

RELATED PARTY TRANSACTIONS POLICY

OBJECTIVES

The policy is intended to:

- ensure that every Related Party Transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and
- ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.

DEFINITION OF A RELATED PARTY

For purposes of this policy, a Related Party means

- a Stockholder owning 1% or more of the total equity of BDOLF (“Stockholder”) (other than financial or investment institutions under PCD Nominee Corporation whose beneficial owners could not be readily determined by the Company as it is being traded actively in the market) or;
- a Director of the Company, and its subsidiary (“Director”), or ;
- a Senior Officer of the Company (AVP up) (“Senior Officer”), or;
- Immediate family members of a Stockholder, Director or Senior Officer up to the second degree of affinity and consanguinity; or;
- Entities in the group owned directly or indirectly by parent company and/or its subsidiaries/affiliates including special purpose entities or those that exert control over the Company; or;
- Entities in which a Stockholder, Director or Senior Officer majority owns or controls.

DEFINITION OF RELATED PARTY TRANSACTION

In the context of this policy, the following criteria apply to a Related Party Transaction:

- **MATERIAL**
Any financial transaction, arrangement or relationship in which the aggregate amount involved will or may exceed Php10million in any year where a Related Party has or will have direct or indirect material interest.

- **NATURE**
Any of the following transactions entered into by the Company with a Related Party which includes:
 - a. Finance (including credit accommodations and equity contributions in cash or in kind);
 - b. Purchases, sales or supply of goods or materials;
 - c. Rendering or receiving of services;
 - d. Agency agreements;
 - e. Outsourcing arrangements;
 - f. Leasing of property of any kind;
 - g. License agreements;
 - h. Selling or disposing of, or buying, property of any kind;
 - i. Guarantees and sureties; and
 - j. Management contracts.

- **CIRCUMSTANCES**
The Company or its subsidiary is a participant to a Related Party Transaction in which a Related Party has the ability to control or to exercise significant influence in the outcome of a proposed Related Party Transaction such as a Senior Officer with discretion and can influence decisions solely.

EXCEPTIONS TO THE RELATED PARTY TRANSACTION RULE

- Any of the following types of transaction even if the aggregate amount exceeds the materiality threshold shall not require review and approval by the Related Party Transactions Committee and the Board, respectively:
 1. **Ordinary Course of Business**
 - Financial services the Company renders provided that the transaction has no policy deviations and the services are on substantially the same terms as those prevailing at the time for comparable services provided to unrelated parties; and
 - A transaction where the rates or charges involved in the transaction are determined by competitive bids or fixed by law or regulated by a governmental authority.

 2. **Employee Benefits**
 - Auxiliary services granted with preferential rates or waivers given to all employees (including senior officers) as part of employees incentives or benefits.

REQUIREMENTS OF RELATED PARTY TRANSACTIONS

- Each Director, Stockholder or Senior Officer is responsible to declare any Related Party Transaction and the material interest that they or an immediate family member may have on such transaction.

The following information, to the extent relevant, with respect to the proposed Related Party Transaction should be disclosed in the Term Sheet:

- a. A general description of the transaction/s including the material terms and conditions.
 - b. The name of the Related Party and the basis on which such person or entity is a Related Party.
 - c. The Related Party's interest in the transaction/s including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction/s.
 - d. The total value of the proposed transaction and the share of the Related Party's interest in the transaction/s.
 - e. Whether the Company will be a party to the transaction and if not, the nature of its participation in the transaction/s.
 - f. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result or in connection with the proposed transaction
 - g. Any other material information regarding the transaction/s or the Related Party's interest in the transaction/s.
- Certification is required from all service providers, suppliers and vendors that they do not have a conflict of interest with the Company.
 - Disclaimer is required from all approving officer/s signing contracts, agreements, work orders and purchase orders that they are not related to the counterparties of the proposed transaction.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- All credit and non-credit Related Party Transactions go through the normal approval processes of the Company given the delegated discretion after due consideration to existing DOSRI regulations and SB limits.
- Upon approval, all Php2.5million and above Related Party Transactions including transactions falling under the Ordinary Course of Business with deviations are referred to the Related Party Transactions Committee. The Committee reviews and ratifies these Related Party Transactions and endorses to the Board for approval.

- The Committee will consider the following factors to the extent relevant to the Related Party Transaction in conducting an independent review:
 - a. the identities of the parties involved in the transaction or relationship;
 - b. the terms of the transactions are fair and on arms length basis to the Company;
 - c. the impact on Director's or Senior Officer's independence; and
 - d. whether the Related Party Transaction would present an improper conflict of interest for any Director, Stockholder or Senior Officer of the Company.
- The Board of Directors approves and confirms all Related Party Transactions endorsed by the Related Party Transactions Committee.
- Any member of the Board or Related Party Transactions Committee who has interest in the transaction must abstain from participation in the review and approval of any Related Party Transaction.

DISCLOSURE AND REGULATORY REPORTING

- The Bank shall disclose in its website the policy on Related Party Transactions and also in the Annual Corporate Governance Report to the SEC.
- Material Related Party Transactions shall be reported to regulatory agencies as required and shall be ratified and approved by the stockholders in the Annual Stockholders' Meeting.
- Necessary disclosures shall be made also in the Notes to the Financial Statements of the Annual Report.