DL NO. 1-90-107895
Antonio S. Espedido, Jr.	PASSPORT NO. P 6636856
Philip S.L. Tsai	PASSPORT NO. P 73960294
Claire Ann T. Yap	PASSPORT NO. 3099A51B
Genaro V. Lapez	PASSPORT NO. P 5929865A
Corazon T. Llagas	DL NO. 0-16-92-071231
Arturo Jose M. Constantino III	PASSPORT NO. P-1283873 B

Doc No. 236  
Page No. 48  
Book No. CXCV  
Series of 2022

Notary Public  
  
**ATTY. NOEL V. DANTING**  
Notary Public until June 30, 2022  
Appointment No. M-36 (2020-2021)  
Roll No. 47096 IBP No. 08446  
PTR No. 8852732 01/04/22 Makati  
MCLE Compliance No. VI-0014069  
169 H.V. Deia Costa St., Makati City



Annex 1

**List of Trainings Attended by the Board of Directors**  
For the Year 2021

Directors	Annual Corporate Governance Training	Corporate Governance Orientation Program
	01 September 2021	2 - 3 June 2021
	Topics: - Digital Transformation - Corporate Governance in a Nutshell - AML Updates	
Ricardo R. Chua	✓	
Nancy D. Yang	✓	
William C. Whang	✓	
James Christian T. Dee	*	✓
Rosemarie C. Gan	✓	
Herbert T. Sy, Jr.	✓	✓
Patrick D. Cheng	✓	
Philip S.L. Tsai (ID)	✓	
Margarita L. San Juan (ID)	✓	
Claire Ann T. Yap (ID)	✓	
Genaro V. Lapez (ID)	✓	

*\*James Christian T. Dee - was elected as director of CBSI on 15 April 2021*



Control No.: 2021-020-0015



Institute of Corporate Directors

presents this

## Certificate of Participation

to

**Arturo Jose M. Constantino III**

China Bank Savings, Inc.

for having completed the online course

### Corporate Governance Orientation Program

held on

August 3, 2021 | 8:00 am - 12:00 pm

August 4, 2021 | 8:00 am - 12:00 pm

through ZOOM Meetings

Leonardo M. Berba  
Chief Executive Officer

Control No.: 2021-014-0061



Institute of Corporate Directors  
presents this

## Certificate of Participation

to

**Rechie W. Lastimoso**

China Bank Savings, Inc.

for having completed the online course

**Corporate Governance  
Orientation Program**

held on:

June 02, 2021 | 7:56 AM - 12:06 PM

June 03, 2021 | 8:06 AM - 12:16 PM

through ZOOM Meetings

A handwritten signature in black ink, appearing to read 'Leonardo M. Berba', is positioned above the printed name.

Leonardo M. Berba  
Chief Executive Officer



## **BOARD MINUTES**

**BD-12-10.21.2021**

### **MINUTES**

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**OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF CHINA BANK SAVINGS, INC., ON THURSDAY, 21 OCTOBER 2021 AT 2:00 IN THE AFTERNOON VIA ELECTRONIC DEVICE - MS TEAMS PLATFORM - DUE TO THE GENERAL COMMUNITY QUARANTINE (GCQ) DECLARED BY THE NATIONAL GOVERNMENT.**

#### **MEMBERS:**

MR. RICARDO R. CHUA  
MRS. NANCY D. YANG  
MR. JAMES CHRISTIAN T. DEE  
MR. WILLIAM C. WHANG  
MRS. ROSEMARIE C. GAN  
MR. PATRICK D. CHENG  
MR. HERBERT T. SY., JR.  
MRS. MARGARITA L. SAN JUAN, Independent Director  
MR. PHILIP S.L. TSAI, Independent Director  
MRS. CLAIRE ANN T. YAP, Independent Director  
MR. GENARO V. LAPEZ, Independent Director

#### **ALSO PRESENT:**

MR. JOSEPH C. JUSTINIANO, Executive Vice President  
ATTY. ARTURO JOSE M. CONSTANTINO III, Corporate Secretary

#### **PRESENTERS:**

MR. LUIS BERNARDO A. PUHAWAN, Controllershship Group Head  
MS. FAYE ABIGAIL ANO, Financial Planning & Regulatory Reporting Division, Controllershship Group  
MR. JAYDEE P. CAPARAS, Branch Banking Group Head  
MR. JAN NIKOLAI M. LIM, Consumer Lending Group Head  
MR. NIEL C. JUMAWAN, Automatic Payroll Deduction Lending Group Head  
MS. GRACE Z. FLORESCA, Credit Policy and Quality Assurance Division Head  
MR. ADONIS C. YAP, Business Process and Management Division Head  
MS. MARJORIE T. ESPLANA, Small and Medium Enterprise Lending Group Head

## AGENDA

<b>I.</b>	<b>Board and Board Committee Matters</b>	
	<b>MINUTES APPROVAL</b>	
	<b>Board</b>	
	1.	Approval of Board Minutes of Regular Meeting Held on 16 September 2021
	<b>Executive Committee (ExCom)</b>	
	2.	Approval of Executive Committee Minutes of Meeting Held on 9 September 2021
	3.	Approval of Executive Committee Minutes of Meeting Held on 24 September 2021
	<b>Risk Oversight Committee (ROC)</b>	
	4.	Approval of ROC Minutes of Meeting Held on 15 July 2021
	<b>Nominations Committee (NonCom)</b>	
	5.	Approval of NonCom Minutes of Meeting Held on 17 August 2021
	<b>RATIFICATION OF RESOLUTIONS PASSED AND APPROVED</b>	
	<b>Executive Committee (ExCom)</b>	
	6.	Ratification of ExCom Resolutions Passed and Approved during the Meeting Held on 24 September 2021
	7.	Ratification of ExCom Resolutions Passed and Approved during the Meeting Held on 14 October 2021
	<b>Risk Oversight Committee (ROC)</b>	
	8.	Ratification of ROC Resolutions Passed and Approved during the Meeting Held on 16 September 2021
	<b>Joint Nominations Committee (NonCom) and Corporate Governance Committee (CGCom)</b>	
	9.	Ratification of Special Joint Meeting of NonCom and CGCom Resolutions Passed and Approved during the Meeting Held on 16 September 2021
	<b>Nominations Committee (NonCom)</b>	
	10.	Ratification of NonCom Resolutions Passed and Approved during the Meeting Held on 8 October 2021
	<b>Related Party Transactions Committee (RPTCom)</b>	
	11.	Ratification of RPTCom Resolutions Passed and Approved during the Meeting Held on 8 October 2021
<b>II.</b>	<b>New Businesses to be taken-up</b>	
	<b>Office of the President</b>	
	12.	Review of Operations as of 30 September 2021
	13.	CBS 2022-2026 Business Plan
	<b>MCBL – BBG</b>	
	14.	Request for Approval - Revised Group Yearly Renewable Term Plan; and

Note: Note: As of June 2021, CAR and CET 1 were posted at 13.04% and 12.13%, respectively.

The Board clarified the spike on NPL, and President Dee explained that the increase in APD past due was mainly due to the bumping off of some of the Bank's collections by government loans per TCAA with the government. In order to address this, the management recently implemented some changes to the credit process for APD underwriting, which include some checking on the GSIS loans of a potential borrowers.

Mr. Christian Bite of Collection Services Department reiterated that the non-performing loans specially APD accounts were due to the bumping off of our loans as against government loans such as GSIS loans.

Mr. Niel Jumawan of APDLG clarified that the Bank is not exactly "bumped off" but is merely on que because the Bank is within the government's system of payment. The General Appropriations Act (GAA) prioritized government loans over private lending institutions, and for this reason the group of thrift banks are lobbying in the next GAA through the under the Office of Senator Angara that loan obligations shall be satisfied in accordance with the order it was contracted or following the principle of "first-in-first-out rule". He added that while the Bank is on que, it is not precluded from exhausting remedies through personal collections.

Director Yap inquired on the percentage of curing rate, and Mr. Bite stated that 10-15% is the minimum, with a maximum of 25%, while 75% is left unpaid. Mr. Bite explained that the curing process is done through personal collections under the Collection Services Department. There is also joint efforts with the APD Lending Group in conducting field collections and payment pick-up.

The Board also discussed the targets to be reached this year for APD to at least P17.5B, as well as the adjustment of the ratios in view of the write offs and provisions. The President expressed cautious optimism in achieving the targets.

Upon motion duly made by Director Nancy D. Yang and seconded by Independent Director Genaro V. Lapez, the following resolution was passed and approved, to wit:

**Resolution No. BR #12-10.21.2021-12**

**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board **note**, as it hereby **notes** the report on Review of Operations as of 31 August 2021, as contained in the Memorandum dated 16 September 2021 submitted by the President, Mr. James Christian T. Dee and Controller, Mr. Luis Bernardo A. Puhawan.

**13. CBS 2022-2026 Business Plan**

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The next item was also presented by the President and was again assisted by Mr. Luis Bernardo A. Puhawan, Controllershship Group Head. The materials for the 2022-2026 Business Plan was provided to each of the members for advance reading and filed in the agenda folder for reference. The summary of the Business Plan is as follows:

The banking industry will continue to confront a range of challenges in 2022. Uncertainty about the effects of the pandemic will likely remain for the foreseeable future but this will not prevent CBS from staying committed and focused on the following priority areas to improve our bottom-line and strengthen the balance sheet:

1. Shift to higher-yielding loans;
2. Build-up low-cost deposits/CASA;
3. Reduce non-performing assets (NPAs);
4. Increase non-interest income; and
5. Improve operational efficiency.

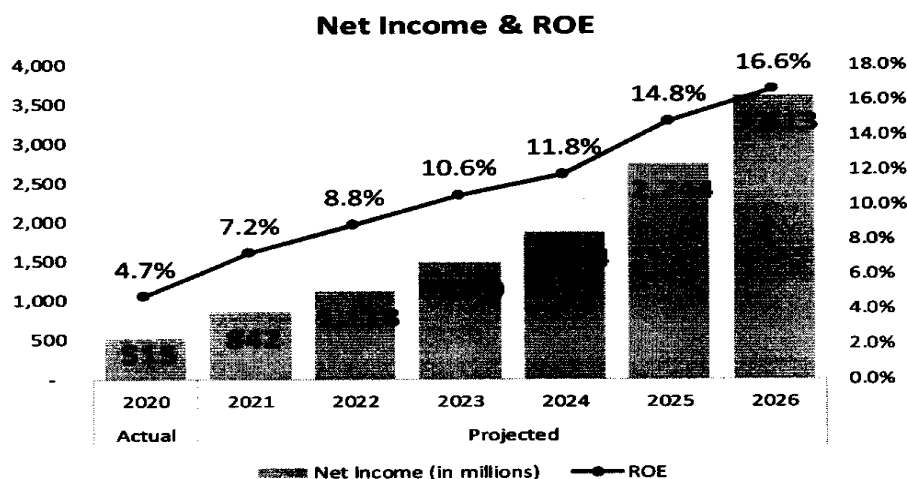
The successful implementation of our business plan would result to the following:

## BACKGROUND: THE CBS JOURNEY

<b>2015 to 2017</b>	CBS completed the following: (a) integration of banking operations; (b) rationalization of branches; (c) process and procedure improvements; (d) other front-end integration for new core banking system; and (e) accelerated branch and APD network expansion programs.
<b>2018</b>	The Bank started to implement workforce planning and streamlining of operations. CBS continued expansion in management.
<b>2019</b>	CBS implemented the re-balancing of the loan portfolio towards higher yielding business and APD loans. More resources were allocated to support APD lending.
<b>2019 to 2020</b>	Initiatives to improve the sales skills and operational efficiency of the branches were implemented.
<b>2021</b>	CBS achieved a record CASA level, post the Bank's highest CASA level and record high level of business & APD loan levels.
The initiatives implemented over the past years have prepared the Bank to operate in a crisis and succeed in a post-Covid situation.	

## STRATEGIC AND FINANCIAL OBJECTIVES 2022 – 2026

**STRATEGIC OBJECTIVE:** To become a valuable contributor in terms of profitability and shareholders' value to the China Bank Group

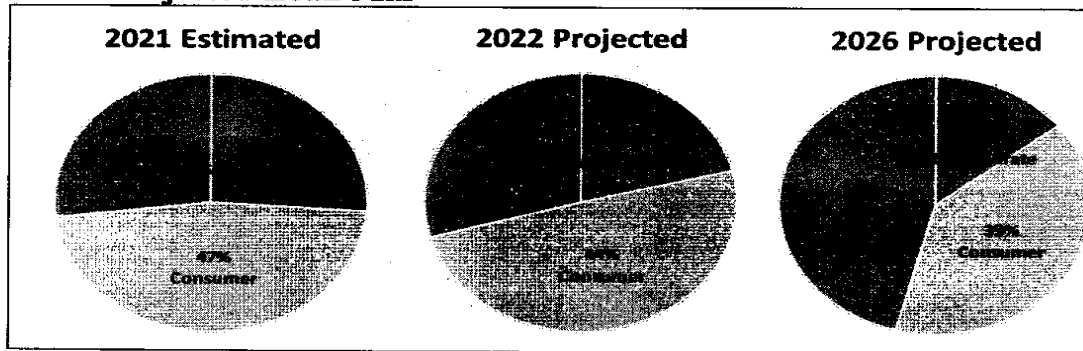


## KEY FOCUS AREAS

2022 - 2026

1) Shift to higher-yielding loans	•2022: P77Bn loans (33% APD, 44% Consumer & 23% SME) •2026: P147Bn loans (41% APD, 39% Consumer & 20% SME)
2) Build-up low-cost deposits CASA	•2022: P92Bn deposits (54% CASA) •2026: 164Bn deposits (54% CASA)
3) Reduce non-performing assets (NPAs)	•2022: 6.3% NPL Ratio & 6.9% NPA Ratio •2026: 3.1% NPL Ratio & 3.6% NPA Ratio
4) Increase non-interest income	•2022: P1.8Bn non-interest income •2026: P3.6Bn non-interest income
5) Improve operational efficiency	•2022: 58.8% cost-to-income ratio •2026: 48.1% cost-to-income ratio

### 1. SHIFT TO HIGHER-YIELDING LOANS Projected Loan Mix



KEY FOCUS AREAS in PHP billions	ACTUAL 2020	ESTIMATE 2021	TARGETS 2022	PROJECTION				CAGR '21 - '26
				2023	2024	2025	2026	
<b>1) LOANS</b>	<b>66.7</b>	<b>88.5</b>	<b>124.0</b>	<b>147.0</b>	<b>174.3</b>	<b>197.0</b>	<b>229.4</b>	<b>16.6%</b>
APD	13.8	18.5	24.0	32.4	40.4	50.5	60.4	26.7%
Consumer	31.7	41.8	44.1	38.4	42.8	48.7	57.2	12.4%
SME/Corp	21.2	28.0	37.7	18.0	20.8	24.8	29.4	10.3%

### 1. SHIFT TO HIGHER-YIELDING LOANS APD Loans

KEY FOCUS AREAS in PHP billions	ACTUAL 2020	ESTIMATE 2021	TARGETS 2022	PROJECTION				CAGR '21 - '26
				2023	2024	2025	2026	
<b>1) LOANS</b>	<b>66.7</b>	<b>88.5</b>	<b>124.0</b>	<b>147.0</b>	<b>174.3</b>	<b>197.0</b>	<b>229.4</b>	<b>16.6%</b>
<b>APD</b>	<b>13.8</b>	<b>18.5</b>	<b>24.0</b>	<b>32.4</b>	<b>40.4</b>	<b>50.5</b>	<b>60.4</b>	<b>26.7%</b>
Interest Income	0.8	1.1	1.5	2.0	2.5	3.2	3.9	
Fee Income	0.5	0.9	1.3	1.6	1.9	2.4	2.9	
Total Income	1.4	1.9	2.7	3.6	4.4	5.6	6.8	

**GOAL:** to become the top 3 DepEd APD provider in the country

a) Expand customer reach through multi-channel touch points:

✓ APD lending centers (35 RBCs, additional 3 in 2022) and Branches

- ✓ APD lending kiosks – open 20 additional lending kiosks in rural areas to bring total to 52 by 2022
- ✓ APD portable kiosks – 98 kiosks for set up in 2022
- b) Equip salesforce with marketing tools to increase productivity and improve personalized services: motorcycle, APD power form tablet, APD Mobile App and APD web Self-service via the DCLS platform
- c) Increase promotional activities and customer loyalty incentives
- d) Develop sale opportunities through tie-ups and DepEd partnership programs
- e) Aggressive organic & take-out acquisition of new accounts and re-availments (churn management)
- f) Complete the sales team and protect performers against poaching from competitors

## 1. SHIFT TO HIGHER-YIELDING LOANS

### APD's Distribution Network

Region	No. of Schools	Market Size (DepEd Personnel)	Wallet Size (in millions)	Loan Portfolio (in millions)	CBS		
					No. of Branches	Projected Lending Centers	
NCR	605	62,779	32,004	1,740	75	2	-
REGION I	2,141	36,359	23,017	1,297	6	3	2
CAR	1,227	15,981	8,718	280	1	1	4
REGION II	834	26,076	16,336	1,570	2	2	2
REGION III	2,501	60,733	39,424	2,418	32	3	5
REGION IV-A	1,936	66,689	44,512	2,793	22	8	4
REGION IV-B	1,939	22,841	15,179	-	-	1	2
REGION V	2,381	47,487	29,215	1,706	4	3	4
REGION VI	1,749	57,957	32,654	1,982	5	4	6
REGION VII	775	42,215	30,896	363	4	1	5
REGION VIII	3,207	34,766	24,331	440	1	1	4
REGION IX	1,882	27,780	17,187	184	1	1	2
REGION X	2,202	28,871	18,921	581	1	1	4
REGION XI	1,749	29,375	18,956	858	3	2	3
REGION XII	1,626	27,728	18,525	466	1	1	3
CARAGA/Negros Island	1,332	21,365	13,655	43	2	1	2
ARMM	2,632	22,120	-	-	-	-	-
Nat'l & Reg'l Offices		58,392	1,310				
Total				16,721	160	35	52

- CBS will open 3 additional RBCs and 20 lending kiosks (on top of the 32 that we are targeting in 2021) and set up 98 portable kiosks in 2022
- DepEd numbers are based on 2020 data

## 1. SHIFT TO HIGHER-YIELDING LOANS

KEY FOCUS AREAS in PHP billions	ACTUAL	ESTIMATE	TARGETS	PROJECTION				CAGR
	2020	2021	2022	2023	2024	2025	2026	'21 - '26
<b>Total Loans</b>	<b>66.7</b>	<b>111.5</b>	<b>149.0</b>	<b>124.1</b>	<b>147.0</b>	<b>174.1</b>	<b>197.0</b>	<b>16.0%</b>
<b>Consumer</b>	<b>31.7</b>	<b>51.5</b>	<b>66.7</b>	<b>38.4</b>	<b>42.8</b>	<b>48.7</b>	<b>57.2</b>	<b>12.4%</b>
Housing	17.6	29.1	37.5	25.5	29.5	34.2	39.8	15.8%
Auto	13.3	12.0	12.0	12.0	12.3	13.4	16.1	6.0%
Personal	0.32	0.25	0.25	0.34	0.37	0.43	0.51	15.3%
Handy Salary	0.50	0.40	0.40	0.58	0.64	0.69	0.74	12.9%

## TARGET MARKET

### Housing

- First time home buyers
- Locally employed and OFWs
- Housing and condo units (P1.5M – P3M)
- Value speed and affordability of amortization

### Auto

- Locally employed and OFWs
- Small to mid-size sedans, AUVs and compact SUVs with a price range of P700T-P1.3M
- Value speed and affordability of amortization

### Salary

- Asset size of P50MM & profitable in the last 3 years
- At least 50 regular employees

### Personal

- Locally employed individuals
- Income of at least P30k per month
- Existing Credit cardholder

## ACTION PLAN

- ✓ **Remain competitive in the market and reduce Credit approval TAT thru automation:**

- Housing – from 5 to 3 days
- Auto – from 1 day to 3 hours

- ✓ **Target housing loan take-outs from the following partners:**



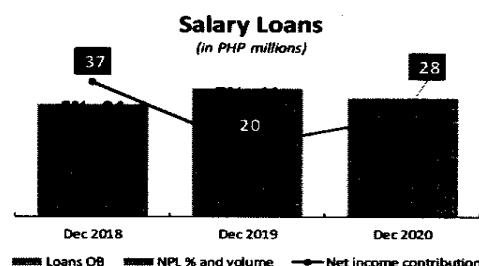
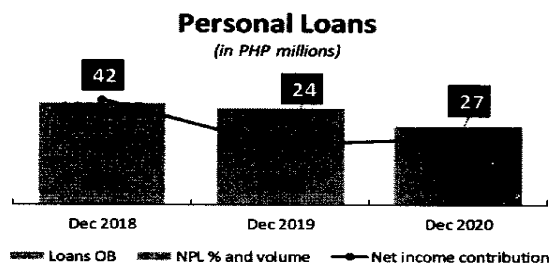
- ✓ **Continue to accredit sales dealerships of the following:**



- ✓ **Continue to tap state or w segments related to the medical and logistics industries**
- ✓ **Increase Branch channel contribution from 20% to 50%**

### 1. SHIFT TO HIGHER-YIELDING LOANS

Continue Personal & Handy Salary Loans



- ✓ Personal & Salary Loans have been consistently contributing to the Bank's bottom-line with its yield averaging at 18% to more than 20% per annum
- ✓ The pandemic has temporarily affected the products in the form of a tepid lending growth and deterioration in credit quality in 2020 and 2021
- ✓ Despite the external challenges, CBS existing infrastructure (i.e., salesforce, distribution channels, credit, operations & collections support) is poised for moderate growth of the personal & salary loans and accordingly, profitability growth over the next years
- ✓ Personal & Salary Loans are also ancillary products for cross-selling activities of the branches and SLG that provide incremental value for our customers

## 1. SHIFT TO HIGHER-YIELDING LOANS

### SME/Corp Loans

KEY FOCUS AREAS in PHP billions	ACTUAL	ESTIMATE	TARGETS	PROJECTION				CAGR
	2020	2021	2022	2023	2024	2025	2026	'21 - '26
1) TOTAL LOANS	66.7			88.7	104.0	124.1	147.0	16.6%
SME/Corp	21.2	18.0	17.7	18.0	20.8	24.8	29.4	10.3%
SME	14.3	12.4	12.3	12.7	15.4	19.0	23.7	13.8%
Real estate/CTS	4.2	3.0	2.8	2.7	2.8	2.9	2.2	-5.7%
Bus & trucks	2.1	1.9	1.7	1.5	1.5	1.6	1.7	-1.7%
Smallbiz	0.6	0.8	0.9	1.0	1.1	1.4	1.8	17.5%

- ✓ Maintain prudent-lending activities
- ✓ Push for 50M plus loan size (REM-secured, sound financials)
- ✓ Continue with portfolio rebalancing, NPL management and process streamlining to reduce TAT

### ACTION PLAN

- Expansion of target industries: E-Commerce, Information and Technology, Healthcare, Medical Supplies and Services, Food Processing, Logistics, Construction, and Other thriving business sectors
- Branches to be a major origination channel. Origination channels shall also include participations in SME Events and Business Orgs, Webinar Sponsorships, digital products, and social media
- Develop a strong sales culture to attract the SME market as well as their network of suppliers and clients as part of its push for organic expansion
- SLG, credit and operations support shall work on improving loan processing and turn-around time to address the requirements of the market

## 2. BUILD-UP LOW-COST DEPOSITS/CASA

### Projected Deposits & CASA %

KEY FOCUS AREAS in PHP billions	ACTUAL	ESTIMATE	TARGETS	PROJECTION				CAGR
	2020	2021	2022	2023	2024	2025	2026	'21 - '26
2) DEPOSITS	85.5			104.2	120.0	140.6	164.4	14.5%
CASA	37.2	42.6	49.6	57.7	67.2	78.4	88.1	16.0%
CASA %	43.5%	51.1%	54.1%	55.4%	56.0%	55.7%	53.6%	



- a) Leverage on stronger sales culture for aggressive deposit-taking activities:
  - ✓ Focusing on the identified niche market within each branch trading area to accelerate client acquisition and leads generation
  - ✓ Implementing targeted customer acquisition and retention to ensure efficient client servicing and product delivery
  - ✓ Proactive cross-selling and nurturing customer relationships
- b) Continue to relocate and revamp some branches to increase accessibility & have a wider market reach
- c) Aggressively launch social media engagement initiatives on Facebook to reach out to the highly engaged, mobile-first market segment.
  - ✓ this will encourage foot traffic to branches and drum up interest in deposit offerings
- d) Ramp up marketing & promotional activities suitable to the new normal by increasing the (virtual) advertising presence for branches
- e) Complete the sales team and protect performers against poaching from competitors

### 3. REDUCE NON-PERFORMING ASSETS

#### NPL Recovery & ROPA Disposal

KEY FOCUS AREAS in PHP billions	ACTUAL	ESTIMATE	TARGETS	PROJECTION				CAGR
	2020	2021	2022	2023	2024	2025	2026	'21 - '26
3) NPAs	8.10			7.33	7.20	7.00	6.84	-2.0%
NPL	5.50	4.94	4.32	4.77	4.69	4.58	4.58	-1.5%
NPL%	8.3%	7.2%	6.3%	5.4%	4.5%	3.7%	3.1%	
ROPA	2.60	2.61	2.61	2.56	2.51	2.41	2.27	-2.8%

#### A) NPL RECOVERY

- ❑ Efficient management of NPL accounts:
  - ✓ For SME/Corp loans: implement timely remediation plans and hand hold clients in following a viable long-term remediation plan & perform regular portfolio management reviews to determine potentially problematic accounts and initiate corrective actions if needed
  - ✓ For Consumer & APD loans: implement preventive & tactical collection efforts, priority handling of high-risk accounts, and allow partial payment or restructuring of low to medium risk accounts
  - ✓ For ITLs with OB of PHP400 million: continue settlement talks for secured accounts, expedite foreclosure process and dacion implementation
- ❑ Beef up collection and recovery efforts - accreditation and engagement of new collection agencies

#### B) ROPA DISPOSAL

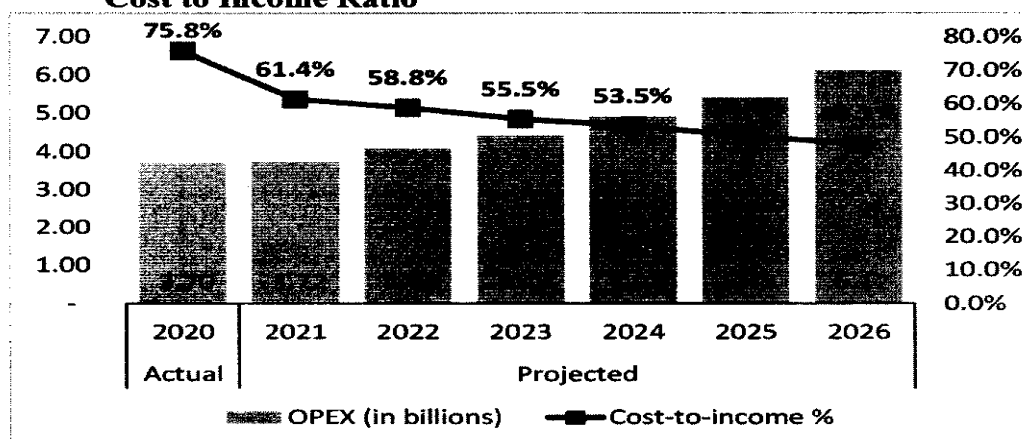
- ❑ Convert PHP533 million ROPAs to ready for sale and dispose PHP500 million ROPAs in 2022
- ❑ Continue to utilize branch network in selling efforts, maximize use of social media/online platform and increase salesforce by adding new brokers/dealers
- ❑ Implement programs to a) dispose ROPA with issues, and b) calibrated pricing

#### 4. INCREASE THE NON-INTEREST INCOME

KEY FOCUS AREAS in PHP millions	ACTUAL	ESTIMATE	TARGETS	PROJECTION			
	2020	2021	2022	2023	2024	2025	2026
<b>Service Fees</b>	<b>778</b>	<b>1,213</b>	<b>1,879</b>	<b>1,879</b>	<b>2,219</b>	<b>2,718</b>	<b>3,257</b>
Loans	676	1,104	1,742	1,742	2,061	2,534	3,042
Deposits	58	65	86	86	103	127	154
Digital & CMS	44	44	51	51	54	58	61
Gain on sale & foreclosure of ROPA/NCAHS	56	142	130	130	130	130	130
Income from Bancassurance	41	60	70	70	75	80	80
Trading gain	27	23	25	25	25	25	25
Miscellaneous income	53	95	126	126	135	142	152
<b>TOTAL</b>							
Δ y-o-y		577	293	404	354	513	549

- Growth in the core business will also result to the increase in non-interest income on the back of higher fee-based income from Loans (i.e., APD) and Deposits
- Branches will continue to cross-sell Bancassurance products and ROPAs
- In recognition of a market segment that demands digital products and services, we will prioritize the upgrade of our online and mobile banking and cash management services

#### 5. IMPROVE OPERATIONAL EFFICIENCY Cost to Income Ratio



#### Projected 5-YR OPEX Breakdown

KEY FOCUS AREAS in PHP millions	ACTUAL	ESTIMATE	TARGETS	PROJECTION			
	2020	2021	2022	2023	2024	2025	2026
<b>Manpower Costs</b>	<b>1,517</b>	<b>1,657</b>		<b>1,652</b>	<b>1,793</b>	<b>1,972</b>	<b>2,189</b>
Controllable Expenses	555	586		696	759	836	937
Non-Controllable Expenses	1,070	1,118		1,344	1,480	1,637	1,818
Doc Stamps	284	274		341	381	440	528
Gross Receipts Tax	284	373		389	502	543	646
<b>TOTAL</b>							
Δ y-o-y		12	360	340	492	514	690

- Workforce planning - addressing productivity through manpower optimization
- Process improvements and automation - optimize back-end processes

- c) OPEX/CAPEX Management – prioritize activities that will bring in incremental revenues

## **DIGITAL BANKING & ALTERNATIVE CHANNELS**

**Expedite the delivery of all AUTOMATION support projects both**

### **External Clients**

- Sustain High Level of Channels availability
- Deliver New Banking Services & Functionalities
- Implement ATM Switch Migration
- 1st Quarter Delivery of Digital Onboarding
- Mobile Check Deposits
- Multi-identifiers Proxy Platform (MPP)
- QR Code for Merchants & Billers
- Accelerate the Bills Payment Accreditation

### **Internal Processes**

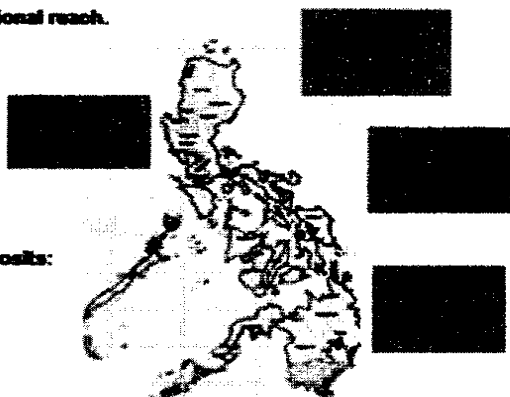
- Bulk Card Creation and Linking for Payroll
- Data Privacy for MCBL Digital Opt In Process
- Electronic Thank you for Deposit Products
- BWI – Branch Walk in Project
- Electronic Welcome Letter for Loans
- OTP on Business Online Banking
- BOB Pesonet & Instapay Bulk Uploading
- Migration of APD to FCBS

## **CBS DISTRIBUTION NETWORK**

**Strong Network with Nationwide Footprint**

- CBS has 160 branches strategically located for national reach.

Area	Number	% to Total
Metro Manila	75	47%
Luzon	67	42%
Visayas	11	7%
Mindanao	7	4%
<b>Total</b>	<b>160</b>	<b>100.0%</b>



- In addition, the following distribution & delivery channels shall generate more loans & deposits:

- 3 Business Centers
- 15 Sales Offices
- 35 APD Regional Business Centers
- 52 APD Lending Kiosks
- 98 APD Portable Kiosks
- 169 ATM Network

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## **CAPITAL MANAGEMENT**

**Projected 5-YR Capital Ratios and Assumptions**

CAPITAL in PHP billions	ACTUAL ESTIMATE		TARGETS 2022	PROJECTION			
	2020	2021		2023	2024	2025	2026
Qualifying Capital	9.51	10.09	12.47	12.47	14.98	17.74	21.40
CAR	12.65%	13.43%	13.78%	12.97%	13.40%	13.47%	13.78%
CET 1 %	11.85%	12.52%	12.83%	12.04%	12.47%	12.52%	12.83%

- CBS will continue to generate capital internally through accumulated profits
- Rebalancing of the loan portfolio will allow higher increase in qualifying capital at lower growth in Risk-Weighted Assets

- c) Availment of BSP's Relief on Staggered booking of allowance for credit losses over a period of 5 years amounting to PHP481 million starting 2021 (pending BSP's approval)
- d) Utilization of the Retail Guaranty Line Facility (HGC coverage) for Housing Loans and assign zero risk-weight for CAR purposes
- e) The sale of VGP is assumed to be implemented in 2024 to strengthen the Bank's Capital Position and support further business expansion (about P600 million improvement in the Bank's Qualifying Capital)

### PROJECTED BALANCE SHEET & INCOME STATEMENT

BALANCE SHEET in PHP billions	ACTUAL	ESTIMATE	TARGETS	PROJECTION				CAGR
	2020	2021	2022	2023	2024	2025	2026	'21 - '26
Loans, gross of allowance	66.7	68.4	76.7	88.7	104.1	124.1	147.0	16.6%
ROPA	2.6	2.5	2.5	2.4	2.3	2.2	2.0	-4.9%
<b>TOTAL ASSETS</b>	<b>99.7</b>	<b>91.1</b>	<b>100.0</b>	<b>122.3</b>	<b>140.7</b>	<b>164.3</b>	<b>191.8</b>	<b>14.2%</b>
Deposits	85.5	83.4	91.7	104.2	120.0	140.6	164.4	14.5%
CASA	37.2	42.6	49.6	57.7	67.2	78.4	88.1	16.0%
Capital	11.2	12.1	13.2	14.7	17.2	20.0	23.6	14.3%

INCOME STATEMENT in PHP millions	ACTUAL	ESTIMATE	TARGETS	PROJECTION			
	2020	2021	2022	2023	2024	2025	2026
Net Interest Income	9,882	10,532	11,825	5,740	6,609	7,665	9,084
Other Income	934	1,532	1,825	2,229	2,582	3,096	3,645
<b>Total Operating Income</b>	<b>4,815</b>	<b>5,315</b>	<b>6,000</b>	<b>7,969</b>	<b>9,191</b>	<b>10,761</b>	<b>12,728</b>
Operating Expenses	(3,648)	(3,722)	(4,082)	(4,422)	(4,914)	(5,428)	(6,118)
<b>Income before Provisions &amp; Tax</b>	<b>1,167</b>	<b>1,593</b>	<b>1,918</b>	<b>3,547</b>	<b>4,277</b>	<b>5,333</b>	<b>6,610</b>
Provisions for Losses	(906)	(1,136)	(1,250)	(1,400)	(1,450)	(1,600)	(1,800)
Income Tax	253	(364)	(489)	(677)	(953)	(989)	(1,198)
<b>NET INCOME</b>	<b>515</b>	<b>993</b>	<b>1,179</b>	<b>1,470</b>	<b>1,874</b>	<b>2,744</b>	<b>3,613</b>

### KEY FINANCIAL INDICATORS

#### Projected 5-YR

	ACTUAL	ESTIMATE	TARGETS	PROJECTION			
	2020	2021	2022	2023	2024	2025	2026
ROE	4.70%	7.21%	8.85%	10.55%	11.76%	14.77%	16.60%
ROA	0.53%	0.85%	1.08%	1.27%	1.42%	1.79%	2.02%
CAR	12.77%	13.43%	13.11%	12.97%	13.40%	13.47%	13.78%
CET 1 %	11.89%	12.52%	12.20%	12.05%	12.47%	12.53%	12.84%
NPL %	8.29%	7.23%	6.29%	5.38%	4.51%	3.69%	3.11%
NPL Coverage %	47.87%	60.55%	76.58%	90.54%	104.76%	117.98%	125.65%
Gross NPA %	8.68%	7.65%	6.87%	5.99%	5.11%	4.26%	3.57%
Ave. Loan Yield	7.46%	7.33%	7.49%	7.49%	7.54%	7.55%	7.58%
Ave. Cost of Fund	1.74%	1.02%	0.97%	1.12%	1.30%	1.46%	1.53%
NIM on Loans	5.55%	6.28%	6.49%	6.33%	6.19%	6.03%	5.98%
CASA %	43.53%	51.06%	54.06%	55.39%	56.05%	55.74%	53.62%
Cost-to-Income %	75.76%	61.38%	58.82%	55.49%	53.46%	50.44%	48.06%
Target # of Borrowers	139,000	171,000	216,000	272,000	331,000	407,000	485,000
Target # of Depositors	464,000	475,000	552,000	642,000	747,000	871,000	981,000
Total Customers	603,000	646,000	768,000	914,000	1,078,000	1,278,000	1,466,000

The successful implementation of our business plan would result to the following:

BALANCE SHEET in PHP billions	ACTUAL 2020	ESTIMATE 2021	TARGETS 2022	PROJECTION				CAGR 21 - 26
	2023	2024	2025	2026				
Loans, gross of allowance	66.7	88.4	104.1	124.1	147.0	16.6%		
ROPA	2.6	2.3	2.2	2.0	-4.9%			
<b>TOTAL ASSETS</b>	<b>99.7</b>	<b>122.3</b>	<b>140.7</b>	<b>164.3</b>	<b>191.8</b>	<b>14.2%</b>		
Deposits	85.5	104.2	120.0	140.6	164.4	14.5%		
CASA	37.2	57.7	67.2	78.4	88.1	16.0%		
Capital	11.2	14.7	17.2	20.0	23.6	14.3%		

INCOME STATEMENT in PHP millions	ACTUAL 2020	ESTIMATE 2021	TARGETS 2022	PROJECTION			
	2023	2024	2025	2026			
Net Interest Income	3,882	5,740	6,809	7,685	9,084		
Other Income	934	2,229	2,582	3,096	3,645		
<b>Total Operating Income</b>	<b>4,815</b>	<b>7,969</b>	<b>9,191</b>	<b>10,761</b>	<b>12,728</b>		
Operating Expenses	(3,648)	(4,422)	(4,914)	(5,428)	(6,118)		
<b>Income before Provisions &amp; Tax</b>	<b>1,167</b>	<b>3,547</b>	<b>4,277</b>	<b>5,334</b>	<b>6,611</b>		
Provisions for Losses	(906)	(1,400)	(1,450)	(1,600)	(1,800)		
Income Tax	253	(677)	(953)	(989)	(1,198)		
<b>NET INCOME</b>	<b>515</b>	<b>1,470</b>	<b>1,874</b>	<b>2,744</b>	<b>3,613</b>		

	ACTUAL 2020	ESTIMATE 2021	TARGETS 2022	PROJECTION			
	2023	2024	2025	2026			
ROE	4.70%	10.55%	11.76%	14.77%	16.60%		
ROA	0.53%	1.27%	1.42%	1.79%	2.02%		
CAR	12.77%	12.97%	13.40%	13.47%	13.78%		
CET 1 %	11.89%	12.05%	12.47%	12.53%	12.84%		
NPL %	8.29%	5.38%	4.51%	3.69%	3.11%		
NPL Coverage %	47.87%	90.54%	104.76%	117.98%	125.65%		
Gross NPA %	8.68%	5.99%	5.11%	4.26%	3.57%		
Ave. Loan Yield	7.46%	7.49%	7.54%	7.55%	7.58%		
Ave. Cost of Fund	1.74%	1.12%	1.30%	1.46%	1.53%		
NIM on Loans	5.55%	6.33%	6.19%	6.03%	5.98%		
CASA %	43.53%	55.39%	56.05%	55.74%	53.62%		
Cost-to-Income %	75.76%	55.49%	53.46%	50.44%	48.06%		
Target # of Borrowers	139,000	272,000	331,000	407,000	485,000		
Target # of Depositors	464,000	642,000	747,000	871,000	981,000		

The President started his presentation with a brief history of China Bank Savings from the parent Bank's acquisition of The Manila Banking Corporation back in 2007 and the Bank's expansion programs including the acquisition and merger of Unity Bank, and Planters Bank.

He manifested that the aggressive network expansion will be the Bank's main strategy for APD lending business to create additional customer touchpoints for wider coverage and easier loan concept shots. He discussed the other consumer loans, particularly on consumer loan portfolio targets, which he expressed is expected to increase at a compounded annual growth rate of 12.4% over the next five years, driven by about 16% compounded annual growth rate for retail housing loans. He added that for

2022 the Bank will strive to offer faster loan processing to expand customer base with the ongoing automation projects in the pipeline. This will include improving housing loans turnaround time will by reducing five (5) days to three (3) days processing and auto loans from one (1) day to three hours. He explained that these improvements on credit approval will boost the Bank's ability to meet the growing business volume and greater customer to ban for speed and convenience.

The next item discussed by the President is on the average loan balance where he explained that despite average loan balance of personnel and salary loans remaining modest at 300 seventy 79 million and 532 million, respectively, these products have contributed an annual average income of 60 million. The income contribution mentioned is already net of allocated funding costs, direct support and institutional OpEx, and provision for losses. He further explained that the management has considered personal and salary loans as ancillary products for the cross selling activities of the branches and provide incremental value for our customers, and CBS management would want to maintain the personnel and salary loan portfolio which it intends to grow under more acceptable parameters after the pandemic.

The President discussed on SME and corporate loans stressing that these are projected to increase at a compounded annual growth rate of 10% over the next five years. He expressed that the portfolio will remain relatively flat in 2022 as our strategy is to replace large corporate exposures with more manageable small to midsize ticket accounts, that this is also aligned with the Bank's strategy to allocate more capital for the expansion of the APD and retail housing loan distance.

Followed by SME is his discussion on the CASA Generation where he informed the Board that the 2022 our Casa generation will increase by 7 billion or equivalent to an annual growth of 16%. He presented pertinent information on the measures being implemented to further build on the Bank's positive Casa trajectory such as relocating, selection of non performing branches, and utilizing social media platforms to extend the Bank's market presence.

The President proceeded to discuss the digital banking initiatives which are in line with the China Bank Group's efforts on the matter. He stated that the Bank will continue to work with the parent bank to enhance its digital banking capabilities. He added that expediting the digital banking projects will help CBS drive towards delivering a customer centric process, efficient and technologically driven platform, so that despite the adverse impact of the pandemic, CBS management is optimistic that it can reduce the Bank's NPL ratio to 7.2% by the end of 2021. He updated the Body that for next year, the Bank is targeting to hit an NPL ratio of 6.3%, and by 2026 the NPL ratio will be 3.1%. He further stated that new lawyers hired by the Bank, and more external counsels were engaged for faster resolution of items in litigation and conversion of ROPA to ready for sale inventory. He also stated that the Bank increased its the third party service providers to further strengthen collection and recovery efforts in consumer loans.

The next item touched by the President is on the total non-interest income which is expected to hit 1.8 billion in 2022 and about 3.6 billion in 2026. He stressed that the APD business will remain to be the key contributor in boosting our noninterest income, additional fee based income is expected to be realized from digital banking, other income and operating expenses cost to income ratio is expected to decline to 58.8% in 2022 and below 50% by 2026. He explained on the breakdown of the operating expenses for 2022, gross revenue growth of more than 14% will be matched by an OpEx increase of just

9.7%. He concluded in this light that over the next five years, are level of OpEx and CapEx will support business expansion and that's that is expected to provide higher revenues for the bank.

The President expressed that CBS will continue to pursue strategies to fast track and scale up ongoing digitization efforts to make banking progressively easier, safer, and more inclusive. CBS will enhance the security features and improve the functionality of its digital banking platforms. Projects are lined up well and teams are now moving swiftly to ensure that the high availability of digital channels is maintained. He explained that, with the implementation of the digital onboarding project with in the early part of next year, the Bank expects not only to fast track its new account openings, but will penetrate areas where CBS is not currently present, augmenting its limited branch presence.

He discussed the total distribution network of the same 160 branches, 3 regional business centers and 15 sales offices. These support the bank's, consumer and SMB lending businesses, plus the 35 APD RBCS, 52 lending kiosk and 98 portable kiosks. Focus on this matter is to further build the Bank's APD loan portfolio, and that all these will be supplemented by a 169 strong ATM network.

President Dee explained that the successful implementation of this business plan is expected to result to an improved level of profitability and capital level will be conserved and allocated only for business expansion, and further added that by the end of 2021 the Bank's capital adequacy ratio will reach 13.4% and for 2022, the management expects to maintain CAR at around 13.1%. He further states that over the next five years, CBS will fund its expansion through internally generated profits and the management did not assume additional capital infusion in our business plan as Management aims to preserve capital in the normal course of business and disposed assets not vital to banking operation.

In conclusion, The President expressed that for the next five years, CBS is estimated to grow its assets by 14% from 98 Billion in 2021, 192 Billion in 2026, expect to end 2021 with a net income of 842,000,000 or better, while for 2022 the Management is targeting to breach the One (1) billion mark, which equivalent to an 8% eight point, 8% ROE.

Director Sy suggested that Management can consider using data, systems and other related information from SM Supermarkets to assist in the discussed efforts. Director Sy stated that SM Supermarkets, have essentially the same market as CBS.

The Board also discussed challenges on ROPA. The President explained that the Bank has a big inventory of foreclosed assets, and with the full complement legal compared to previous years, he is cautiously optimistic this will improve. He explained that one of the challenges is the closure of the government agencies due to the pandemic and assured that the Management is definitely on top of it.

Director Whang proposed for CBS to consider marketing CBC credit cards as another avenue for additional income. President Dee expressed that the parent Bank is always welcome to make use of CBS resources to support the business of the China Bank group.

The Board further discussed extensively on the proposed plans and issued the following directives, to wit:

1. Maximize use of online/digital platforms for APD.
2. Consider the government dependencies of APD, and look into contingency plans for APD business, projects, and projections.
3. Revisit computation of APD gross income.
4. Put emphasis on customer experience in the analysis of the target markets' behavior for the Bank's various business segments.
5. Consider creating a team task/force to expedite turnaround time of products delivery, to improve customer experience.
6. Consider consulting the SM group on the behavior of the target markets.
7. Improve ROPA sales.
8. Consider marketing CBC credit cards to expand market.
9. Encourage Senior Officers to "go out" and feel the market.
10. Make necessary revisions on the Business Plan and present its Final Form/Version to CBC ExCom.

Upon motion duly made by Director William C. Whang and seconded by Director Rosemarie C. Gan, the following resolution was passed and approved, to wit:

**Resolution No. BR #12-10.21.2021-13**

**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board **approve in principle** as it hereby **approves in principle** the 2022-2026 CBS Business Plan as contained in the Memorandum and materials dated 21 October 2021 of the Office of the President, Mr. James Christian T. Dee and Office of the Controller, Mr. Luis Bernardo A. Puhawan.

**CBC MCBL Bancassurance Division**

**16. Offering of MCBL Product – "Secure Pinoy to CBS Branches"**

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The Chairman called the next item in the agenda. Atty. Constantino admitted the Bancassurance Head, Ms. Regina Karla F. Labatique, who presented the Memorandum dated 14 October 2021 containing the following requests, to wit:

**1. Revision of enrollment age of Group Yearly Renewable Term Product**

**MCBL Group Yearly Renewable Term Product** is a customizable group life insurance plan for employers and organizations. This provides the employees and their families the protection they need when misfortune happens.



No.	Name	Rank & Position	Group/Division/ Branch	Effectivity Date
1.	Jose Tito G. De La Paz	M/ Account officer	Special Accounts Management Division	October 1, 2021

Upon motion duly made by Independent Director Margarita L. San Juan and seconded by Director Nancy D. Yang., the following resolution was passed and approved, to wit:

**Resolution No. BR #12-10.21.2021-20**

**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Board **note** as it hereby **notes** the Officers' Retirement for September 16, 2021 to October 1, 2021 as contained in the 14 October 2021 Memorandum presented by Atty. Josephine F. Fernandez, HRD Head, to wit:

No.	Name	Rank & Position	Group/Division/ Branch	Effectivity Date
1.	Jose Tito G. De La Paz	M/ Account officer	Special Accounts Management Division	October 1, 2021

**IV. Adjournment**

There being no other matters taken up, the meeting was adjourned at 4:02 in the afternoon.

Attested to by:

  
**ATTY. ARTURO JOSE M. CONSTANTINO III**  
 Corporate Secretary

**Approved:**

  
**RICARDO R. CHUA**  
 Chairman

  
**NANCY D. YANG**  
 Vice-Chairman

  
**JAMES CHRISTIAN T. DEE**  
 President

  
**WILLIAM C. WHANG**

## HUMAN RESOURCE POLICIES AND PROCEDURES MANUAL

**SUBJECT: SUCCESSION MANAGEMENT PROGRAM****Policy No:****Page 1 of 5****Effectivity Date: January 1, 2014****Approval Date: April 2, 2014****OBJECTIVES**

The Bank's Succession Management Program (SMP) aims to:

- A. Contribute to implementing the Bank's strategic business plans;
- B. Identify high-potential employees who may be considered as possible successors for key positions and to prepare, train and develop them; and
- C. Make available qualified successors to assume key positions to ensure seamless transition of talents in the Bank.

**ROLES AND RESPONSIBILITIES****A. General Responsibilities****1. Business Group**

- a. Business Group Leaders / Senior Officers shall have hands-on involvement in the Program.
- b. Senior Officers shall be responsible for developing talent in their respective Groups / Divisions, for rewarding them, and for taking action for results and non-results.
- c. For purposes of this Manual, Business Group Leaders shall refer to Group, Division, Region, Area and Department Heads as shown in Table 1.

Table 1: List of Business Group Leaders

Branch	Non-Branch
Group Head	Group Head
Deputy Group Head	Division Head / Cluster Head
Region Head	Department Head
Area Head	

**2. Human Resources Division**

The HRD Head shall be responsible for giving update/advice to Senior Management about the Program and important developments, situations and issues to be resolved in relation to the Succession Management Program of the Bank and its subsidiaries. HRD-OEDD shall be responsible for:

- a. Collecting information and disseminating SMP and Successor for Officer Retirees (SFOR) information across business units through Business Group Leaders and other HRD Departments.

## HUMAN RESOURCE POLICIES AND PROCEDURES MANUAL

<b>SUBJECT: SUCCESSION MANAGEMENT PROGRAM</b>	
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- b. Providing data and process support to the business groups, such as documentation of competencies, performance requirements, individual development plans and other tools for assessment and evaluation of candidates.

### POLICY GUIDELINES

- A. The HRD Head with Group / Division Heads will initiate identification of target group or key positions that will be eventually vacated due to employee movement, resignation or retirement.
- B. The SFOR includes various scenarios for retirement and the processes that emanate from each scenario of which the officers and Management have to follow to ensure proper and timely succession from the incumbent officer to the incoming officer, the successor.

Three (3) scenarios covered by SFOR:

Scenario 1 - Officers who are nearing the age of 50 and qualified for Early Retirement<sup>1</sup>

Includes CBC officers (Assistant Manager to Senior Vice President) who are 46 years old to 49 years old whose total number of years with the Bank<sup>2</sup> is 10 years on the day he / she reaches the age of 50.

Scenario 2 - Officers who are nearing the age of 55 and qualified for Normal Retirement<sup>3</sup>

Includes CBC officers (Assistant Manager to Senior Vice President) who are 51 years old to 54 years old.

Scenario 3 - Officers who are nearing the age of 60 and qualified for Deferred or Late Retirement<sup>4</sup>

Includes CBC officers (Assistant Manager to Senior Vice President) who are 56 years old to 59 years old.

- C. Business Group Leaders will conduct inventory of high-potential employees through discussions within their business units and HRD who can be possible successors for key

<sup>1</sup> Section 2. Early Retirement – on the day a member attains age 50 and after rendering at least 10 years of continuous service with the Bank, he may, at his option, retire and shall be entitled to the retirement benefits provided under Article VI of the Plan (CBC Employees' Retirement Plan – as amended December 1, 1995).

<sup>2</sup> Continuously employed with CBC

<sup>3</sup> Section 1. Normal Retirement – For the qualified members of the Plan, normal retirement date shall be the last day of the month during which he attains the age of 55 provided he has served the Bank for at least ten (10) continuous years; provided that the employees may opt to retire on the last day of the month during which he attains age 60, subject to the provisions of Article VI on retirement benefits (CBC Employees' Retirement Plan).

<sup>4</sup> Section 3. Deferred or Late Retirement – Any member may continue to work with the Bank beyond his normal retirement age of 55, provided such extended or late retirement shall not extend beyond the employee's 60<sup>th</sup> birthday, subject to the provisions of Article VI on retirement benefits (CBC Employees' Retirement Plan – as amended December 1, 1995).

## HUMAN RESOURCE POLICIES AND PROCEDURES MANUAL

### SUBJECT: SUCCESSION MANAGEMENT PROGRAM

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positions in the Bank by evaluating in terms of competencies required for the position as well as their readiness to assume higher responsibilities.

If possible successor is from another unit (outside the unit where he/she was identified as a possible successor), procedures stated below should be followed:

1. Business Group Leader will secure endorsement from his / her Group or Division Head
2. Business Group Leader will inform HRD Head
3. HRD will secure endorsement from candidate's unit for eventual transfer of assignment

*Note: A possible successor can only be included in the Succession Management Program upon the endorsement of his/her current Group / Division / Region / Area Head.*

- D. Business Group Leaders will draft Individual Development Plan for each identified possible successor.
- E. HRD – OEDD reviews the drafted Individual Developmental Plans and revises as necessary which will be approved by the Line Officer, Group or Division Head and Chief Operating Officer.
- F. Possible successors shall be evaluated in terms of the competencies required for the position as well as their readiness to assume higher responsibilities.

#### CRITERIA

- A. Performance Record

Annual performance rating of at least Good for the last two (2) years

- B. Disciplinary Record

No disciplinary record action record for the last two (2) years

- C. Key Competencies

High-potential employees who may be considered as possible successors must meet at least proficiency Level 3 of the following key competencies (see Annex A for the definition of each competency):

Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
Has not demonstrated the required competency and current circumstances are	Has not demonstrated the required competency but shows aptitude and potentials to	Has demonstrated the required competency in some instances.	Has fully demonstrated the required competency

## HUMAN RESOURCE POLICIES AND PROCEDURES MANUAL

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Insufficient to assess potential.	acquire and demonstrate it.		
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1. Analytical Thinking
2. Business Development
3. Customer Focus
4. Developing Others
5. Entrepreneurial Orientation
6. Goal Orientation
7. Managing Performance
8. Operational Efficiency & Effectiveness
9. People Management
10. Sales Management
11. Strategy Execution
12. Transformational Leadership

Job Family	Applicable Competencies
Marketing	All
Operations	All except Sales Management and Business Development
Support	
Technical	

### D. Job-Specific Competencies

High-potential employees who may be considered as possible successor must also meet the job-specific competencies and required proficiency level which shall be determined by the Business Group Leaders.

### PROCEDURES

1. HRD – OEDD generates Leadership Roster (Exhibit 1) every April and October of the year and simultaneously conducts job profiling for those who are in the SFOR and key positions.
2. HRD – OEDD submits the generated reports to HRD Head and Group / Region / Area / Division Heads concerned for discussion every May – June and November – December of the year.
3. HRD – OEDD updates the reports as necessary and resubmits to HRD Head and Group / Region / Area / Division Heads concerned until approval.

## HUMAN RESOURCE POLICIES AND PROCEDURES MANUAL

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4. Based on the discussion, Business Leaders prepare the Individual Development Plan (Exhibit 2) which is submitted to HRD – OEDD and revises it as necessary until approval of the Group / Region / Area / Division Heads concerned and if the possible successor is for a Group Head position, HRD – OEDD secures approval up to COO level.
5. HRD – OEDD ensures that IDP is being executed through monthly report and follow-up with HRD Head.
6. HRD – OEDD prepares quarterly SMP report which shows the percentage of implementation of the IDP and submits to HRD Head and Group / Region / Area / Division Heads concerned.
7. Business Leaders assess possible successors through the Bench Assessment (Exhibit 3) and submits to HRD – OEDD.
8. HRD – OEDD evaluates the accomplished Bench Assessments and updates the monthly and quarterly reports which will be submitted to the HRD Head.
9. HRD Head discusses with Group / Region / Area / Division Heads concerned the readiness of the possible successors and next steps.





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China Bank Savings, Inc.

# Nomination Process<sup>1</sup>

(With Fit and Proper Rule/Guide for the Assessment of the Nominee)

## A. Nomination

Any shareholder of record, including a minority shareholder, who is entitled to a notice and to vote during the Annual Stockholders' Meeting, is qualified to nominate or be nominated.<sup>2</sup>

## B. Form and Content

1. All nominations shall be in writing duly signed by the nominating stockholders or their representatives duly authorized in writing, with the written acceptance and conformity of the nominee.<sup>3</sup>
2. The nomination must indicate whether the nominee is intended to be independent director and shall contain the nominee's age, educational attainment, and full disclosure of work and/or business experience and/or affiliations. Please see **Annex 1** for the Nomination Form.

## C. Endorsement to Board Committee

Nominations<sup>4</sup> shall be submitted to the Nominations Committee and/or the Corporate Governance Committee thru any member or to the Corporate Secretary.

## D. Pre-Screening

1. The Nominations and/or Corporate Governance Committee shall pre-screen<sup>5</sup> the qualifications of the nominees on the basis of the nomination and/or supporting papers<sup>6</sup>. Ensuring that the nominee's qualities are aligned with the Bank's strategic direction.
2. The nominee must be fit and proper for the position of a director<sup>8</sup>
  - 2.1 Whether a person is fit and proper for the position of a director, the following matters must be considered by the Committee:
    - a. Skills are sufficient to lead and/or assist the Bank in accomplishing its vision and corporate goals;

<sup>1</sup>Based on the 2018 Nomination Rules of China Bank, issued by the OCS.

<sup>2</sup>CBC-CG Manual, 2018, p.13

<sup>3</sup>Revised IRR of the SRC, Rule 38.8.2

<sup>4</sup>The Nomination shall be done using the prescribed template from the Nomination Rules.

<sup>5</sup>The Committee shall put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s. Rule 38.8.3 of the Revised IRR of the SRC (2013)

<sup>6</sup>Such as but not limited to the Bio-data of the Nominee (BSP template), Nomination Form, Certification by the Independent Director [for IDs].

<sup>7</sup>Revised CBC Nominations Committee Charter (2017)

<sup>8</sup>MORB, X142.3(2017) - Duties and responsibilities of officers) Qualifications of a director.

- b. Integrity/probity, physical/mental fitness; relevant education/ financial literacy/training;

In assessing a director's integrity/ probity, consideration shall be given to the director's market reputation, observed conduct and behaviour, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

- c. Possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and
- d. Sufficiency of time to fully carry out responsibilities.

## 2.2 Qualifications of an Independent Director

- a. The list of qualifications and disqualifications of an Independent Director are provided in [Annex 2](#) hereof.
- b. Some Board-level Committees require that an Independent Director should sit as a member and/or that it should be composed entirely of Independent Directors. Each of this committee may require certain skills or educational background. The attached [Annex 3](#) summarized these qualifications on a per Committee basis.

## 3. Board Diversity

The Committee in assessing the nominee shall consider the Bank's policy on diversity to ensure optimal mix in the members of the Board. Please refer to [Annex 4](#) for the Diversity Policy.

## E. Use of A Search Firm

In accordance with the Bank's CG Manual, The Board of Directors may use professional search firms or other external sources of candidates when searching for candidates for the Board.

## F. List of Candidates

1. If there is not enough nominees for directors and/or IDs, the Nominations and/or Corporate Governance Committees, jointly or separately, as may be agreed upon among the members, may by majority vote nominate such number of nominees for the said position and include them in the final list for the Stockholders' Meeting.
2. The Committees shall prepare a final list of candidates containing all relevant information about the nominees (indicate the nominees for Independent Director).



3. Only nominees whose name appears on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual stockholders' meeting.<sup>9</sup>

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<sup>9</sup> Rule 38.8.5, Revised IRR of the SRC (2015).

**INTERNAL AUDIT CHARTER****Purpose and Mission**

The purpose of CBS' Internal Audit Division is provide an independent, objective assurance and consulting services designed to add value and help improve the Bank's internal control processes, such as financial reporting control, information technology control and security, and operational controls. The mission of Internal Audit is to enhance and protect the organizational value by providing risk-based and objective assurance, advice, and insight.

It helps the Bank accomplish its objectives by applying a systematic, disciplined approach to assess / evaluate the effectiveness of Bank operations in terms of risk management, control, and governance processes.

**Authority, Role, Independence and Objectivity**

Internal Audit Division shall have authority and unrestricted access to all records, documents, personnel and physical properties of the Bank's operating units whenever relevant to the exercise of its assignment.

Internal Audit shall assist the BOD / Bank Management in performing their legal obligations for ensuring proper and reasonable operations of the Bank, and in the management of financial, operational, and regulatory risks. Internal auditors are responsible in providing information about the adequacy and effectiveness of the organization's system of internal control and the quality of performance.

To ensure and provide for independence of the Internal Audit function and objectivity of its personnel, the internal auditors report to the Head of Internal Audit (CAE) who in turn reports functionally to the Board of Directors (BOD) through the Audit Committee, and administratively to the President. The Head of the Internal Audit shall annually confirm to the Board the organizational independence of the internal audit activity.

To further reinforce IAD's independence and objectivity, the following shall be observed:

1. The internal audit activity shall remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to exhibit necessary independent and objective mental attitude. They must be free to report audit results, findings, opinions, appraisals and other information to the appropriate level of management.
2. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
3. Internal auditors should not engage in activities, which they are normally expected to review and evaluate. They must be independent of the activities audited and from day-to-day internal control processes. They should not participate in any activities or relationship that may be in conflict with the interest of the Bank.

**Scope of Work**

In order to fulfill its mission, the IAD's scope of work shall include the following:

1. Examination and evaluation of the adequacy and effectiveness of the internal control systems;
2. Review of the application and effectiveness of risk management procedures and risk assessment methodologies;
3. Review of the management and financial information systems, including the electronic information system and electronic banking services;

4. Assessment of the accuracy and reliability of the accounting system and of the resulting financial reports;
5. Review of the systems and procedures of safeguarding assets;
6. Review of the systems of assessing capital in relation to the estimate of organizational risk;
7. Transaction testing and assessment of specific internal control procedures;
8. Review of the compliance system and the implementation of established policies and procedures;
9. Perform other audit procedures as needed in carrying out its function as Internal Audit of the Bank.

IAD may also perform consulting services, with full disclosure in the reporting process, as long as consistent with the mission of IAD and would not necessarily impair IAD's objectivity and without the Internal Auditors assuming Management's responsibility. Such consulting services will generally be related to assessing the impact of changes being considered or implemented in the CBS' risk management, control, and governance processes.

#### **Accountability**

The CAE, in the discharge of his/her duties, shall be accountable to the Management and the Audit Committee to:

- a. Develop and execute a risk-based internal audit plan that focuses on effectively reviewing and monitoring CBS' key risks and related controls. Such plan shall be presented to the Audit Committee for approval.
- b. Periodically review the internal audit charter and presents it to senior management and the Board thru Audit Committee for approval.
- c. Issue an audit report for each audit conducted summarizing significant findings, recommendations and the responses and/or actions taken or committed to be taken with planned target dates of the business unit audited. Results of the audit shall be timely presented to the Committee.
- d. Conduct follow-up audits to check and ensure that committed corrective measures have been taken to address the audit findings.
- e. Coordinate with other control and monitoring units (Legal, Risk Management, Compliance, Security) to ensure smooth running of the control framework of the Bank, and with external auditors to avoid duplication of work and efforts.
- f. Develop & maintain a quality assurance and improvement program & communicate the results to Audit Committee including the ongoing and periodic internal assessments as well as external assessments conducted at **least every five (5) years**
- g. Maintain a professional Audit Personnel with sufficient knowledge, skills and professional experience to meet the IAD's requirements. Otherwise, obtain competent advice and assistance from external service providers if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

#### **Standards**

The IAD will be guided by and strive to meet the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors, Core Principles, Code of Ethics and the Definition of Internal Auditing. Also, in line with carrying IAD's function, it shall likewise adhere to the internal audit standards as prescribed by the Bangko Sentral ng Pilipinas per Circular 499 Series of 2005, including subsequent amendments thereto.

This Internal Audit Charter shall be reviewed periodically to keep it updated, appropriate, and prudent in consideration of the changes in circumstances and business in general.

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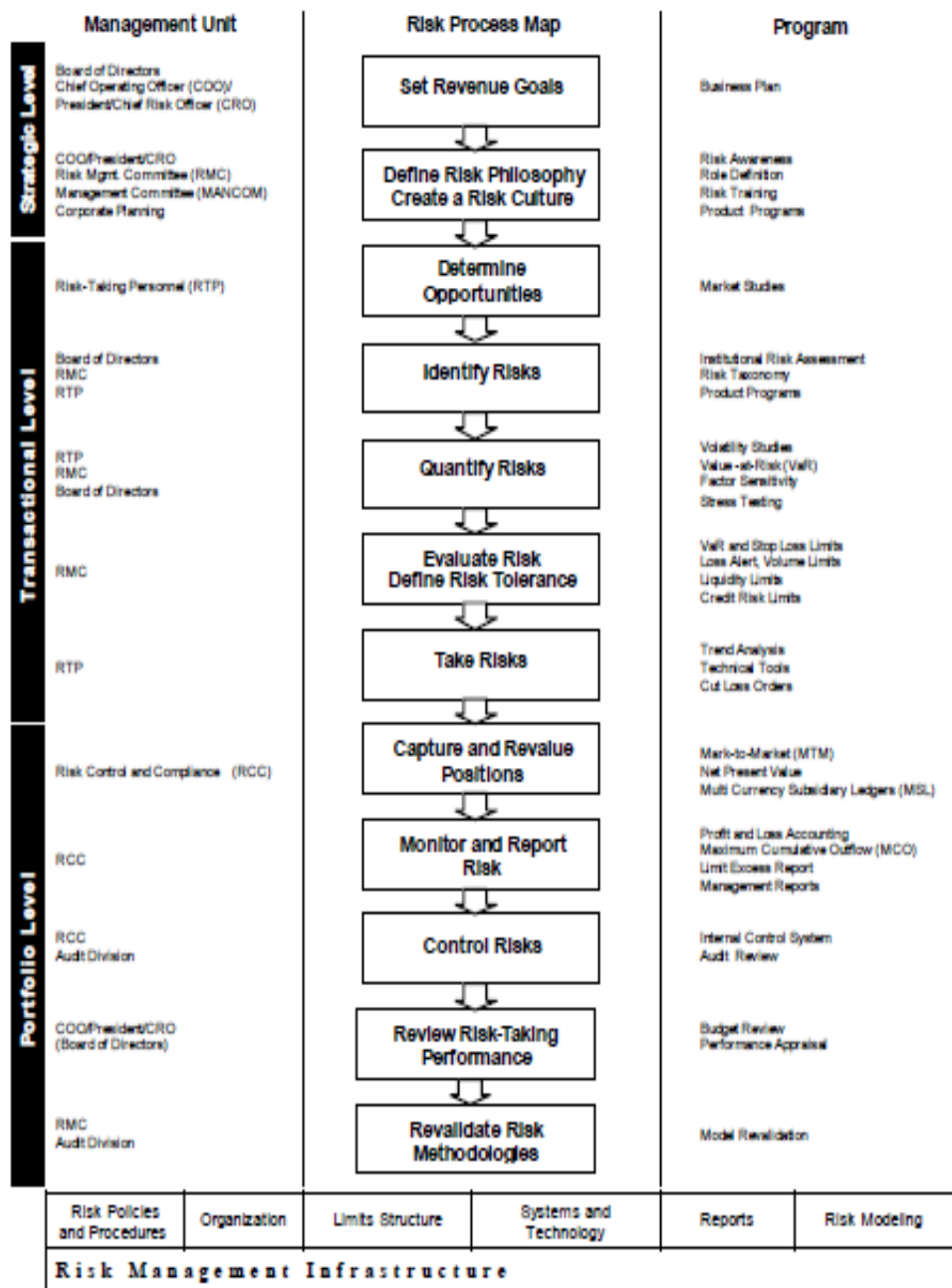
Risk management activities broadly take place simultaneously at the following different hierarchy levels.

- a. Strategic Level: This level encompasses the functions performed by Senior Management, the Risk Management Committee (RMC) and the Board of Directors (BOD) such as ascertaining the Bank's risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remain within acceptable level and the reward compensate for the risk taken. This is part and parcel of the Business Planning and Budget Process.
- b. Portfolio Level: This level encompasses the monitoring of the risks within a business area or across business lines, to ensure that the risks taken are within the appetite of the Board of Directors.
- c. Transactional Level: This level refers to the risk management activities performed by the Risk-Taking Personnel (i.e. individuals who take risks on the Bank's behalf such as front office and loan origination function) as they search for opportunities in the market and estimate the risks involved prior to the actual risk-taking.

## Risk Management Framework

### 1. Risk Process Map

The Risk Process Map as depicted below traces out a complete and coherent risk management plan that is performed at three different levels: the strategic level, the transaction level and the portfolio level.





- a. The first level provides a macro perspective. It starts with the basic reward/risk trade-off analysis where the business plan, through the budget process relates the amount of risks to be taken to achieve the desired revenue goals. The risk approval process should be consistent with the budget approval process.
- b. The next stage does not originate from metrics and models but from a cultural change that defines the Bank's philosophy on risk. This process emanates from and is a prime responsibility of the Chief Operating Officer (COO)/President and the Board of Directors. They establish the risk culture and the risk management organization and incorporate the risk process as an essential part of the corporate strategic plan.
- c. Institutionalizing a risk management culture requires organizational changes for the Bank. To start with, the Risk Oversight Committee (ROC) has been formalized to establish the risk culture and to set the tone for all institutional risk-related activities. Risk policies and procedures shall be formulated and approved by the Board. This requires a top-down process involving Senior Management to recognize the potential impact of risk events on the Bank's profitability.
- d. By contrast, the second (transaction) level and the third (portfolio) level look at the specifics - the risk concepts, trading tools, analytical models, statistical methodologies, historical studies and market analysis which are requisites of a coherent risk management system.
- e. These stages constitute the nature/essence of the risk process. It involves establishing core competencies of the Bank in recognizing, dimensioning, limiting, assessing, assuming, managing, controlling and monitoring risks. It starts with risk identification covering the entire spectrum of risk-sensitive positions and ends with assessing the risk-taking activities through performance metrics, which serve as rational basis for future business plans.
- f. Specific tools and techniques are required to manage risks effectively. Management reports should be generated to provide the Risk Oversight Committee and Senior Management a snapshot of the overall risk positions of the Bank and the financial results if risk/reward exposures were to be realized at prevailing or at simulated market rates.
- g. The investigation, analysis, and evaluation performed by the Risk-Taking Personnel (RTP), the Risk Management Division (RMD) and the Risk Control and Compliance (RCC) units constitute the essential day-to-day activities of risk management.



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### CERTIFICATION

This is an annual certification as to the attendance of the Board of Directors of **CHINABANK SAVINGS, INC.** for the year 2021, in compliance with the Manual on Corporate Governance in matrix form.

NAME OF DIRECTORS	21 JAN.	18 FEB.	05 MAR.	18 MAR.	15 APR.	20 MAY	17 JUN	15 JUL.	30 JUL.	19 AUG.	16 SEP.	21 OCT.	18 NOV.	16 DEC.	Percentage of Meetings Attended per Director (as applicable)
Ricardo R. Chua	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Nancy D. Yang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Alexander C. Escucha	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
James Christian T. Dee	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
William C. Whang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Rosemarie C. Gan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Patrick D. Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Alberto S. Yao	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Genaro v. Lopez	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	100%
Herbert T. Sy, Jr.	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	100%
Philip S. L. Tsai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Margarita L. San Juan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Claire Ann T. Yap	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%

**LEGEND:**

✓ - Present

x - Absent

1. Mr. Alexander C. Escucha stepped down as a member of the Board of Directors effective April 15, 2021.

2. Mr. James Christian T. Dee was elected on April 15, 2021 to fill in the vacancy due to the resignation of Mr. Alexander C. Escucha. In the same meeting, Mr. Dee was elected as President of the Bank.

3. Mr. Alberto S. Yao's term as Independent Director ended on June 17, 2021.

4. Mr. Genaro V. Lopez was elected on June 17, 2021 Annual Stock Holders' Meeting as the new Independent Director.

5. Mr. Herbert T. Sy, Jr. was elected on June 17, 2021 Annual Stock Holders' Meeting as Regular Director.

Makati City, Philippines, 11 January 2022.

**Atty. Arturo José M. Constantino III**  
Corporate Secretary

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

### SECRETARY'S CERTIFICATE

I, **Atty. ARTURO JOSE M. CONSTANTINO III**, of legal age, with office address at 26th/F The Salcedo Towers, 169 H. V. Dela Costa Street, Salcedo Village, Makati City, Philippines, after having been duly sworn to in accordance with law, hereby certify that:

I am the duly appointed Corporate Secretary of **CHINA BANK SAVINGS, INC.**, (the "Corporation"), a thrift banking corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at CBS Building, 314 Sen. Gil Puyat Ave., Makati City, Philippines;

As Corporate Secretary, I have possession of the records of the Corporation, including the minutes of the meetings of the Board of Directors, Executive Committee and other Board-approved Committees;

During the regular meeting of the Board of Directors of the Corporation held on **18 March 2021**, via virtual meeting (MS Teams Platform) at which meeting a quorum was present and acting throughout, the following resolution was duly passed and approved:

#### **APPROVAL OF THE 2020 AUDITED FINANCIAL STATEMENTS: Resolution No. BR No. #04-03.18.2021.14**

Acting on the Results of SGV Audit of the Financial Statements of China Bank Savings, Inc. as of and for the period ended December 31, 2020, the following resolution was passed and approved:

**"RESOLVED, AS IT IS HEREBY RESOLVED, to approve** the Financial Statements as of and for the year ended December 31, 2020, audited by Sycip Gorres Velayo & Co.

On motion duly made and seconded, the following members of the Board present have taken note and authorized for issue said Audited Financial Statements and instructed management to address comments of the external auditors noted during the audit.

- |                          |                       |
|--------------------------|-----------------------|
| 1. Ricardo R. Chua       | Chairman of the Board |
| 2. Nancy D. Yang         | Vice Chairman         |
| 3. William C. Whang      | Director              |
| 4. Alexander C. Escucha  | Director              |
| 5. Rosemarie C. Gan      | Director              |
| 6. Patrick D. Cheng      | Director              |
| 7. Alberto S. Yao        | Independent Director  |
| 8. Margarita L. San Juan | Independent Director  |
| 9. Philip S. L. Tsai     | Independent Director  |
| 10. Claire Ann T. Yap    | Independent Director" |

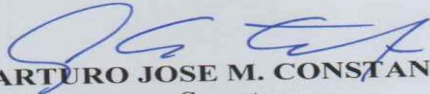
**x x x**

The above resolution is still in full force and effect and has not been revoked.



IN WITNESS WHEREOF, I hereby affix my signature on this  
at Makati City.

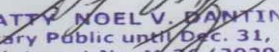
MAR 23 2021

  
Atty. ARTURO JOSE M. CONSTANTINO III  
Corporate Secretary

MAR 23 2021

**SUBSCRIBED AND SWORN TO** before me this \_\_\_\_\_ at  
Makati City, affiant having exhibiting to me his government issued Passport ID No.  
P1283873B issued by DFA Manila valid until March 29, 2029.

Doc. No. 75;  
Page No. 8;  
Book No. CXXXI ✓  
Series of 2021.

  
ATTY. NOEL V. BANTING  
Notary Public until Dec. 31, 2021  
Appointment No. M-26 (2020-2021)  
Roll No. 47096 BP No. 08446  
PTR No. 8530441 01/04/21 Makati  
MCLE Compliance No. VI-0014069  
169 H.V. Dela Costa, Makati City



314 Sen. Gil Puyat Avenue, Makati City 1200  
(02) 8884-7600 • www.cbs.com.ph



**OFFICE OF THE CORPORATE SECRETARY  
NOTICE OF ACTION  
OF THE  
AUDIT COMMITTEE**

To	:	Mr. Frederick M. Pineda, Internal Audit Division Head
cc	:	Ms. Mayeth P. Roxas, IAD Branch Audit Department Head
	:	Mr. Joseph B. Panganiban, IAD Head Office Department Head
	:	Ms. Julie Ann S. Pring, IT Audit Department Head
Subjects	:	<b>For Audit Committee Approval 2021 Audit Plan</b>
Date	:	February 18, 2021

Please be informed that the Audit Committee of China Bank Savings, Inc., in its regular virtual meeting held on **February 18, 2021** via MS Teams Platform, wherein a quorum was present and acted throughout, passed Resolution No. **AC #01-02.18.2021.09**, approving the 2021 Audit Plan, as per submitted presentation materials.

For your information and/or immediate action please.

  
**Atty. Arturo Jose M. Constantino III**  
 Corporate Secretary

## 2021 Audit Plan

	No. of Audit Engagements	No. of Covered Units
<u>Branch*</u>	104	104
<u>Head Office**</u>	16	55
Total	120	159

**\*Branch Audit** – Based on Risk Assessment, 130 branches/cash centers should be audited for 2021 to catch up with the audit cycle. However, based on existing man-days (3 Officers and 10 Audit Assistants), 26 branches classified as **Moderate** would be deferred to 2022.

**\*\*Head Office Audit** – Based on Risk Assessment, 63 Units should be audited for 2021 to catch up with the 3-year audit cycle. However, based on existing man-days (1 Officers and 8 Audit Assistants), 16 audit projects planned for 2021 could cover only 55 Units and thus 8 units classified as **Moderate** would be deferred to 2022.

## 2021 Audit Plan

### Branch Audit

- ✓ Shift to remote and continuous auditing as alternative to traditional audit
- ✓ Shift from audit rating to risk rating/overall assessment
- ✓ Use of interviews, questionnaires and information obtained thru virtual, phone and email communications

## **2021 Audit Plan**

### **Branch Audit**

- ✓ Use of data analytics of CBC once SLA has been finalized with CBC
- ✓ Conversion of P100 meal allowance and P100 travelling allowance per day of fieldwork to P200 phone/internet allowance per audit engagement which will result in cost saving for the Bank
- ✓ Request for lifting of freeze-hire for Internal Audit Division to fill the vacancies

## **2021 Audit Plan**

### **Head Office Audit**

- ✓ Shift to strategic audit approach as alternative to traditional audit to align audit engagements with Bank's strategic objectives
- ✓ Shift from audit rating to risk rating/overall assessment
- ✓ Use of data analytics of CBC once SLA has been finalized
- ✓ Request for lifting of freeze-hire for Internal Audit Division to fill the vacancies