

- 11.2.4. Carry out investment and other fiduciary activities in accordance with agreements with clients and parameters set by the Trust Committee as approved by the Board of Directors;
- 11.2.5. Report regularly to the Trust Committee on business performance and other matters requiring its attention;
- 11.2.6. Maintain adequate books, records and files for each trust or other fiduciary account and provide timely and regular disclosures to clients on the status of their accounts; and
- 11.2.7. Submit periodic reports to regulatory agencies on the conduct of the trust operations.

V. DEALINGS WITH RELATED PARTIES

The Related Party Transaction (RPT) policy guidelines are formulated in accordance with the requirements of the SEC Revised Code of Corporate Governance; BSP Manual of Regulations for Banks (MORB), specifically BSP Guidelines in Strengthening Corporate Governance on Related Party Transactions (RPTs) of Banks; BSP Guidelines on Related Party Transactions; and Prudential Policy on Loans to DOSRI/Subsidiaries/Affiliates, as well as Basel Core Principles (BCP) for Effective Banking Supervision No. 20 and other related laws and regulations.

The Board of Directors, Management and employees of PNB Group commit themselves to adopt and adhere to the RPT Policy Guidelines. The Bank recognizes that engaging in RPTs have economic benefits to individual entities and to the entire PNB Group. RPTs are generally allowed provided that these are conducted on an arm's length basis; monitors these transactions; take appropriate steps to control or mitigate the risks; and write-off of exposures to related parties are in accordance with standard policies and processes; and board approved RPT policy guidelines. As such, RPTs shall be conducted in the regular course of business (fair process) and not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances (fair terms).

The Board, through the Board Oversight RPT Committee (BORC), exercises appropriate oversight in the implementation of the control systems for managing RPT exposures; ensures that RPTs handled in sound and prudent manner, with integrity, and in compliance with the board approved RPT Policy Guidelines/Manual; sets an example in complying with supervisory expectations, and practicing good governance for the best interest of the bank and its depositors, creditors, fiduciary clients, and other stakeholders.

The RPT policy framework has five (5) elements, i.e., Board and Senior Management Oversight; Policies and Procedures; Monitoring & Assessment; MIS & Reporting; and Training:

1. Board and Senior Management Oversight

The Board of Directors shall have the overall responsibility for ensuring that transactions with related parties are handled in a sound and prudent manner with a high degree of integrity; for exercising sound and objective judgment; and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders of the bank.

Senior Management shall implement appropriate controls to effectively manage and monitor RPTs and ensure compliance with the board approved RPT policy guidelines, as well as regulatory requirements. It shall also conduct periodic review and update of the inventory of related parties covered by RPT policy and ensure that dealings with RPTs are conducted on an arm's length basis at all times.

The Board Oversight RPT Committee (BORC) created in September 2013 governed by a Charter, assists the Board in performing its oversight functions for avoiding potential conflicts of interest of