



REVISED POLICY ON RELATED PARTY TRANSACTIONS (RPTs) AUGUST 2015

The Revised Policy on Related Party Transactions (RPTs) serves as standard in handling and dealing of the Bank's RPTs with its Directors, Officers, Stockholders and their Related Interest (DOSRI), Subsidiaries and Affiliates, as well as Individuals/Juridical Entities beyond the definition of DOSRI, Subsidiaries and Affiliates.

I. POLICY STATEMENT

The Board of Directors, Officers and Staff of the Philippine National Bank (PNB) commit themselves to adopt and adhere the Policy on Related Party Transactions (RPTs) formulated in accordance with the requirements of SEC Revised Code of Corporate Governance; Securities Regulation Code; and BSP Guidelines in Strengthening Corporate Governance on Related Party Transactions (RPTs) of Banks and other related laws and regulations.

The Bank recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire PNB Group. It is the Bank policy that RPTs with Related Parties PNB Conglomerate/Organizational Structure are conducted on an arms-length basis and in accordance with the Board approved RPT policy guidelines. These RPTs shall be in the regular course of business and upon terms not less favorable to the bank than those terms and services offered to others or any unrelated third party or non-affiliate.

The Board exercises appropriate oversight in the implementation of the control systems for managing RPT exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors and other stakeholders.

Likewise, to prevent potential RPT abuses, the Bank consistently adopts policies and procedures on the Code of Conduct and Business Ethics affecting directors, officers and employees.

The RPT policy covers and captures a broader spectrum of transactions not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to the bank and its stakeholders

II. GENERAL RULES

Dealings of the bank on DOSRI/RPTs should be in the regular course of business, substantially the same terms and services, not less favorable to the bank than those offered to others or any unrelated third party or non-affiliate, i.e., price, commissions, interest rates, fees, tenor, collateral requirement. RPTs/DOSRI are not prohibited provided that these are conducted at arm's length basis; approved by the appropriate Management/Board Committee and/or Board; effectively monitored; control or mitigate risks; and write-offs shall be made according to standard policies and processes.

The Bank's existing board approved policies and procedures on DOSRI which conforms with the BSP Manual of Regulations for Banks (MORB) shall be consistently observed for loans, other credit accommodations or guarantees granted by the bank to any of its subsidiaries and affiliates, as well as Directors, Officers, Shareholders and Related Interests (DOSRI). The provisions of MORB on DOSRI and subsidiaries and affiliates shall likewise be observed as internal ceilings/limits (individual and aggregate ceilings) for RPTs. RPT prudential requirements are aligned with BSP Circulars 423, 560 and 749.

Directors/officers involved in possible conflict of interests shall disassociate from participating in the decision making process and abstain in the approval of the transaction. The Board Oversight RPT

Committee may inform the Corporate Governance/Nomination/Remuneration Committee of the directors/officers' actual/potential conflicts of interest with the Bank, as necessary.

III. RPT POLICY FRAMEWORK:

The RPT Policy framework includes the Objectives; Definition of Terms; Board and Senior Management Oversight; Coverage of RPTs; Conflict of Interest; Code of Conduct and Business Ethics; Training, Assessment and Monitoring; Disclosures/reporting; Supervisory Enforcement Actions and References.