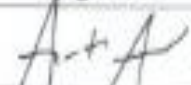
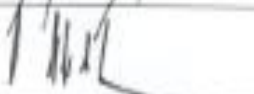


**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

RELATED PARTY TRANSACTIONS COMMITTEE

EFFECTIVE DATE: DECEMBER 22, 2021

**RELATED PARTY TRANSACTIONS**  
**POLICIES AND PROCEDURES**

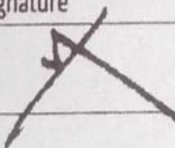
Name	Position	Signature
Ariel V. Ajesta	Chief Compliance Officer	
D. Edgard A. Cabangon	Chairman	

**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

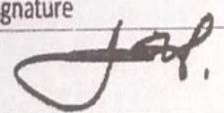
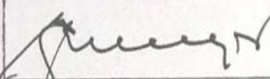
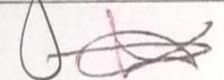
**RELATED PARTY TRANSACTIONS COMMITTEE**

EFFECTIVE DATE: DECEMBER 22, 2021

POLICY INITIATION  
Proponent's Sign Off:

Role	Name	Signature	Date
Endorsed by:	Hernando B. Tapang Committee Secretariat		12.22.2021

RELATED PARTY TRANSACTIONS COMMITTEE (RPTC)  
Endorsement Sheet:

Role	Name	Signature	Date
Recommending Approval	Director Filomeno P. Cadiz Chairperson		12/23/21
Recommending Approval	Director Wilfredo S. Madarang Member		01/07/22
Recommending Approval	Director Feorelio M. Bote Member		1/4/22

Board of Directors Approval:

<u>Board Resolution No.</u> 2021-0147	<u>Date:</u> 12.22.2021
Attached duly notarized Secretary's Certificate	

# CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

## RELATED PARTY TRANSACTIONS COMMITTEE

EFFECTIVE DATE: DECEMBER 22, 2021

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#### I. INTRODUCTION:

In accordance with the regulations, policies and guidelines on Related Party issued by the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and other regulatory bodies, *Citystate Savings Bank Inc.*, (CSBI) recognizes the need to strengthen its policy and procedures on related party transactions and other similar situations so as to prevent or mitigate abusive transactions with related parties and avoid risks of conflict of interest.

The BSP Guidelines on Related Party Transactions recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire group where said institutions belong. This policy is intended to ensure that every Related Party Transaction is conducted in a manner that will protect the bank from any conflict of interest which may arise between the bank and its Related Parties.

As a Publicly-Listed Company, *CITYSTATE SAVINGS BANK* shall comply with the Rules on Material Related Party Transactions as stated in SEC Memorandum Circular No. 10, series of 2019. The Rules apply to material related party transactions amounting to TEN Percent (10%) or higher of the bank's total assets. These guidelines are designed to ensure that the bank exercises an appropriate oversight and monitoring over its RPTs so as to ensure an effective control system for managing related parties. It must be emphasized that related party transactions are generally allowed provided; these are done on an arm's length basis.

**CSBI** recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with **CSBI** general policies and its stakeholders.

## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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#### **II. DEFINITION OF TERMS:**

The following definitions shall apply:

- 2.1 **RELATED PARTIES** - this shall cover the bank's subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the bank exerts direct/indirect control over or that exerts direct/indirect control over the bank; the bank's directors; officers, stockholders and related interests (DOSRI), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person/juridical entity whose interest may pose potential conflict with the interest of the financial institution (FI), hence, is identified as a related party.
- 2.2 **RELATED PARTY TRANSACTIONS** - a transfer of resources, services or obligations between a reporting Publicly Listed Companies (PLC) and a related party, including its trust department regardless of whether or not a price is charged. It should be interpreted broadly to include not only transactions that are entered with related parties but also outstanding transactions that are entered into with unrelated party that subsequently becomes a related party.
- 2.3 **CLOSE FAMILY MEMBERS** - this shall refer to persons related to the Bank's Directors, Officers and Stockholders (DOS) within the fourth civil degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, parent-in-law, son/daughter in-law, brother/sister-in-law, grandparent-in law and grandchild-in-law of the FI's DOS.
- 2.4 **CONSANGUINITY** - this shall define as with the same blood relationship, descended from the same ancestor (e.g. grandmother, granddaughter, grandchild).
- 2.5 **AFFINITY** - this is defined as relationship by-law (thru marriage), kinship (e.g. Sister/brother in law, grandfather/grandmother-in law and or common law).
- 2.6 **DOSRI**
- a. **Director** - shall refer to Bank's Directors as defined in Section 131 of the Manual of Regulations for Banks (MORB);
  - b. **Officers** - shall refer to bank officers as defined in Sec. 131 of the MORB;
  - c. **Stockholders** - shall refer to natural persons or juridical entities who own at least 1% of the Bank's capital. It shall refer to any stockholder of record in the books of the Bank, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the Bank, individual and/or collectively with the stockholdings of:
    1. His spouse and/or relative within the first degree by consanguinity or affinity or legal adoption;

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2. Partnership in which the stockholder and/or the spouse and/or any of the aforementioned relatives is a general partner; and
3. Corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the Bank.

d. **Related Interest** - shall refer to any of the following:

1. Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of the bank;
2. Partnership of which a director, officer, or stockholder of a bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
3. Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;
4. Corporation, association or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
5. Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items "d(2)" and "d(4)" of this Section;
6. Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the lending bank or which controls majority interest of the bank pursuant to Sec. 362 (Definition of terms, Item "g");
7. Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the lending bank; and
8. Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers of related banks.

2.7 **SUBSIDIARY** - shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.

2.8 **CORRESPONDING PERSONS IN AFFILIATED COMPANIES** - this refers to the Directors, Officers and Stockholders (DOS) of the affiliated companies and their close family members.

2.9 **SIGNIFICANT INFLUENCE** – the power to participate in the financial and operating policy decisions of the bank but has no control or joint control of those policies.

2.10 **ASSOCIATE** - an entity over which the reporting PLC holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the reporting PLC has significant influence.

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- 2.11 **AFFILIATE** – refers to an entity linked directly or indirectly to the reporting Publicly Listed Companies (PLC) through any one or a combination of any of the following:
- 2.11.1 Ownership, control or power to vote at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa;
  - 2.11.2 Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
  - 2.11.3 Common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity;
  - 2.11.4 Management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; or
  - 2.11.5 Permanent proxy or voting trusts in favor of the bank constituting at least twenty Percent (20%) of the outstanding voting stocks of the entity, or vice versa.
- 2.12 **CONTROL** - a person or an entity controls a reporting PLC if and only if the person or entity has all of the following:
- 2.12.1 Power over more than one-half of the voting rights by virtue of an agreement with other stockholders; or
  - 2.12.2 Power to govern the financial and operating policies of the enterprise under a statute or an agreement; or
  - 2.12.3 Power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
  - 2.12.4 Power to cast the majority votes at meetings of the board of directors or equivalent governing body; or
  - 2.12.5 Any other arrangement similar to any of the above.

Control is presumed to exist if there is ownership or holding, whether direct or indirect, of 20 percent or more of a class of voting shares of a company.

Should the FI choose to disclaim or rebut the presumption, it should provide facts sufficient to show that there is indeed no control. Further, the FI shall submit a written commitment that: (1) shares owned or held are exclusively for investment purposes; (2) the FI – stockholder will not serve on the board of directors and will not nominate any candidate to serve on the board or otherwise seek board representation; (3) the FI-stockholder will have only limited contacts with bank management that are customary for interested shareholders; (4) the FI stockholder will engage only in normal and customary transactions with the enterprise; and (5) the FI will opt pledge the shares acquired to secure a loan with any institution.

- 2.13 **SUBSTANTIAL STOCKHOLDER** – shall refer to a person, or group of persons whether natural or juridical,

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owning of such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a BSFI or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

- 2.14 **ARM's LENGTH TERMS** - this refers to the principle that requires the transaction with a related party be made under comparable conditions and circumstances as a transaction with an independent part.
- 2.15 **ARM's LENGTH BASIS** – refers to RPTs being conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, and tenor or collateral requirements) to such related parties than similar transactions with non-related parties under similar circumstances.
- 2.16 **MATERIAL RELATED PARTY TRANSACTIONS** – this refers to transactions that are included in the materiality threshold and reporting requirements of **BSP** and **SEC**. Such transactions are reviewed and endorsed by the RPT Committee and approved by the Board of Directors (BOD).
- 2.17 **NON-MATERIAL RPTs** - refers to transactions that are excluded from the materiality threshold and reporting requirements of **BSP** and **SEC**. Such transactions are approved by the existing approving body/authority (Management Committee Level) to be confirmed and approved by the RPT Committee.
- 2.18 **DIRECT RELATED PARTIES** - refers to the Bank's DOSRI (Directors, Officers, Stockholders and Related Interest).

### **III. MATERIALITY THRESHOLD AND EXCLUDED TRANSACTIONS:**

- 3.1 **MATERIALITY (INTERNAL) THRESHOLD** - pertains to a level where omission or misstatement of the transactions could pose significant risk to *CSBI* and could influence the economic decisions of its board of directors. It also refers to any financial transaction, arrangement or relationships in which:
  - 3.1.1 The amount involved is **Php1.0M and above**;
  - 3.1.2 Aggregate amount involved will or may exceed **Php1.0M** in any fiscal year;
  - 3.1.3 Where the company is a participant, and
  - 3.1.4 The related party has or will have a direct or indirect material interest.
- 3.2 **EXEMPTIONS ON MATERIALITY THRESHOLD AND EXCLUDED TRANSACTIONS** - the policy may or shall identify transactions excluded from the materiality threshold requirements such as:
  - 3.2.1 Deposit transactions;
  - 3.2.2 Regular trade transactions involving purchases and sales of debt securities traded in an active market; and
  - 3.2.3 The fringe benefit programs granted and approved by the BSP

### **IV. IDENTIFIED RELATED PARTIES:**

- 4.1 Director of the Bank;

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- 4.2 Officers of the bank (senior officer) and its subsidiaries and affiliates' with a rank of "Assistant Vice President" (AVP) and above;
- 4.3 A Stockholder of the bank, its subsidiaries, affiliates owning at least 10% or more shares to the Bank or vice versa
- 4.4 Related Interest (RI), as defined in Section II.
- 4.5 Close Family Members of DOS (within the 4<sup>th</sup> civil degree of consanguinity or affinity, legitimate or common-law);
- 4.6 A Corresponding Person in Affiliated Companies/other person/ juridical entity whose interest may pose potential conflict with the interest of the Financial Institution (FI);
- 4.7 An outstanding transactions entered into with an unrelated party that subsequently becomes a Related Party (RP);
- 4.8 Any transactions directly or indirectly involving any Related Party that would require to be disclosed or any currently proposed transactions involving the company, or including joint ventures with RP in which **the amount involved will or may exceed Php1.0M.**

### **V. IDENTIFIED RELATED PARTY TRANSACTIONS:**

These are transactions or dealings with related parties of CSBI, including its trust department, regardless of whether or not a price is charged. These shall include, but not limited to the following:

- 5.1 On- and off-balance sheet credit exposures and claims and write-offs;
- 5.2 Investments and/or subscriptions for debt/equity issuances;
- 5.3 Purchases, and sales of assets, including transfer of technology and Intangible items (e.g. research and development, trademarks and license agreements);
- 5.4 Consulting, professional, agency and other service arrangements/contracts;
- 5.5 Construction arrangements/contracts;
- 5.6 Leasing of property of any kind (lease arrangements / contracts);
- 5.7 Trading and derivative transactions;
- 5.8 Sale, purchase or supply of any services, goods or materials;
- 5.9 Borrowings, commitments, fund transfers, guarantees, sureties and investments;
- 5.10 Establishment of joint venture entities.
- 5.11 RELATED PARTY TRANSACTIONS INCLUDES THE FOLLOWING:
  - 5.11.1 SALE OF ASSETS INCLUDING ROPA TO RELATED PARTY
    - (Minimum contents of Related Party Transaction Proposals)
      1. Name of Related Party Buyer (identify relationships with the bank);
      2. Selling Price;
      3. Interest Rate, repayment period, collateral (if sale by installment);
      4. Price discovery mechanism employed (including appraised values) e.g. Public/private bidding);
      5. Background and description of the asset;
      6. Other material terms and conditions (including deviations from the policy);
  - 5.11.2 **GRANT OF LOANS TO RELATED PARTY TRANSACTIONS:**
    - (Minimum contents of Related Party Transactions Proposals)

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1. Name of Related Party Borrower (identify relationship with the bank);
2. Risk Rating of Borrower;
3. Amount of Loan, actual interest rate, repayment period and collateral;
4. Prevailing market rates for similar loans;
5. If collateral is deposit (interest rate on deposits);
6. Other material terms and conditions (including deviations from the policy);
7. Total exposure of the borrower/related borrowers;
8. Terms generally granted to similarly-situated borrowers.

### **VI. DUTIES AND RESPONSIBILITIES:**

#### 6.1 BOARD OF DIRECTORS:

The Board of Directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the company's shareholders and other stakeholders. Towards this end, the board of directors shall carry out the following duties and responsibilities:

6.1.1 Observe good governance and approve policies and procedures including changes on the handling of RPTs to ensure that all RPTs are conducted on an arm's length basis and that no stakeholders are unduly disadvantaged, the BOD will observe good governance, adopt a group-wide RPT Policies and Procedures that include changes in the handling of RPTs.

6.1.2 To approve all material RPTs, particularly those that cross the materiality threshold and write-off of material exposures to related parties, as well as renewal or material changes in the terms and conditions of RPTs previously approved in accordance with these rules.

All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balance, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during the stockholders meetings and duly reflected in the minutes of board and stockholder's meetings.

6.1.3 To delegate to the appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board.

All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

6.1.4 To establish an effective audit, risk and compliance system to:

- Determine, identify and monitor related parties and RPTs;
- Continuously review and evaluate existing relationships between and among businesses and counterparties; and

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- Identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define related parties' extent of relationship with the FI; assess situations in which a non-related party (with whom a bank has entered into a transaction) suddenly becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulators/supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the BSP and audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.

- 6.1.5 Maintenance of adequate capital against risks associated with exposures to related parties and consideration of risks from material RPTs in the bank's capital planning process;
- 6.1.6 To oversee the integrity, independence and effectiveness of the policies and procedures for whistleblowing; ensure that senior management addresses legitimate issues on RPT that are raised; and guarantee protection of staff that raise concerns; and
- 6.1.7 Constitute a RPT Committee, provide adequate resources to it, including the authority to procure the assistance of independent experts, if necessary, to assess the fairness of RPTs. The committee shall be composed of at least three (3) non-executive directors, two (2) of whom shall be independent directors, including the chairperson.

In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction. The Compliance Officer or Internal Auditor may sit as resource persons in said committee.

#### **6.2 RESPONSIBILITIES OF THE RPT COMMITTEE:**

The RPT Committee shall:

- 6.2.1 Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the board and regulators/supervisors.
- 6.2.2 Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the committee shall take into account, among others, the following:
  - a. The related party's relationship to the bank and interest in the transaction;

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- b. The material facts of the proposed RPT, including the proposed aggregate value of such transactions;
- c. The benefits to the bank of the proposed RPT;
- d. The availability of other sources of comparable products or services;
- e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances; and
- f. The bank shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs.

All RPTs that are considered material based on bank's internal policies shall be endorsed by the RPT Committee to the board of directors for approval.

- 6.2.3 Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transactions with other related parties.
- 6.2.4 Report to the board of directors on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- 6.2.5 Ensure that transactions with related parties, including write-offs of exposures, are subject to periodic independent review or audit process.
- 6.2.6 Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

### **6.3 DUTIES AND RESPONSIBILITIES OF SENIOR MANAGEMENT:**

Senior Management shall implement appropriate controls to effectively manage and monitor material RPTs on a per transaction and aggregate basis. Exposures to related parties shall also be monitored on an ongoing basis to ensure compliance with the Board approved Bank's policy, as well as regulatory requirements.

### **6.4 FUNCTIONS OF INTERNAL AUDIT AND COMPLIANCE:**

CITYSTATE SAVINGS BANK shall implement effective control systems for managing material related party transaction (MRPT) exposures as these may potentially lead to abuses that are disadvantageous to CSBI and its depositors, creditors, fiduciary clients and other stakeholders. Towards this end, the following self-assessment functions shall be made part of such controls:

#### **6.4.1 Internal Audit functions**

The Internal Audit function shall conduct a periodic formal review of the effectiveness of the Bank's system and internal controls governing RPTs to assess consistently with the board-approved policies and procedures. The resulting audit reports, including exceptions or breaches in limits, shall be communicated to the Audit Committee

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#### 6.4.2 The Compliance Office functions:

The compliance function shall ensure that the bank complies with relevant rules and regulations and is informed of regulatory developments in areas affecting related parties. It shall aid in the review of the bank's transactions and identify any potential RPT that would require review by the Board or RPT Committee. It shall ensure that the RPT policy is kept updated and is properly implemented throughout the FI.

#### 6.5 Functions of Related Party Transaction Department (RPTD):

The RPTD serves as the secretariat and custodian of minutes and/or resolution of the Committee. It shall oversee RPT and conduct preliminary review of RPT proposal and endorses to the RPTC for confirmation and approval. RPTD also recommends changes to the RPT Policies and Guidelines, when necessary

### **VII. DATABASE**

The Related Parties of *CITYSTATE SAVINGS BANK* shall be stored and arranged in a special database (herein referred to as the "**RPT DATABASE**") which the bank maintains on the basis of information in its possession and of the statements received from the direct related parties. The RPT DATABASE must be updated monthly in order to be consistent in the reportorial system.

- Direct Related Parties shall promptly give notice to the HR Department thru the RPT Department of any new parties that are related to them;
- The RPTD shall maintain and supervises the proper updating of the DATABASE, through periodic audits carried out with the assistance of the HRD, Internal Audit and ITD based on the following, among others:
  - List of directors, their close family relatives and interlocking positions from other companies;
  - List of bank officers and their close relatives from the Human Resources Dept.;
  - List of related parties submitted by the HRD of the affiliated companies;
  - General Information Sheet (GIS) of related companies; i.e.: subsidiaries and affiliates.

(Note: Attached is the sample of the RPT TRACKER Form – See Appendices 8 & 9

#### **Access to Related Party Database**

The Bank's Related Party Database is available only to the RPT Department Head, for viewing, to write down and modifying as a source of identifying Related Parties, notwithstanding, other documents available for the same purpose.

### **VIII. GENERAL POLICY STATEMENT:**

Guided by the firm commitment to integrity, **CITYSTATE SAVINGS BANK** ensures the fairness and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the board.

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

### RELATED PARTY TRANSACTIONS COMMITTEE

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It is the bank policy that any transaction involving related parties must be conducted at an arm's length with any consideration paid or received by the bank or any of its subsidiaries in connection with any such transaction being on terms no less favorable to the bank than terms available to any unrelated party under the same or similar circumstances must be done with the best interest of **CITYSTATE SAVINGS BANK** in mind.

#### **IX. POLICY GUIDELINES AND PROCEDURES:**

- 9.1 The Management ensures that transactions entered into related party are done on an arm's length basis and shall always consider the best interest of the Bank. Any Officers and personnel who have been remiss in their duties and responsibilities in handling RPTs shall be dealt with in accordance with the existing policy of the bank such as but not limited to Code of Ethics.
- 9.2 Identification of related parties. The policy shall clearly identify persons and companies that are considered as the company's related parties. All material Related Party Transactions (RPT) shall require approval of the Board of Directors through special resolution and the directors or officers with conflict of interest shall abstain/inhibit from voting on such resolution.
- 9.3 All Related Party Transactions in excess of the limits, which are not in the ordinary course of business or not at arm's length basis, shall also require prior approval of the Board.
- 9.4 In determining whether to approve, ratify or disapprove or reject a Related Party Transaction, the policy shall have clear guidelines in ensuring that RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g., commissions, interest rates fees, tenor, collateral requirement, price) to such related parties than similar transactions with non-related parties under similar circumstances. This shall include guidance for an effective price discovery mechanism to ensure that transactions are engaged into at terms that promote the best interest of the FI and stockholders. The price discovery mechanism may include, but not limited to, acquiring the services of an external expert, opening the transaction to a bidding process, or publication of available property for sale.
- 9.3 The policy applies to any transaction, arrangement or relationship in which the aggregate amount involved will or may exceed **PHP1.0M** in any fiscal year where a related party has or will have direct or indirect material interest.
- 9.4 The policy shall cover the identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with the material RPTs. Directors and officers with personal interest in the transaction shall fully and timely disclose any and all material facts, including their respective interests in the material RPT and abstain from the discussion, approval and management of such transaction or matter affecting the bank.

#### **X. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

In determining whether to approve or ratify a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transactions:

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- 10.1 Any financial transaction, arrangement or relationship in which the aggregate amount involved **will or may exceed PHP1.0M** in any fiscal year where a Related Party has or will have direct or indirect material interest
- 10.2 Key Officers of the bank and its affiliates (senior officers) with the rank of Asst. Vice President (AVP) and above, and who has a direct or indirect material interest
- 10.3 Whether the terms of the Related Party Transactions are FAIR to the company and would apply on the same basis if the transaction did not involve a Related Party.
- 10.4 Whether there are many compelling business reasons for the company to enter into the Related Party Transaction and the nature of alternative transactions, if any.
- 10.5 To review a Related Party Transaction, the Committee will be provided with all the relevant material information of the Related Party Transaction, such as: the terms and the business purpose of the transactions and also the benefits to the bank and to the Related Party.
- 10.6 To ascertain that the transaction is at arm's length and in the ordinary course of business.
- 10.7 In case of material related party transactions (materiality threshold), the transaction shall require approval of the Board of Directors through special resolution.
- 10.8 For the purpose of these policies, CSBI through its Board of Directors ensures that transactions with related parties are subject to appropriate restriction to ensure that all RPT's are within prudent levels.
- 10.9 Under CSBI's Policy, loans and other related transactions are made on the same terms as with other individuals and businesses of comparable risks.
- 10.10 Internal limits for individual and aggregate exposures:
  - The Bank shall be guided by the following internal RPT Limits, for monitoring purposes, subject to the existing and separate prudential limits for DOSRI, Subsidiaries, and Affiliates
  - For Individual Related Party – Twenty percent (20%) limits of the Bank's total net worth provided by the MORB for individual exposures;
  - For Aggregate Related Party Transactions – Forty percent (40-%) of the Bank's total net worth for aggregate exposures.

To supplement the monitoring against the limits above, there are prescribed Materiality Thresholds and Approval Matrix. Refer to Appendix 2.

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The internally set limits shall be tied in with the Bank's internal definition of capital. Breaches in limits shall be reported to the Board of Directors with the decision of the Board to accept the exposure or to take steps to address the breaches, which shall recommend the necessary actions to be taken, if necessary and warranted, duly documented in the minutes of meetings. Further, any propose amendments on the limits shall be approved by the RPT Committee, duly documented in the minutes, endorsed to the Bank's BOD for confirmation and approval, and duly documented in the minutes.

Transactions that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall be subjected to RPT policy requirements. The prospective treatment should, however, be without prejudice to supervisory actions that BSP may enforce for transactions noted that may not have been conducted on an arm's length basis.

#### 10.11 Restitution of losses and other remedies for abusive RPTs:

Transactions with Related Parties can be abused, thus the terms of such transactions are of vital interest to majority and minority shareholders alike, as a whole, and all stakeholders must be fully protected. If needed, the Bank shall stop a related party transaction to ensure that the interests of the stakeholders are fully protected. Any violation of the provisions under BSP Circulars nos. 895 and 914 is subject to regulatory sanctions.

- Procedural and Operational Guidelines on Restitution of Losses and Other Remedies for Abusive RPTs

The procedures shall allow the bank to cut any further potential losses that may occur and allow recovery of losses or opportunity costs already incurred from RPTs that are not engaged on arm's length terms.

- Directors, officers and any personnel who have been remiss in their duties and responsibilities in handling RPTs shall be dealt with in accordance with the existing policies of the Bank, such as, but not limited to, the Bank's Code of Ethics, Whistleblowing Policy, etc.
- The Bank shall adhere to its Code of Conduct, without prejudice to applicable legal remedies it may avail, in dealing with transactions that may result/have resulted in losses from transactions with related parties. Refer to Appendix 3.
- The FAIR Committee (FAIRCOM) shall recommend the appropriate sanction or propose legal action to the concerned bank employee to recover loss incurred and to prevent any further incurrence of losses.
- The RPTC may recommend actions to be taken in case of erring employees or transactions noted to have breached the policies and guidelines on RPTs.
  - a. Amendment, as allowed, or cancellation of the contract
  - b. Cessation of services or activities
  - c. Subjecting the concerned transaction or/and employee to an audit investigation
- Restitution shall be imposed only in the absence of any third party from whom the Bank can enforce payment. Restitution by the offender shall be done either on a one-time basis or



## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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within a reasonable period duly approved by the appropriate authority and shall not be enforced through salary deduction.

- Non-compliance with provisions of this policy shall result in the invalidation of the contract involved in the RPT where applicable. The Management Disciplinary Committee (MDC) shall have the authority to investigate violations of this policy involving Bank personnel with a rank of Senior Manager and below who have been remiss in their duties in handling RPTs. The Governance Committee shall have the authority to investigate violations of this policy involving Bank personnel with a rank of Assistant Vice-President and up, including Directors. Said committees, in addition to their mandated functions herein, shall recommend measures that would cut losses, and allow recovery of losses or opportunity costs incurred by the Bank arising from abusive or fraudulent RPTs including sanctions.

#### 10.12 Whistle Blowing Mechanism:

Employees, business partners, investors, customers, vendors and other stakeholders are encouraged to report any RPT-related concerns to the appropriate internal authority as articulated in the Bank's Code of Conduct and Whistle Blower Policy. The Bank shall also be guided by other policies and guidelines on conflicts of interest and whistleblowing articulated in the Bank's Manual on Corporate Governance and other pertinent Bank policies involving personal transactions.

Transacting unit/employee who have intentionally not secure required approval of the RPT committee of a Related Party transaction in favor of a concerned officer shall be considered a violation of the bank's Code of Conduct. Refer to Appendix 3.

#### 10.13 Conflicts of Interest:

Conflicts of interest can be defined as any situation in which an individual or company is in a position to exploit a professional or official capacity in some way for their personal or corporate benefit. A conflict of interest occurs when an individual or organization is involved in multiple interests, one of which could possibly create unfavorable influence for an act in the other.

Personal interests of a director/senior officer or persons closely associated with the director/senior officer must not take precedence over those of the bank and the shareholders. Directors and senior officers should make the best effort to avoid conflicts of interest or situations which others may reasonably perceive to be conflicts of interest.

#### 10.14 Guidelines in Ensuring Arm's length terms:

Proponents of related party transactions are required to provide the RPT Committee with documented benchmarks or comparable pricing of similarly situated unrelated transactions in applying arm's length principles to related party transactions.

##### Arm's Length Principle.

The application of arm's length principle would involve the identification of comparable situation/s or transaction/s undertaken by unrelated parties against which the related party transaction is to be benchmarked. This entails a comparative analysis of similarities and differences in the conditions and characteristics between the related party transaction and a transaction with an unrelated party.

- Pre-Acceptance/Identification

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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- a. It shall be the responsibility of the originating unit or the proponent of the transaction to verify whether the client or counterparty is a related party of the Bank. The proponent or originating unit shall be guided by the Bank's database of related parties and existing policy on RPT.
- b. The originating unit shall regularly evaluate existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and monitored. Hence, any changes in the relationship or updates such as from related to non-related or non-related to related must be reported to the Related Party Department for updating of database.
- c. The Originating Unit/Proponents of the RPT shall submit the propose transaction to the Related Party Transactions Department for review ~~and approval~~ by accomplishing the appropriate RPT Forms. Refer to Appendices 4, 5, 6, and 7.
- d. Appointment of External Independent Party

When the amount involved in the transaction is at least 10% of the total assets of the Citystate Savings Bank, Inc. based on the latest audited financial statements, the transaction shall be accompanied by a fairness opinion to be provided by an external independent party (EIP) or external auditor, appointed by the Board of Directors, for evaluation of fairness of the terms and conditions of the related party transaction.

The engagement of EIP shall be on a case to case or as necessary/needed basis only.

The Related Party Transactions by any Relevant and Connected Persons with the Bank shall be conducted at arms-length and no favorable or special treatment shall be accorded to such related parties, unless, the same treatment shall be given to all parties similarly interested in such dealings. Furthermore, it requires that RPT transactions of Directors, Officers and their Related Parties shall be vetted by the Related Party Transactions Committee (RPTC) before these are presented to the Board of Directors for approval.

**Below are the detailed procedures on the approval of Related Party Transactions:**

Refer to Appendix 2 for the matrix.

- **Below Internal Material Transactions**

- a. Highlights of the proposed transactions that requires the vetting of the RPTC shall be summarized by the requesting unit or proponent in a brief report together with complete documents to RPTD within 5 banking days before the RPTC meeting;
- b. Related Party Transaction Department (RPTD) will evaluate the request if the transaction was done on arms-length basis and if it requires RPTC vetting or not.
- c. RPTD will check if the requesting unit or proponent have already presented to an appropriate approving authority &/or management level committee for its approval and endorsement to RPTC.

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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- d. If everything is complete and in order, RPTD will accept the request as part of the next RPTC meeting agenda.
- e. If RPTC confirmed the request, the RPTC will endorse the proposed transaction to Board for notation.
- f. RPTD will issue a memorandum address to the requesting unit / proponent of the committee's resolution: confirmation and endorsement to the BOD for confirmation
- g. The RPTD Department will prepare the materials and the RPTC Resolution for presentation to the BOD for Notation.

- **Internal Material Transactions**

- a. The same procedures mentioned in letters a to f of Below Internal Material Transactions; and
- b. The RPTD Department will prepare the materials and the RPTC Resolution for presentation to the BOD for Approval.

- **Material Related Party Transaction**

(Single MRPTs and Aggregate Credit and Non- Credit Transactions for the past 12 months that breached the Material RPTs)

- a. Highlights of the proposed transactions that require the vetting of the RPTC shall be summarized by the requesting unit or proponent in a brief report together with complete documents to RPTD within 5 banking days before the RPTC meeting.
- b. The proposed transaction shall be accompanied by a fairness opinion to be provided by an external independent party (EIP) or external auditor, appointed by the Board of Directors, for evaluation of fairness of the terms and conditions of the related party transaction.
- c. The engagement of EIP shall be on a case to case or as necessary/needed basis only
- d. The requesting unit / proponent will prepare the materials for presentation to BOD for approval.

#### 10.15 APPROVING AUTHORITY FOR MATERIAL RELATED PARTY TRANSACTIONS:

All Material RPTs shall be approved by at least 2/3 votes of the Board, with at least a majority of the Independent Directors voting to approve the proposed transaction. In case a majority of independent directors is not secured, the Material RPTs may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

For purposes of determining the required 2/3 votes of the Board, the number of members with related interest shall be excluded in the tallying and calculation of the 2/3 votes.

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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#### **XI PROCEDURES IN MONITORING RELATED PARTY TRANSACTIONS:**

All departments/units with RPT shall report any possible transaction or any proposed related transactions involving related parties with direct or indirect material interest regardless of the amount to RPT Department. The RPT Department shall initially assess whether the transaction is with related party or not and shall determine if the transactions is done on an arm's length basis, based on the data received from each department/unit, investment structures and other related supporting documents or information on a weekly basis and every end of the month.

The RPT Department shall arrange/ consolidate all transaction reports identified as Related Parties to obtain RPT COMMITTEE's final evaluation and endorsement prior to board approval.

While obtaining the final evaluation and endorsement, the following shall be ensured:

1. Provide relevant details of the proposed transactions via written request with complete and significant justifications;
2. Evaluate whether the RPT would present a conflict of interest for any Related Party of the bank;
3. To ascertain that the transaction is at arm's length basis; in the ordinary course of business and with the best interest of the bank;

In case of material transaction (threshold), the transaction needs to be referred to the Board of Directors (BOD) for approval.

#### **XII INTERNAL PROCEDURES OF REPORTING RPT VIA RPT TRACKER:**

1. All departments/units with Related Party Transactions are required to submit their weekly and monthly reports to Related Party Transactions Department (RPTD) on or before the scheduled dates which is every Monday of the following week; and every 7<sup>th</sup> of the following month;
2. The RPT weekly report shall cover the previous transactions of the initiating department or units regardless of the amount involved or type of related party transactions with the Related Parties;
3. All RPT reports shall be submitted to RPTD for review to determine all relevant facts and circumstances including the terms and conditions;
4. In case of no related party transactions received for the week, the concern department or unit will still be required to submit the weekly report and shall indicate: "**NONE TO REPORT**".
5. All department heads or unit heads with RPT shall be required to affix their signatures on the weekly and monthly report prior to submission of the final report thru EMAIL or scanned document;

## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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6. In case the department head is not available, the deputy officer shall handle the management and reporting of RPT. The identified next person-in-line must be knowledgeable in processing and handling RPT including reporting.
7. The identified next person-in-line must have a rank of at least Official Assistant (officer level).

### **XIII. DISCLOSURE AND REGULATORY REPORTING:**

- A. CSBI shall ensure that the required disclosures on RPTs are complied with, such as, but not limited to:

#### Annual Report

- The overarching policies and procedures for managing RPTs, including managing conflicts of interest or potential conflict;
- Nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of material RPTs; □ Responsibility of the committee.

#### Regulatory Reporting

- The bank shall submit a report on material exposures to related parties within twenty (20) calendar days after the end of the reference quarter ending 31 March 2016 to the regulatory body (Bangko Sentral ng Pilipinas).
- On a quarterly basis, the bank is required to disclose any material related party transactions (RPT) to the regulatory body: Bangko Sentral ng Pilipinas (BSP).

- B. CSBI shall submit the following to the Securities and Exchange Commission (SEC):

1. A summary of material related party transactions entered into during the reporting year which shall be disclosed in the company's Integrated Annual Corporate Governance Report (1-ACGR) to be submitted annually every May 30;
2. Advisement Report of any material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the reporting PLC's Corporate Secretary or authorized representative.

At a minimum, the disclosures in both (1) and (2) above shall include the following information:

1. complete name of the related party;
2. relationship of the parties;
3. execution date of the material RPT;
4. financial or non-financial interest of the related parties;
5. type and nature of transaction as well as a description of the assets involved;
6. total assets (consolidated assets, if reporting PLC is a parent company);
7. amount or contract price;
8. percentage of the contract price to the total assets of the reporting PLC;
9. carrying amount of collateral, if any;
10. terms and conditions;

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11. rationale for entering into the transaction; and
12. The approval obtained (I.e., name of directors present, name of directors who approved the material RPT and the corresponding voting percentage obtained).

#### **XIV. POLICIES AND PROCEDURES REVIEW**

The RPT Committee thru the RPT Department shall review the provisions of this policies and procedures on an annual basis or whenever related regulations emerge.

#### **XV. DISSEMINATION OF THE POLICIES AND PROCEDURES OF RELATED PARTY TRANSACTIONS.**

This policies and procedures shall be uploaded in the Bank's Website, upon approval by the Board of Directors and within five (5) days from its submission to the SEC.

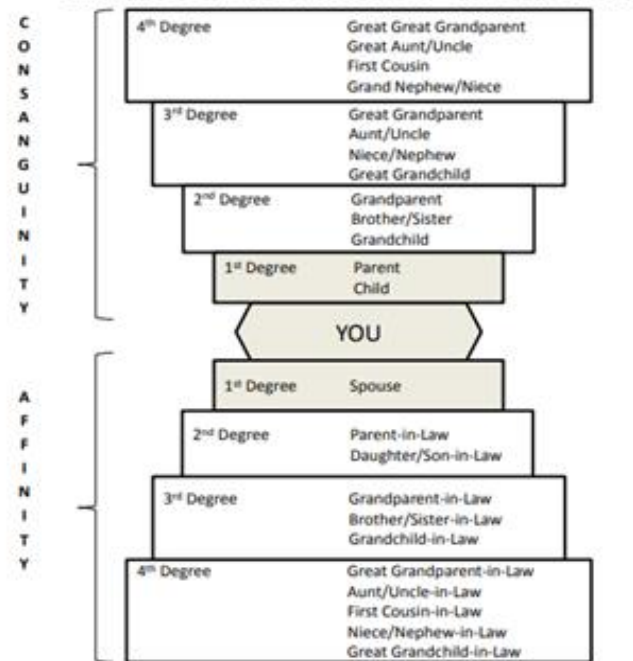
**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

RELATED PARTY TRANSACTIONS COMMITTEE

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**APPENDIX 1  
RELATIONSHIP CHART**

**IMMEDIATE FAMILY MEMBERS**



Note: Step relationships (step-brother, step-father, etc.) are considered to be the same as blood relationships.

## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

### RELATED PARTY TRANSACTIONS COMMITTEE

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#### APPENDIX 2

#### Materiality Threshold and Approval Matrix

*For the detailed procedures, refer to pages 18 and 19 of the RPT Policies and Procedures*

TRANSACTION ITEM	TRANSACTION THRESHOLD	RELATED PARTIES	DISPOSITION			
			EXTERNAL INDEPENDENT PARTY	ENDORISING / APPROVING AUTHORITY	RPTCOM	BOD
1. Credit 2. Payment for purchase of Office Supplies; Payment for printing of bank forms; Purchases of parts or office equipment; Repairs, maintenance & insurance of bank assets & properties; Security Services; Bank & branch repairs; Renewal of contracts (ATMs/Branches); Leasing of any property of any kind (lease agreements/contracts) 3. Group Life Insurance; HMO; Fidelity 4. Borrowing, commitments, fund transfers, guarantees, sureties, and investments; Investments &/or subscriptions for debt/equity issuances; Trading and derivative transactions 5. Sale of Assets - Real and Other Properties Acquired (ROPA) 6. Insurance for pawned jewelry 7. MSPR	BELOW INTERNAL MATERIALITY THRESHOLD  (LESS THAN PHP1M)	ALL	X	1. CreCom 2. President* VMC**  3. PerCom***  4. ALCO  5. ALCO  6. VMC 7. VMC	Confirmation / Endorsement to BOD	Final Confirmation

\*Below Php100,000.00 approval of the President after the recommending approval of the Corporate Resources Group Head and endorsement of the Head of General Services Department

\*\* Php100,000 to Php1,000,000.00 Vendors Management Committee approval

\*\*\* additional document - Certification of Accreditation of the bidders/service providers- from the Vendors Management Committee

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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#### APPENDIX 2 Materiality Threshold and Approval Matrix

TRANSACTION ITEM	TRANSACTION THRESHOLD	RELATED PARTIES	DISPOSTION				
			EXTERNAL INDEPENDENT PARTY	APPROVING ENDORSING AUTHORITY	/ RPTCOM	BOD	
1. Credit 2. Payment for purchase of Office Supplies; Payment for printing of bank forms; Purchases of parts or office equipment; Repairs, maintenance & insurance of bank assets & properties; Security Services; Bank & branch repairs; Renewal of contracts (ATMs/Branches); Leasing of any property of any kind (lease agreements/contracts) 3. Group Life Insurance; HMO; Fidelity 4. Borrowing, commitments, fund transfers, guarantees, sureties, and investments; Investments &/or subscriptions for debt/equity issuances; Trading and derivative transactions 5. Sale of Assets - Real and Other Properties Acquired (ROPA) 6. Insurance for pawned jewelry 7. MSPR	INTERNAL MATERIALITY THRESHOLD (ABOVE PhP1M)	ALL	X	1. CreCom 2. VMC  3. PerCom 4. ALCO  5. ALCO 6. VMC 7. VMC	/	APPROVAL / ENDORSEMENT TO BOD	FINAL APPROVAL

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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#### APPENDIX 2 Materiality Threshold and Approval Matrix

TRANSACTION ITEM	TRANSACTION THRESHOLD	RELATED PARTIES	DISPOSTION			
			EXTERNAL INDEPENDENT PARTY EVALUATION	ENDORISING / APPROVING AUTHORITY	RPTCOM	BOD
1. Credit 2. Payment for purchase of Office Supplies; Payment for printing of bank forms; Purchases of parts or office equipment; Repairs, maintenance & insurance of bank assets & properties; Security Services; Bank & branch repairs; Renewal of contracts (ATMs/Branches); Leasing of any property of any kind (lease agreements/contracts) 3. Group Life Insurance; HMO; Fidelity 4. Borrowing, commitments, fund transfers, guarantees, sureties, and investments; Investments &/or subscriptions for debt/equity issuances; Trading and derivative transactions 5. Sale of Assets - Real and Other Properties Acquired (ROPA) 6. Insurance for pawned jewelry 7. MSPR	MATERIAL RELATED PARTY TRANSACTION (SINGLE MRPTs AND AGGREGATE CREDIT AND NON-CREDIT TRANSACTIONS FOR THE PAST 12 MONTHS THAT BREACHED THE MATERIAL RPTs)  10% OF THE BANK'S TOTAL ASSETS	ALL	EVALUATION	1. CreCom 2. VMC  3. PerCom 4. ALCO  5. ALCO 6. VMC 7. VMC	APPROVAL / ENDORSEMENT TO BOD	FINAL APPROVAL

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## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

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### APPENDIX 3 WISTLE BLOWING MECHANISM

CITYSTATE SAVINGS BANK INC

CODE OF DISCIPLINE

BOOK 4	REV DATE	PAGE
PART III	3/25/2014	2

HUMAN RESOURCES DEPARTMENT

#### SECTION IV - DUTY TO REPORT VIOLATIONS

The Code of Discipline imposes upon all CSBI employees the duty and responsibility to report to the Department head, Head of HR, or any member of the Personnel committee, all known or suspected violation of company policy, or any circumstances that the employee believes in good faith to constitute and offense punishable under the Employee handbook, violation of company policy, rule or regulation, commission of a crime, or violation of existing laws and government regulations. Any employee who shall deliberately, and without justifiable reason fail to comply to report with the duty to report known or suspected violation/s may himself be subjected to disciplinary action for the commission of an offense classified under neglect of duty of the table of offense.

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**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

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**APPENDIX 4  
RPT Disclosure Form (Credit-Related)**

Name of Related Party					
Nature of Relationship					
Type of Credit Facility					
Type of Transactions and Value, if any					
Total exposures to date including the amount for approval	Facility	Existing approved line	Proposal	Total line	Outstanding balance
Note: total exposure should not exceed the 10% of the Bank's equity					
	Total				
	Percentage of exposures				
Board rate					
Applied rate					
Industry rate					
Rationale for entering into the transactions					
Justifications, Disclosures (Risk of the Transactions), other Remarks					
Prepared by		Review by		Endorsed by	
Approved by					
Signature over printed name / designation		Signature over printed name / designation		Signature over printed name / designation	
Signature over printed name / designation		Signature over printed name / designation		Signature over printed name / designation	

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**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

**RELATED PARTY TRANSACTIONS COMMITTEE**

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**APPENDIX 5  
RELATED PARTY TRANSACTION CHECKLIST  
GUIDELINES IN ENSURING FAIRNESS AND ARM'S LENGTH**

**I. Eligibility Criteria / Deviations**

Criteria	Value, if applicable	Yes / No / NA	If No, indicated deviation and justifications
Borrower Credit Risk Rating For corporate/commercial within guidelines? Credit Ration within guidelines?			
Facility Limits: Facility availed within limits?			
Credit Risk Limits: Exposure within RPT Individual limits?			
Collateral: Collateral acceptability within guidelines?			
CI Report: Findings based on CI rating (i.e. verified) within guidelines?			
Deposit balance: Borrower maintains deposit balance with CSBI?			
Indicate interest rate of deposit if the collateral is deposit hold-out			
Status of existing facility: Account/s in current status?			
Account history and business relationship acceptable?			
Terms and Conditions: Terms and conditions within guidelines?			

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**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

RELATED PARTY TRANSACTIONS COMMITTEE

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**APPENDIX 5  
RELATED PARTY TRANSACTION CHECKLIST  
GUIDELINES IN ENSURING FAIRNESS AND ARM'S LENGTH**

**II. Checking Conducted - Corporate Borrower**

Name of Shareholder / Key officer	% share / Position	CMAP / NFIS (put a check mark on the result)		Remarks / Justifications
		Negative	Positive	

**III. Pricing**

Standard rates / fees (indicated the basis)	Actual / Applied rates/fees	Justification (mandatory if pricing is lower than standard)

Prepared by	Review by	Endorsed by	Approved by
Signature over printed name / position	Signature over printed name / position	Signature over printed name / position	Signature over printed name / position

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**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

**RELATED PARTY TRANSACTIONS COMMITTEE**

EFFECTIVE DATE: DECEMBER 22, 2021

**APPENDIX 6  
RPT Disclosure Form (Non - Credit)**

Name of Related Party			
Nature of Relationship			
Type of transaction and value, if any			
Pricing			
Rationale for entering into the transaction			
Approval (indicate who or which committee approved the transaction)			
Terms and Conditions			
Deviations from standard terms and conditions, if any			
Comparable companies			
Justifications, Disclosures (Risk of the Transactions), other Remarks			
Prepared by	Review by	Endorsed by	Approved by
Signature over printed name / position	Signature over printed name / position	Signature over printed name / position	Signature over printed name / position

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**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

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**APPENDIX 7**

**RELATED PARTY TRANSACTION CHECKLIST  
BIDDING DISCLOSURE FORM  
GUIDELINES IN ENSURING FAIRNESS AND ARM’S LENGTH**

Name of Related Party		Name of Other Bidder/Supplier	
	Yes / No / NA ((put a check mark / remark on the result)		Yes / No / NA ((put a check mark / remark on the result)
Supplier Accredited Form		Supplier Accredited Form	
Company Profile		Company Profile	
CI Report		CI Report	
Corporate Papers		Corporate Papers	
Certificate of Authority to Sell		Certificate of Authority to Sell	
Professional References (at least 3)		Professional References (at least 3)	
Three years Audited FS		Three years Audited FS	
Pricing / Bid (attached the submitted quotation)		Pricing / Bid (attached the submitted quotation)	
Type of Transaction		Type of Transaction	
Approved by who or committee?		Approved by who or committee?	
Prepared by:	Checked by:	Reviewed by:	Approved by:
Signature over printed name / date	Signature over printed name / date	Signature over printed name / date	Signature over printed name / date

**Note: all requests for quotations/bidding that involves RPT must be centralized with the VMC Secretariat - the General Services Department.**

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**APPENDIX 8**

**Weekly and Monthly Related Party Transactions Tracker Form**

REPORT FOR THE WEEK / MONTH OF: \_\_\_\_\_

Initiating Dep't/Branch	Client's Name <small>(Related Parties)</small>	Account Type Code <small>(Refer to the RPT Parameters)</small>	Transaction Date <small>MM/DD/YYYY</small>	Transaction ID <small>(Auto - Generated in the Finacle)</small>	Transaction Amount	Mode of Payment	Instrument Number	Transaction Type Code <small>(Refer to the RPT Parameters)</small>	Transaction Sub Type Code <small>(For GAD Only)</small>	User ID	Remarks / Justifications
<b>Prepared by:</b>			<b>Checked by:</b>			<b>Approved by:</b>			<b>Noted by:</b>		
Signature over printed name / designation			Signature over printed name / designation			Signature over printed name / designation			Signature over printed name / designation		

## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

### RELATED PARTY TRANSACTIONS COMMITTEE

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#### APPENDIX 9 RPT TRACKER PARAMETERS

Transaction Type Code	TRANSACTION TYPE	ACCOUNT TYPE CODE	
T01	Purchases and Sales of Assets, including transfer of technology & intangible items	DIR	Directors (CSBI)
T02	Investments/or Subscriptions for debt/equity issuances	CBF	Officers (CSBI)
T03	Consulting, professional, agency and other service arrangements or contracts	CSH	Stockholders (CSBI)
T04	Construction arrangements/contracts	CRI	Related Interest (CSBI)
T05	Lease arrangements/contracts	CPIAC	Corresponding Persons in Affiliated Companies
T06	Trading and derivative transactions	CLFSM	Close Family Members
T07	Sale, Purchase or supply of any services, goods or materials	ALC-DOSRI	Directors, Officers, Stockholders, Related Interest in ALC Group of Companies
T08	Borrowings, commitments, fund transfer and guarantees	ALC-AFL	ALC COMPANIES - AFFILIATED
T09	Establishment of joint venture entities	ALC-SUBSI	ALC COMPANIES - SUBSIDIARIES
T10	On-and-Off balance sheet credit exposures and claims and write-offs	ALC-RP	ALC COMPANIES - RELATED PARTY
T11	Any transactions or dealings with related parties of the FI, including its Trust Dept., regardless of whether or not a price is charged		

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**CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES**

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**APPENDIX 10**

**Related Party Transactions Committee Members - Self-Assessment Form**

PERFORMANCE ASSESSMENT COVERING THE PERIOD OF _____					
NAME					
CHECKLIST	RATING (Kindly check the corresponding box)				
I. Performance of Individual Directors (40%)	1 (Lowest)	2	3	4	5 (Highest)
1. Do I actively participate in RPTCom meetings?					
2. Do I scrutinize and analyze key agenda items for RPTCom meetings ahead of time					
3. Do I think and act independently in all my decisions as a member of the RPTCom?					
4. Do I speak up on critical matters requiring objective opinion even if my views differ from the norm?					
5. Do I know the role of the RPTCom in strategy formulation, analysis and implementation, and the distinction from that of management?					
6. I have a good record of RPTCom meeting attendance					
7. Am I always punctual for the RPTCom meetings?					
8. I have trainings related to Related Party Transactions Management/ Have attended other trainings related to banking.					
TOTAL	Total Score divided by 8 *40%			Score (40%)	

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II. Fulfillment of Member's Key Responsibilities/Controls/Code of Conduct (60%)	RATING				
	1 (Lowest)	2	3	4	5 (Highest)
1. Does the RPTCom demonstrate commitment to good corporate governance practices and provide oversight to ensure that Related Party Transactions Department (RPTD) is operated in a moral, legal, and ethical manner, and that decisions are carried out in accordance with applicable laws and by its own by-laws and policies?					
2. Has the RPTCom established a clear strategic direction for the RPTD?					
3. Is the RPTCom proactive in formulating policies to direct management towards effective strategy formulation?					
4. Does the RPTCom regularly considers the performance of peer or comparable companies in tracking the RPTD's performance and uses these as benchmarks for management?					
5. Is the culture of governance and responsibility continuously being strengthened in the RPTD?					
6. Does the RPTCom undertake an annual performance evaluation of the RPTD Head?					
7. There is a good understanding of management's responsibilities in relation to internal control.					
8. The decisions that are being made by the RPTCom are clearly documented and understood by the RPTD.					
9. There are sufficient numbers on the RPTCom to achieve independence, but not too many to become inefficient.					
10. The RPTD Head has the primary role of supporting					

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the RPTCom and chairperson.					
11. There are mechanisms to monitor the performance of the RPTCom and individual members. Thus, the RPTCom conducts annual performance self-assessment.					
12. The company has an audit committee, corporate governance committee, related party transactions committee, trust committee and IT steering committee.					
13. There is a written Code of Conduct to be followed by the Board, President, Officers and Staff.					
14. The RPTD performance reports are provided to the RPTCom.					
15. The RPTCom establishes the RPTD's strategic objectives, policies and procedures that guide and direct the activities of the RPTD and the means to attain the same as well as the mechanism for monitoring performance.					
16. The decisions that are being made by the RPTCom are clearly documented and understood.					
17. There are adequate policies and procedures, which deal with potential conflicts of interest, once identified.					
TOTAL	Total Score divided by 8 *40%			Score (60%)	
NAME/SIGNATURE					

## CSBI RELATED PARTY TRANSACTIONS POLICIES AND PROCEDURES

### RELATED PARTY TRANSACTIONS COMMITTEE

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REPUBLIC OF THE PHILIPPINES )  
CITY OF PASIG ) S.S.

**SECRETARY'S CERTIFICATE**


I, **ATTY. SOCRATES M. AREVALO**, of legal age, Filipino, and with office address at Citystate Centre Bldg. 709 Shaw Blvd., Pasig City, after having been sworn in accordance with law, hereby depose and state that:

- I am the duly elected Corporate Secretary of CITYSTATE SAVINGS BANK, (the "Bank"), a corporation duly organized and existing under the laws of the Republic of the Philippines with the same office address given above.
- At the meeting of the Board of Directors held on **December 22 2021**, upon motion duly seconded, the following resolution was unanimously confirmed and adopted:
 

**RESOLUTION NO. 2021-0147**

*"RESOLVED, AS IT IS HEREBY RESOLVED that the Board of Directors of CITYSTATE SAVINGS BANK, INC. (CSBI) hereby confirms the approval of the RPT Committee on the Amendment of Related Party Transaction Policy."*
- The foregoing Resolution has not been revoked, amended or in any manner modified and accordingly, the same may be relied upon until a written notice to the contrary is issued by CSBI.

IN WITNESS WHEREOF, I have hereunto affixed my signature this \_\_\_\_\_ day of \_\_\_\_\_ in Pasig City.

  
**ATTY. SOCRATES M. AREVALO**  
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 27 2022 day of \_\_\_\_\_ 2021 in Pasig City, affiant exhibiting, to me his SSS ID with ID No. 03-6715828-4.

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 Book No. 17  
 Series of 2021

**ATTY. ERN-PRICAIM T. ELDO**  
 NOTARY PUBLIC FOR THE CITY OF PASIG  
 ATTORNEY'S REGISTRATION NO. 011920  
 ICP LIFETIME MEMBER NO. 011920  
 PTR NO. 4589256; MCLE VI-002455  
 APPOINTMENT NO. 59(2021-2022)  
 UNTIL DECEMBER 31, 2022

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