

# **Conflict of Interest Management Policy**

Philippine National Bank Tokyo Branch

## **1. Purpose**

In connection with the diversification of services provided by financial institutions and the development of global financial conglomeratization, multiple interests compete or conflict with each other within a financial institution or financial group increasing the possibility of conflicts of interests.

Under such circumstances, Philippine National Bank Tokyo Branch (including its Nagoya Sub-branch, the “Branch”) is required to manage the transactions that may cause conflicts of interests in order to prevent the interests of our Customers from being unjustly impaired.

The Branch, a bank under the Banking Law, has established the Conflict of Interest Management Policy (this “Policy”), which is required in the creation of the conflict of interest management system under applicable laws and regulations.

## **2. Types of Transactions that may cause Conflicts of Interests**

### **2.1 Covered Transactions**

“Transactions that may cause conflicts of interests”, which are covered by this Policy, means such transactions conducted by the Branch, Bank Agency whose principal bank is the Branch, Philippine National Bank or any of its parent financial institutions or subsidiary financial institutions, that may unjustly impair the interests of our Customers (the “Covered Transactions”)

Conflicts of interests may occur (1) between the Branch, Philippine National Bank or any of its parent financial institutions or subsidiary financial institutions and their Customer or (2) between the Customers of the Branch, Philippine National Bank or any of its parent financial institutions or subsidiary financial institutions and other Customers.

“Customer” means, in relation to the “Banking Related Business” conducted by the Branch, Philippine National Bank or any of its parent financial institutions or subsidiary financial institutions, (1) any customer who has already established business relations, or (2) any customer who may establish business relations, both of which exclude any customer that seem to be irrelevant to the Domestic Business (which term means any business conducted by the Branch).

“Banking Related Business” means any business banks allowed under the Banking Law, which banks may conduct, such as Core Banking Business (the Banking Law Article 10 Paragraph 1), Incidental Banking Business (the Banking Law Article 10 Paragraph 2), other Financial Instrument Business (the Banking Law Article 11) and other laws related business (the Banking Law Article 12).

## 2.2 Types of Transactions that may cause conflicts of interests

The following transactions may be considered as types of “Transactions that may cause conflicts of interests”. However, as these types are only criteria to determine whether there is any “Transactions that may cause conflicts of interests”, please note that the satisfaction of any such criteria does not necessarily mean the occurrence of a “Transaction that may cause conflicts of interests”. Also, please note that some additions or modifications may be made in the future as may be necessary.

- If any Customer reasonably expects that his/her own interests will be prioritized through counseling or advice
- If the Branch may obtain any economic profit or avoid any economic loss at the expense of any Customer
- If the Branch obtains or will obtain any incentive in the form of money, goods or services other than the usual commission fees or expenses in connection with the transactions with any person other than the Customers
- If the Branch conducts any transaction under which the Branch takes the side of the counterparty of any Customer who should be protected by the Branch
- If the Branch conducts any transaction through the use of non-public information on any Customer who should be protected by the Branch, which transaction results in any benefit to the Branch
- If the conditions for similar transactions may not be expected due to the involvement of the Branch in the same transaction on multiple sides

In addition, upon determining whether any conflict of interests has occurred, the Branch will consider whether any impact upon the reputation of the Branch or our group companies has been caused.

This Policy will not cover any acts that are prohibited under the Banking Law, the Financial Instruments and Exchange Law, or any other laws or regulations.

## 3. Method of managing Transactions that may cause conflicts of interests

If the Branch identifies any transaction that may cause a conflict of interests, the Branch will properly secure the protection of our Customers by selecting from any of, or combining, the following methods and any other methods (the following methods are only examples, and the following measures need not be adopted).

- The method of separating the division conducting the Covered Transaction, and the division conducting the transaction with such Customer
- The method of amending the conditions or method of the Covered Transaction with such Customer
- The method of discontinuing the Covered Transaction or the transaction with the Customer
- The method of properly disclosing to the Customer the possibility that the interests of such Customer may be unjustly impaired in connection with the Covered Transaction (only if such disclosure does not violate the duty of confidentiality assumed by the Branch or group companies)

## 4. Establishment of the conflict of interest management system

The Compliance Unit of the Branch is the Conflict of Interest Management Control Division and Compliance Officer serves as chief of such division.

The Conflict of Interest Management Division is independent from Operations and/or Business Promotion Section and will never receive any direction or order regarding the treatment of specific cases from such sections.

The Conflict of Interest Management Control Division will control the Branch-wide management system regarding the identification of transactions that may cause conflicts of interests and the management of conflicts of interests.

END