

## RELATED PARTY TRANSACTIONS (RPT) POLICY

<b>INTRODUCTION</b>	<p>PBCOM has business relationships with certain related parties. Transactions with such parties should be made in the ordinary course of business and on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions must not involve more than the normal risk of collectability or present other unfavorable conditions.</p> <p>Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.</p> <p>It is the policy of the Bank that Related Party Transactions (RPT) between the Bank and Related Parties are identified and subjected to review and approval to ensure that they are at arm's length, the terms are fair and they will inure to the best interest of the Bank and its depositors, creditors, fiduciary client, and other stakeholders.</p> <p>RPTs shall be disclosed, reviewed and approved in accordance with this policy consistent with the principles of transparency and fairness and in accordance with applicable law, rules and regulations. The policy requires that any transaction with related parties is made on terms equivalent to those that prevail in an arm's length transaction.</p> <p>The Bank and its subsidiaries or affiliates shall enter into any RPT solely in the ordinary course of business and on ordinary commercial terms subject to appropriate corporate approvals and actions of the Bank. In addition, the Bank shall exercise appropriate oversight and implement control systems for managing potential exposures brought about by RPTs as these may lead to abuses that are disadvantageous to the Bank and its depositors, creditors and other stakeholders.</p>
<b>PURPOSE</b>	<p>This policy sets out the related guidelines on the review and approval requirements for RPTs. It aims to:</p> <ul style="list-style-type: none"> <li>• Avoid conflicts of interest and comply with regulatory and good governance practices.</li> <li>• Establish an appropriate RPT review and approval process.</li> </ul>
<b>CONFLICT OF INTEREST</b>	<p>The Board of Directors, Officers &amp; Stockholders shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors &amp; Officers with interest in the transaction shall abstain from the discussion, approval and management of such transaction or matter affecting the bank.</p>
<b>GENERAL PRINCIPLES</b>	<p>The Bank shall at all times observe and adhere with the provisions of all relevant laws, rules and regulations, as may be applicable in the review and approval of RPTs.</p> <p>The Bank shall at all times observe, uphold and respect the rights of its shareholders, minority and majority alike.</p>

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	<p>This policy shall be without prejudice to the provisions of all relevant policies of the Bank which shall be observed and shall apply to the fullest extent possible.</p> <p>All materials RPTs shall be subject to review/vetting by the RPT Com. RPT materiality threshold/approving limits will have prior approval of the Board.</p> <p>The Bank shall implement appropriate controls to effectively manage and monitor RPTs on a per transaction and on an aggregate basis. It shall monitor exposures to Related Parties on an ongoing basis to ensure compliance with the Bank's policy and external regulations.</p> <p>With respect to Loans &amp; Other Credit Accommodations to DOSRI, the regulations in Section 341 to 348 of the MORB &amp; Credit Policy no. 25 shall be strictly observed. For this purpose, the said provisions of the MORB &amp; Credit Policy are hereby made an integral part of this policy.</p>
<b>DEFINITION OF TERMS</b>	
<b>Related Parties</b>	<p><b>Related Parties</b> shall cover the following:</p> <p>1) Director, Officer &amp; Stockholder.</p> <p>For the purpose of this policy, DOS are:</p> <p><i>Director</i> are Bank's Directors:</p> <ul style="list-style-type: none"> <li>who are named as such in the articles of incorporation <input type="checkbox"/> duly elected in subsequent meetings of the stockholders <input type="checkbox"/> elected to fill vacancies in the board of directors.</li> </ul> <p><i>Officer</i> - officer with rank of AVP &amp; above.</p> <p><i>Senior Officer</i> - officer with the rank of Senior Vice President (SVP) &amp; up and those segment/group heads reporting functionally/administratively to the President.</p> <p><i>Stockholder</i> - a person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.</p> <p><i>Majority Stockholder</i> - a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of a Bank.</p> <p>2) Related Interest (RI)</p> <p>For the purpose of this policy, Related Interest are the following:</p> <p>a) Spouse or relative within the 1<sup>st</sup> degree of consanguinity or affinity, or relative by legal adoption, of a Director, Officer or Stockholder of the Bank.</p>

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	<p>First degree relatives shall include the spouse, parent, parent-in-law, child, son-/daughter-in-law.</p> <p>b) Close family members are persons related to the following within the second degree of consanguinity or affinity, legitimate or common-law:</p> <ul style="list-style-type: none"> <li>➤ Directors</li> <li>➤ Seniors Officers (SVP &amp; up and segment/group heads reporting functionally/administratively to the President)</li> <li>➤ Stockholders</li> </ul> <p>Second degree relatives include the brother, sister, grandparent, grandchild, brother-/sister-in-law, grandparent-in-law and grandchild-in-law.</p> <p>To extend up to 4th civil degree of consanguinity or affinity, legitimate or common, if the person/s have control, joint control or significant influence over the Bank (Chairman, Vice Chairman, President, majority stockholder/s)</p> <p>c) Partnership of which a Director, Officer or Stockholder of the Bank or his spouse or relative within the 1<sup>st</sup> degree relative by consanguinity or affinity, or relative by legal adoption, is a General Partner.</p> <p>d) Entity of which any or a group of Directors, Officers, Stockholders of the bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital or equity of such entity</p> <p>e) Entity wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in letter b &amp; c</p> <p>f) Entity which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the bank or which controls majority interest of the bank</p> <p>g) Entity which has an existing management contract or any similar arrangement with the bank</p> <p>3. Subsidiaries and Affiliates of the Bank</p> <p><i>Subsidiary</i> - corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.</p> <p><i>Affiliate</i> - entity linked directly or indirectly to a bank by means of:</p> <ul style="list-style-type: none"> <li>• Ownership, control or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;</li> </ul>
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	<ul style="list-style-type: none"> <li>• Interlocking directorship or officership, where the director or officer concerned owns, controls or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity;</li> <li>• Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the BSFI and at least twenty percent (20%) of the outstanding voting stock of the entity;</li> <li>• Management contract or any arrangement granting power to the BSFI to direct or cause the direction of management and policies of the entity; or</li> <li>• Permanent proxy or voting trusts in favor of the BSFI constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa.</li> </ul> <p><i>Associate</i> - entity over which the Bank holds 20% or more of the voting power, directly or indirectly, or which the Bank has significant influence.</p> <p>Significant influence is the power to participate in the financial and operating policy decisions of the company but has no control or joint control of those policies</p> <p>4. Any party that the bank exerts direct/indirect control over, or that exerts direct/indirect control over the bank</p> <p>5. Subsidiaries, affiliates and special purpose entities that the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank</p> <p>6. Corresponding persons in affiliated companies  <i>Corresponding Persons</i> are Directors, Senior Officers, Stockholders  <i>Affiliated Companies</i> are the following:</p> <ol style="list-style-type: none"> <li>a) Corporate Related Company</li> <li>b) Subsidiaries, Affiliates and Associates of the Bank</li> <li>c) Any party that exerts direct/indirect control over or that exerts direct/indirect control over the bank</li> <li>d) Subsidiaries, affiliates and special purpose entities (SPEs) of no. 3</li> </ol> <p>7. Any person appointed/ given honorary title (Chairman Emeritus, Board Advisor)</p> <p>8. Any person/juridical entity whose interest may pose potential conflict with interest of the Bank.</p> <p>Other Related Parties shall also include direct or indirect linkages to the Bank as follows:</p> <ol style="list-style-type: none"> <li>1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;</li> <li>2) Interlocking directorship or officership, except in cases involving independent directors or directors holding nominal share in the borrowing corporation;</li> </ol>
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	<p>3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or</p> <p>4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.</p>
<b>Related Party Transactions (RPTs)</b>	<p>Transactions or dealings with Related Parties of the Bank, including Trust &amp; Wealth Management Group, regardless of whether or not a price is charged. These shall include, but not limited to the following transactions both on-and off-balance sheet, and regardless of which side of the transaction/deal the bank is acting:</p> <ul style="list-style-type: none"> <li>• On- and off-balance sheet credit exposures, claims and write-offs;</li> <li>• Investments and/or subscription for debt/equity issuances;</li> <li>• Consulting, professional, agency and other service arrangements/contracts;</li> <li>• Purchase and sales of assets, including transfer of technology and intangible items;</li> <li>• Construction arrangements/contracts;</li> <li>• Lease arrangements/contracts;</li> <li>• Trading and derivative transactions;</li> <li>• Borrowings, commitments, fund transfers and guarantees;</li> <li>• Sale, purchase or supply of any goods or materials; and</li> <li>• Establishment of joint venture entities</li> </ul> <p>RPTs are not only transactions entered into with the related parties but also outstanding transactions that were entered into with unrelated party that subsequently becomes a related party.</p>
<b>Control</b>	<p>Control of an enterprise exist when there is:</p> <ul style="list-style-type: none"> <li>• Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or</li> <li>• Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or</li> <li>• Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or</li> <li>• Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or</li> <li>• Any other arrangement similar to any of the above.</li> </ul> <p>Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20% or more of a class of voting securities of a company.</p> <p>Two (2) Concepts of Control:</p> <ol style="list-style-type: none"> <li>1. Conclusive Presumption of Control</li> </ol>

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	<ul style="list-style-type: none"> <li>➤ Power over more than 50% of the voting rights by virtue of an agreement with other stockholders; or</li> <li>➤ Power to govern the financial and operating policies of the Bank under a statute or an agreement; or</li> <li>➤ Power to appoint or remove the majority of the Board members; or</li> <li>➤ Power to cast votes at Board meetings; or</li> <li>➤ Any other similar arrangement</li> </ul> <p>2. Rebuttable Presumption of Control</p> <ul style="list-style-type: none"> <li>➤ Direct/Indirect ownership of 20% or more of a class of voting shares. Note: 20% is based on Basel III documents.</li> </ul> <p>If conclusive presumption of control exists, it is automatic that the party is a <u>Related Party</u> however if rebuttable presumption of control exist and it's not rebutted then control exist therefore its <u>Related Party</u>. If rebutted, then control does not exist however it will be still subject to review as it may fall under other RPT subgroups.</p> <p>The following are the requisites for the Bank which chooses to disclaim or rebut the presumption of control:</p> <ol style="list-style-type: none"> <li>1. Provide <u>facts</u> sufficient to show that there is no control.</li> <li>2. Submit a written commitment stating the following: <ul style="list-style-type: none"> <li>a) shares owned or held are exclusively for investment purposes;</li> <li>b) Bank-stockholder will not serve on the Board nor nominate any candidate to the Board or otherwise seek Board representation;</li> <li>c) Bank-stockholder will have limited contacts with management that are customary for interested shareholders;</li> <li>d) Bank-stockholder will engage only in normal and customary transactions with the enterprise; and</li> <li>e) Bank will not pledge the shares acquired to secure a loan with any institution.</li> </ul> </li> </ol>
<b>DUTIES AND RESPONSIBILITIES</b>	
<b>Board of Directors</b>	<p>The Bank's Board of Directors has the overall responsibility in ensuring that transactions with Related Parties are handled in sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect all stakeholders. The Board shall:</p> <ul style="list-style-type: none"> <li>• Set an example in terms of compliance with supervisory expectations (e.g., disclosure of related parties, disclosure of financial interest in transactions)</li> <li>• Adopt an overarching policy on handling RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted at an arm's length basis, and that no stakeholder is unduly disadvantaged.</li> </ul> <p>Any change in the policy and procedure shall be approved by majority of the board of directors.</p>

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	<ul style="list-style-type: none"> <li>Constitute RPT Committee, composed of at least three (3) members, two (2) of whom shall be independent directors, including the Chairperson. The Committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising majority of the members. In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Internal Auditor or Compliance Officer may sit as resource persons.</li> <li>Approve material and write-off of material exposures to related parties Any renewal or material changes in the terms and conditions (shall include, but are not limited to, changes in the price, interest rate, maturity date, payment terms, commissions, fees, tenor and collateral) of RPTs shall also be approved by the board of directors.</li> </ul> <p>All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders' meetings and duly reflected in the minutes of board and stockholders' meetings.</p> <ul style="list-style-type: none"> <li>Delegate to appropriate board committee (Excom/ TrustCom) the approval of non-material RPTs, subject to confirmation by the RPTCom. This shall, however, <b>exclude DOSRI loan and other credit accommodations transactions, which are required to be approved by the Board.</b> All decision under the delegated authority must be properly recorded in the minutes of the committee meetings.</li> <li>Establish effective Audit, Compliance and Enterprise Risk Management System to: <ul style="list-style-type: none"> <li>✓ Determine, identify and monitor related parties and material RPTs;</li> <li>✓ Continuously review and evaluate existing relationships between and among businesses and counterparties; and</li> <li>✓ Identify, measure, monitor and control risks arising from material RPTs</li> </ul> </li> <li>Maintain adequate capital vis-à-vis exposure to related parties. The material risks arising from RPT's shall be considered in the capital planning process.</li> <li>Oversee the policies and procedures for whistleblowing.</li> </ul>
<b>RPT Committee (RPTCom)</b>	Shall assist the Board in fulfilling its corporate governance responsibility related to the safety and soundness of the Bank's financial transaction/s with Related Parties and ensures that such are conducted in arm's length terms and conditions. Refer to RPTCom Charter (Annex A).
<b>Senior Management</b>	Implement appropriate controls to effectively manage and monitor on a per transaction and aggregate basis. Exposures to related parties shall also be



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	monitored on an on-going basis to ensure compliance with internal policy and BSP/SEC regulations.
<b>Director and Officer</b>	<p>A Director and Officer shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank in order to identify, manage and prevent potential or actual conflicts of interest that may arise.</p> <p>In addition, they shall be required to disclose material facts about the nature of the transaction, including whether the terms and conditions of the proposed RPT are at arm's length and in the best interest of the Bank and its stakeholders. They shall disclose all material information regarding the terms, business purpose, benefits and other details of each new, existing or proposed RPT for review and approval.</p> <p>Such disclosure shall be made at the Board meeting where the material RPT will be presented for approval and before completion or execution of the material RPT.</p> <p>They shall abstain from the discussion, approval and management of such transaction or matter affecting the Bank. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.</p> <p>Officer shall submit BSP Biodata to the Human Resources Group upon election/appointment and on an annual basis thereafter. The information/data indicated in the biodata will be the basis of the RP database</p>
<b>Proponent Units</b>	<p>The Proponent Units shall identify persons and companies that are considered the Related Parties.</p> <p>The Proponent Units/concerned units shall review, prepare &amp; submit to Compliance Management Group a monthly report of RPTs.</p>
<b>Internal Audit Group</b>	<p>The Internal Audit Group shall conduct a periodic review of the effectiveness of the Bank's system and internal controls governing RPTs to assess consistency with the Board-approved policies and procedures and perform periodic post verification of RPTs to ensure that the approved terms and conditions are properly and correctly implemented.</p> <p>The resulting audit reports, including exceptions or breaches in limits, shall be communicated directly to the Audit Committee and RPT Committee.</p>
<b>Compliance Management Group</b>	<p>The Compliance Management Group shall ensure that the Bank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Related Parties.</p> <p>Shall ensure that the RPT policy is kept updated and is properly implemented throughout the Bank.</p> <p>Shall aid in the review and identify any potential RPTs that would require review &amp; vetting by the RPTCom/approval of the Board.</p>



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	<p>Shall consolidate bank-wide RPTs and submit quarterly report to the RPTCom for Board notation/confirmation.</p> <p>Shall maintain an inventory of persons and companies that are considered the Related Parties and periodically review and update such inventory of Related Parties to capture organizational and structural changes in the Bank and its related parties.</p> <p><b>Maintenance of Related Party Database:</b></p> <p>To ensure completeness of the list of Bank's related parties, all existing related parties shall be required to accomplish the prescribed template (<i>Annex 3 - RP template</i>) every year-end. The same shall be submitted to CMG-RCCGD within ten (10) banking days after the reference year.</p> <p>All new directors and officers with rank of AVP and up, as well as newly promoted officers, shall be required to accomplish the template within ten (10) banking days after appointment/deployment/promotion.</p> <p>Concerned directors/officers shall inform CCO/CMG- RCCGD whenever there are updates on the submitted information.</p> <p>Human Resources Group (HRG) shall provide the CCO/CMG-RCCGD a list of all PBCOM executives (AVP and up) on a monthly basis.</p> <p>Biodata of the directors and officers, General Information Sheets of corporate RPs, and other relevant documents shall also serve as other source of information aside from the accomplished templates.</p> <p>An updated list of the Bank's Related Parties shall be posted on the Bank's public folder on a monthly basis.</p>
<b>Enterprise Risk Management Group</b>	Establishes an effective Risk Management system that identify, measure, monitor & control risk arising from RPTs.
<b>PROCEDURES</b>	
<b>Identification</b>	<p>The Proponent Unit shall be responsible in determining and indicating in the approval media if whether the Bank's counterparty is deemed to be Related Party as defined in this policy. The details of any transaction with a Related Party shall be submitted to the RPTCom Secretariat for vetting, review and approval depending on the amount of the transactions/materially threshold.</p> <p>The Proponent Units shall also identify outstanding RPTs that were entered into with an unrelated party that subsequently become Related Party.</p>

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<b>Criteria/ Standards for Review &amp; Vetting</b>	<p>RPTCom shall take into account, among other factors deemed appropriate, whether the terms of the RPT are no less favorable than terms generally available to an unrelated/unaffiliated third party under the same or similar circumstances i.e. arm's length. It shall consider all relevant facts and surrounding circumstances available, and shall take into account the following:</p> <ul style="list-style-type: none"><li>a. The nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is indeed an RPT or not.</li><li>b. The Related Party's relationship to the Bank, the extent of its interest in the transaction and the nature of the Bank's participation.</li><li>c. The basic terms of the transaction, material facts of the proposed RPT, including single transaction or aggregate monetary value of such RPTs.</li><li>d. The benefits to the Bank of the proposed RPT, the business purpose, rationale and timing of the transaction.</li><li>e. The availability of other sources of comparable or alternative products or services including prices, if available. Any compelling business reasons for the Bank to enter into the RPT should be determined</li><li>f. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances and would apply on the same basis if the RPT did not involve a Related Party</li><li>g. Impact to a Director's independence or whether the RPT would present a conflict of interest, actual or apparent, for the Related Party taking into account the size of the transaction, their overall financial position and any other factor the RPT Approving Authority deems relevant</li><li>h. Presence of a bidding process and the results thereof or of the valuation methodology used or alternative approaches in valuing the transaction</li><li>i. A description of any provision or limitation that may be imposed as a result of entering into the transaction as well as any potential risk issue that may arise as a result of or in connection with the transaction</li><li>j. Any other relevant or material information regarding the transaction</li></ul>						
<b>Guidelines in Ensuring Arm's Length Transactions</b>	<p>In order to ensure that RPTs are <u>at arm's length basis</u> it should be conducted in the <u>regular course of business</u> and not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such Related Parties than similar transactions with non-related parties <u>under similar circumstances</u> (fair terms), the Bank shall implement a price discovery system to determine a fair price for RPTs and are engaged into at terms that promote the best interest of the Bank and its stakeholders. This shall include but not limited to the following:</p> <table><tr><th>Type of RPT</th><th>Bench Mark</th><th>Price Discovery Mechanism</th></tr><tr><td>Loans/Credit Exposure</td><td>Prevailing market rate</td><td><ul style="list-style-type: none"><li>• Standard credit and approval process shall apply</li><li>• Interest rate, terms and conditions to be applied shall be comparable to similarly situated or risk-rated non-RP borrowers.</li></ul></td></tr></table>	Type of RPT	Bench Mark	Price Discovery Mechanism	Loans/Credit Exposure	Prevailing market rate	<ul style="list-style-type: none"><li>• Standard credit and approval process shall apply</li><li>• Interest rate, terms and conditions to be applied shall be comparable to similarly situated or risk-rated non-RP borrowers.</li></ul>
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Loans/Credit Exposure	Prevailing market rate	<ul style="list-style-type: none"><li>• Standard credit and approval process shall apply</li><li>• Interest rate, terms and conditions to be applied shall be comparable to similarly situated or risk-rated non-RP borrowers.</li></ul>					

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	Investments and/or subscription for debt/equity issuances  Trading and derivative transactions	Prevailing market rate Counterparty rate Fees or Commission	<ul style="list-style-type: none"> <li>• Standard price, market rate, limit shall apply</li> <li>• Since the price/rate is standard to all, publicly available, dictated by counterparty, the fees/commission/bank charges shall be compared to transactions of non-RP with the category.</li> </ul>
	Consulting, professional, agency and other service arrangements/contracts;  Construction arrangements/contracts;	Contract Price Terms and conditions	<ul style="list-style-type: none"> <li>• Standard approval process per Bank's existing PPM shall apply</li> <li>• Contract price, terms and conditions shall be compared to non-RP of the same category, arrangement, contracts</li> <li>• Obtaining offer price from other consulting firms, agencies, contractors</li> <li>• For major arrangements/contracts, acquiring the services of an external expert which may include, but is not limited to, auditing/accounting firms and third party consultants shall be recommended</li> </ul>
	Lease arrangements/contracts;	Market lease price per sqm.	<ul style="list-style-type: none"> <li>• Standard approval process per Bank's existing PPM shall apply</li> <li>• Lease contract price, terms and conditions shall be compared to similarly situated property at the same location</li> <li>• Publication/posting of the property/ premises for lease for comparison from other possible lessees</li> </ul>

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			<ul style="list-style-type: none"> <li>Obtaining lease rate price from other lessors</li> </ul>
	Purchase and sale of assets, including transfer of technology and intangible items;  Sale/Purchase or supply of any goods or materials;	Buyer: Market price  Seller: Market price Appraised value of the property	<ul style="list-style-type: none"> <li>Standard policies and procedures shall apply</li> <li>Price shall be compared to purchase/sale to non-RP of the same category, asset</li> <li>Obtaining sales price from other seller</li> <li>Publication/posting of available assets for sale and compare the offer prices from other possible buyers of similar assets</li> <li>Opening the transaction to a bidding process</li> </ul>
	Borrowings, commitments, fund transfers and guarantees;	Rate/limit	<ul style="list-style-type: none"> <li>Standard approval process shall apply</li> <li>Interest rate, terms and conditions to be applied shall be comparable to similarly situated or risk-rated non-RP</li> </ul>
	<ul style="list-style-type: none"> <li>Standard shall price, rate, limit, fees, commission, terms and conditions shall apply</li> <li>Standard process and approval shall apply</li> <li>Related party transaction shall be compared to at <u>least two (2) non-Related Parties</u> of the same category, industry, terms, facility etc.</li> <li>In case no non RP to compare or comparison is not feasible, such shall be disclosed and justified</li> <li>To further assist the RPTCom and/or the Board in determining on whether the RP transactions are at arm's length basis, the proponent units/officers (e.g. RM/AO) shall accomplish the prescribed template (<i>Annex 1- Transaction Approval Media</i>).</li> </ul> <p>Before execution of the Material RPT (10% of the Bank's Asset), the Board of Directors shall appoint an external independent party to evaluate the fairness of the material RPT.</p> <p>Additional factors to be considered in determining whether a transaction has been conducted on an arm's length basis:</p> <ol style="list-style-type: none"> <li>Validate the terms of the overall transaction to those of any comparable transaction on an arm's length basis.</li> <li>Check any options available to the Bank.</li> </ol>		

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	<div>3. Check if any external expert advice has been received by the Bank (including any professional or expert advice from appropriately qualified advisers).</div> <div>4. Validate the terms of the proposed transaction, if it's fair to the Bank and on the same basis that would apply to the transaction of non-related party.</div> <div>5. Verify the business reasons for the Bank to enter into the proposed transaction</div> <div>6. Ensure that the proposed transaction does not prejudice the independence of the relevant director.</div> <div>7. Ensure that the transaction has no implications to the Bank's financial position and performance.</div> <div>8. Validate the nature and content of the bargaining process, look for any unique or unusual terms/content.</div>																					
<div>Materiality Threshold</div>	<div>Materiality Threshold:</div> <div>Ten percent (10%) of the Bank's total assets based on latest audited financial statement. Total asset pertains to total consolidated assets.</div> <div>Adjusted Materiality Threshold:</div> <table><tr><th colspan="2">Transactions</th><th>Threshold</th></tr><tr><td rowspan="4">Credit Exposures/ Accomodations/Borrowings</td><td>Corporate Loan – Secured</td><td>PHP 120 M</td></tr><tr><td>Corporate Loan – Clean</td><td>PHP 60M</td></tr><tr><td>Consumer: Home Loan</td><td>PHP 15 M</td></tr><tr><td>Auto/Personal Loan</td><td>PHP 2.5 M</td></tr><tr><td>Investments</td><td colspan="2">PHP 240M</td></tr><tr><td>Others/Non-Credit Exposures</td><td colspan="2">PHP 30M</td></tr><tr><td>Trust</td><td colspan="2">Follow the same materiality threshold as with the Bank Proper</td></tr></table> <div>Material threshold of 10% of the total assets is required under SEC Memo Circular no. 10 series of 2019 - Rules on Material RPT for PLCs. The 10% considers the magnitude and impact of these transactions to the financial positions of the Bank and to the interest of the stockholders. It is likewise acknowledged by World Bank as an acceptable threshold in determining materiality for RPTs based on international best practices.</div> <div>While, the Adjusted Materiality Threshold is the determined and approved by the Board, considering the risk for RPT transaction to cause damage to the Bank and its stockholder.</div>	Transactions		Threshold	Credit Exposures/ Accomodations/Borrowings	Corporate Loan – Secured	PHP 120 M	Corporate Loan – Clean	PHP 60M	Consumer: Home Loan	PHP 15 M	Auto/Personal Loan	PHP 2.5 M	Investments	PHP 240M		Others/Non-Credit Exposures	PHP 30M		Trust	Follow the same materiality threshold as with the Bank Proper	
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## RELATED PARTY TRANSACTIONS (RPT) POLICY

Approval

Individual material RPTs shall be approved by at least two-thirds (2/3) vote of the board of directors, with at least a majority of the independent directors voting to approve the material RPT.

In case that a majority of the of the Independent Directors’ is not secured, the material RPT may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

For aggregate RPT transactions within a twelve (12) - month period that breaches the materiality threshold of ten percent (10%) of the Bank's total assets, the same board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

The Board shall approve all material RPTs, those that cross the materiality threshold, and write off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders’ meeting.

Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.

All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders’ meetings and duly reflected in the minutes of board of directors and stockholders’ meetings.

RPTCom shall review/vet all transactions that fall under materiality threshold prior approval of the Board of Directors.

The Board delegates the approval of RPT that fall under the adjusted materiality threshold/below materiality threshold to the RPTCom, subject to the confirmation of the Board.

And those below the adjusted materiality threshold to the TrustCom (trust related transactions only)/Excom, subject to confirmation of the RPTCom and notation of the Board.

All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

	Below Material Threshold	Adjusted Material Threshold	Material Threshold
Endorsed by:	Group/ Segment Head	Group/ Segment Head	TrustCom*/ Excom*
Vetted by:		TrustCom*/ ExCom*	RPTCom

## RELATED PARTY TRANSACTIONS (RPT) POLICY

Approved by:	TrustCom*/ ExCom**	RPTCom	Board
Confirmed by:	RPTCom	Board	Stockholders***
Noted by:	Board		

\*trust-related transaction only

\*\*all other transactions

\*\*\*majority vote of the stockholders in the annual stockholders' meeting

DOSRI loans and other credit accommodations regardless of amount, are still subject for approval by the Board of Directors.

Approval of contracts/agreements should be prior the execution.

For credit related exposure, credit proposal/establishment of credit lines as well as renewal of credit lines are subject to approval by the ExCom/RPTCom/Board depending on the total amount of credit lines/credit proposals and above approval authority.

Additional transactions/agreements concerning deposits such as but not limited to deposit pick-up, payroll agreement, CICS deployment check cutting, MC printing, will be approved by the Branch Banking/Transaction Banking based on existing approval authority/limits. Such will be summarized for notation of the RPTCom.

Deposit Substitutes transactions such as Promissory Notes (PN) and Repurchase Agreements (REPO) with special rates beyond 4% of the board rate shall be reviewed/vetted/approved based on above approval and materiality threshold.

Transactions with rate deviation up to 4% above the board rate will be approved based on line approving authority. Such will be summarized for notation of the RPTCom.

Approving Authority	Limit
Area Head	Leeway of 1% above the Board
Branch Banking Segment Head	Cap of 2% above the Board Rate
Treasury Head	> 2% to 3%
President	>3% to 4%

Renewal and material changes in the terms and condition of the RPT shall also be approved based on approval authority.

Additional transactions/agreements concerning deposits such as but not limited deposit pick-up, payroll agreement, CICS deployment check cutting, MC printing will be approved by the Branch Banking/Transaction Banking based on existing approval authority/limits. Such will be summarized for notation of the RPTCom.



## RELATED PARTY TRANSACTIONS (RPT) POLICY

	<p>Director/s with personal interest in the transaction shall abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for purposes of determining approval.</p> <p>Review/Vetting/Approval can also be done via routing</p>
<b>Exclusions and Exemptions</b>	<p>Transactions concerning deposit operations, regular trade transactions involving purchases and sales of debt securities traded in an active market and those granted under BSP-approved fringe benefit are excluded from the materiality threshold requirements and reporting requirements to BSP.</p> <p>In addition, the following transactions shall not be deemed RPTs for purposes of this policy:</p> <ul style="list-style-type: none"> <li>a. Compensation of Directors, Officers and Key Management Personnel.</li> <li>b. Transactions with similar terms available to all employees in general.</li> <li>c. Banking, finance or insurance-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business.</li> <li>d. Share transactions such as dividends, repurchase and rights offerings, available to all shareholders on a pro-rata ownership basis.</li> <li>e. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.</li> </ul> <p>Transactions that were entered into with an unrelated party that subsequently becomes related party may be excluded from the limits and approval process in this policy. However, any alterations to terms &amp; conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of this policy.</p> <p>The prospective treatment should, however be without prejudice to actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.</p>

## RELATED PARTY TRANSACTIONS (RPT) POLICY

<b>Individual and Aggregate Limit</b>	<p>To ensure that Related Party Transactions (RPTs) are within the prudent level and in addition to existing prudential limits which shall be complied at all times, the following are the internal sub-limits for individual and aggregate exposures to related party and for aggregate exposures to all related parties.</p> <table><tr><td>Individual Limit</td><td>Internal</td><td>Not to exceed 10% of the Bank’s net worth</td></tr><tr><td>Group Internal Limit</td><td></td><td>Not to exceed 15% of the Bank’s net worth</td></tr><tr><td>Aggregate Limit for all exposures</td><td>Internal for all RPT</td><td>Not to exceed 20% of the Bank’s net worth</td></tr></table>	Individual Limit	Internal	Not to exceed 10% of the Bank’s net worth	Group Internal Limit		Not to exceed 15% of the Bank’s net worth	Aggregate Limit for all exposures	Internal for all RPT	Not to exceed 20% of the Bank’s net worth
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	<p><b>Monitoring and Reporting of Internal and Aggregate Limit</b></p> <p>On a monthly basis: Compliance Management Group (CMG) shall request from Finance Group the computation of Bank’s Net worth to determine whether the exposures to Related Party are within the approved internal limits</p> <p>Proponent Units/concerned units shall review, prepare &amp; submit to CMG – RCCGD monthly report of RPTs using the prescribed template (<i>Annex 2- Monthly RPT</i>) within ten (10) banking days after the reference month.</p> <p>CMG-RCCGD shall maintain internal database of all the related party transactions (RPTs) based on the accomplished monthly templates by the proponent units.</p> <p>CMG-RCCGD shall prepare the summary of the RP exposures and submit a quarterly report to RPTCom/Board.</p> <p>Any breach in limits shall be reported to the Board with the decision to accept or to take steps to address the breach</p>									
<b>Declassification as Non-Related Party</b>										
<b>Identification</b>	<p>The Proponent Unit shall regularly evaluate existing relations with related parties to determine changes in the relationships. In case an existing related party does not meet anymore the criteria as a related party, as herein defined in the Policy, said related party shall be declassified as a Non-Related Party.</p> <p>The Proponent Units shall submit a report on “Related Party Declassification” to Compliance Management Group on a monthly basis. Said report shall be substantiated by information/ data as basis of the declassification.</p>									
<b>Review</b>	<p>Compliance Management Group (CMG) shall review the report submitted by the Proponent Unit to check accuracy. RPTCom shall be apprised of the results of the review made by CMG for their final approval on the declassification as non-RP.</p>									

## RELATED PARTY TRANSACTIONS (RPT) POLICY

	<p>Any amendment/revision/modification to the previously approved transaction of the RP subject for de-classification will only be presented to the RPTCom for information/ notation</p> <p>Any succeeding transactions entered into by the declassified RP shall no longer be tagged as RPT.</p>															
<b>Database Maintenance</b>	Compliance Management Group, upon RPTCom approval of the declassification, shall update the RP database accordingly by excluding the names of the RP being declassified.															
<b>Disclosures and regulatory reporting</b>	<p>The Bank shall comply with the disclosure and regulatory reporting requirement of the BSP as prescribed in Section 136 of the MORB.</p> <p>A summary of material related party transactions entered into during the reporting year shall be disclosed in the Integrated Annual Corporate Governance Report (I-ACGR) to be submitted annually.</p> <p>Advisement Report of any material RPT shall be filed within three (3) calendar days from the execution date of any material RPT. The Advisement Report shall be signed by the Corporate Secretary or authorized representative.</p>															
<b>REPORTING QUESTIONABLE RPTS</b>	All employees who have knowledge of any violation of this policy shall report the same to the Audit Committee. Guidelines under Section 22.04 on the Reporting Suspected Improprieties, Malpractices or Fraudulent Activities, shall be observed.															
<b>SANCTIONS</b>	<p>Violation of this policy shall be handle in accordance with existing Policies and Procedures on Handling Administrative Cases (Section 22.04).</p> <p>Administrative cases shall be handled judiciously by the following (per PPM section 22.04):</p> <table><tr><th>Nature of Offense</th><th>Persons Involved</th><th>Party-in-Charge</th></tr><tr><td>Minor Offense</td><td>Rank and File Officers below VP</td><td>Line Management</td></tr><tr><td>Major Offense</td><td>Rank and File Officers below VP</td><td>Management Disciplinary Committee (MDC)</td></tr><tr><td>Cases involving Senior Officers</td><td>Vice-President and above</td><td>Management Disciplinary Committee (MDC) or Ad hoc Committee formed specifically for the purpose of the investigation and the imposition of sanction upon approval of the Governance Committee</td></tr><tr><td>Cases involving Directors</td><td>Director</td><td>Ad hoc Committee / Governance Committee</td></tr></table>	Nature of Offense	Persons Involved	Party-in-Charge	Minor Offense	Rank and File Officers below VP	Line Management	Major Offense	Rank and File Officers below VP	Management Disciplinary Committee (MDC)	Cases involving Senior Officers	Vice-President and above	Management Disciplinary Committee (MDC) or Ad hoc Committee formed specifically for the purpose of the investigation and the imposition of sanction upon approval of the Governance Committee	Cases involving Directors	Director	Ad hoc Committee / Governance Committee
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	Said committees, in addition to their mandated functions herein, shall recommend measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Bank arising from abusive or fraudulent RPTs including sanctions.
<b>REVIEW OF THE POLICY</b>	The RPT Committee thru Compliance Management Group shall review the provisions of this policy on an annual basis or whenever related regulations emerge and will recommend amendments to the Board of Directors as it deems appropriate.