

RELATED PARTY TRANSACTIONS POLICY

In line with the principles of fairness and transparency, it is the policy of PSBank that all transactions or dealings with its related parties are made in the regular course of business, conducted at arm's length terms i.e. not less favorable to the Bank than those offered to other unaffiliated/unrelated parties and that corporate/business resources are not misappropriated or misapplied.

Towards these ends, PSBank has put in place a *Board-approved* Related Party Transactions (RPT) policy that embodies the following key requirements, among others:

1. Identification of the Bank's related parties, both natural and juridical persons, and their respective classification whether "DOSRI", "Subsidiary/Affiliate" or "Other Related Parties".
2. Identification of transactions covered and transactions exempted from the RPT process.
3. Setting up of transaction materiality thresholds for purposes of determining which RPT items should go up to the Board of Directors (BOD) for approval and which ones can be approved at Management level.
4. Constitution of a *Board-level* Related Party Transactions Committee (RPTC) that is majority-composed of Independent Directors and tasked to assist the Board in ensuring that transactions with related parties are reviewed appropriate restrictions are followed, and corporate resources are judiciously used. This committee is also tasked to review/evaluate and endorse for Board approval RPTs beyond their set transaction materiality thresholds (material RPT items) further subject of stockholder's ratification during the Annual Stockholder's Meeting.
5. Establishment of a *Management-level* Related Party Transactions Management Committee (RPTMC) that is tasked to assist the RPTC and to review/evaluate/approve RPT items within their set transaction materiality thresholds (non-material). These non-material RPT items are further subject of the RPTC's post-transaction notation

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and confirmation of the Board. Lending to DOSRI and Subsidiaries/Affiliates, however, shall be subject to prior Board approval regardless of amount.

6. Establishment of individual and aggregate internal limits for credit exposures to related parties (which are lower than the existing regulatory limits) including the monitoring, reporting and handling of any breaches thereof to ensure compliance.

7. Maintenance of RPT inventory/database subject to periodic review and updating process.

8. Prohibition of a director and/or officer of the Bank to engage in any Board, RPTC/RPTMC or other committee discussion of approval of any transaction in which he/she and/or his/her related parties is (are) involved; provided however, that such director or officer must provide to the Board/RPTC/RPTMC all material information reasonably requested about the transaction.

9. Requirement for the Compliance Office and the RPTC/RPTMC to consider the following factors and other relevant facts and surrounding circumstances in reviewing proposed transactions with related parties:

- 1) **Transaction and Transacting Parties** - Nature of transaction and identity of the parties involved in the transaction or relationship for purposes of ascertaining if such is a Related Party Transaction (RPT) or not;
- 2) **Fairness/Arm's-Length Terms**- Whether the RPT is:
 - a. **Fair Process** - Conducted in the *regular course of business* (i.e. no special treatment/favor); and
 - b. **Fair Terms & Conditions** - Not undertaken on more favorable economic terms (e.g. price, interest rate, commission, fee, tenor, collateral requirements) to such related parties than *similar transactions* with non-related parties *under similar circumstances* (i.e. not less favorable to the Bank than those generally offered or available to an unrelated third party under the same circumstances and/or within the same category/parameters).
- 3) **Purpose and Rationale**- Business purpose, timing, rationale and benefits of the transaction or relationship;

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- 4) **Monetary Value** - Approximate monetary value of the Related Party's interest in the transaction;
- 5) **Valuation Methodology** - Valuation methodology used as alternative approaches to valuation of the transaction;
- 6) **Potential Counterparties** - Information concerning potential counterparties in the transaction;
- 7) **Provisions or Limitations** - Description of provisions or limitations imposed as a result of entering into the transaction;
- 8) **Reputational Risk** - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- 9) **Director's Independence** - Impact to a Director's Independence;
- 10) **Conflict of Interest** - Extent that such transaction or relationship would present an improper conflict of interest; and
- 11) **Comparison** - The availability of other sources of comparable products and services.

In evaluating the above considerations, CO shall require relevant documents and information supporting the RPTs submitted by the proponent-units as basis for its initial review. The same factors shall be taken into due consideration by the RPTMC/RPTC and the BOD when reviewing/evaluating, endorsing and approving RPT proposals. The RPTC may also consult third-party experts if it deems necessary for guidance for an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the Bank and its stakeholders.