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(incorporated with limited liability in the Republic of the Philippines)

**₱100.0 Billion Bond Program
of the Bank of the Philippine Islands**

Under this ₱100,000,000,000 Bond Program (the **Program**), the Bank of the Philippine Islands (the **Issuer** or the **Bank**), subject to compliance with all relevant laws, regulations, and directives, may from time to time issue bonds (each a **Series**, and collectively, the **Bonds**) denominated in Philippine Pesos (as defined below) with each issuance constituting a tranche (**Tranche**) in one or more Series, pursuant to Bangko Sentral ng Pilipinas (**BSP**) Circular No. 1010 and Circular No. 1062, Republic Act No. 8791 otherwise known as the General Banking Law of 2000 (**General Banking Law**), and Section 246 of the Manual of Regulations for Banks, and will be subject to the terms of the Master Registry and Paying Agency Agreement, the Master Trust Agreement, the Program Agreement, and the Master Certificate of Indebtedness.

THE SECURITIES BEING OFFERED OR SOLD UNDER THIS OFFERING CIRCULAR HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE **SEC**) AS THE ISSUANCE IS AN EXEMPT SECURITY UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE **SRC**).

The Bonds, being exempt securities issued by a bank registered as such under the laws of the Republic of the Philippines, constitute exempt securities within the meaning of Section 9.1(e) of the SRC and as such are not required to be registered under the provisions thereof before they can be sold or offered for sale or distribution in the Philippines. Any sale or offer of the Bonds in the Philippines, however, can only be made in accordance with the applicable regulations of the BSP and the SEC.

Upon issuance the Bonds shall be simultaneously enrolled as securities that may be traded at the Philippine Dealing & Exchange Corp. (the **PDEx**) in accordance with the procedures and requirements set forth in this Offering Circular, and the relevant PDEx rules, operating framework, and trading conventions. The Bonds shall be issued in scripless form. Legal title to the Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Bonds. A Master Certificate of Indebtedness representing the Bonds shall be issued to and registered in the name of the Trustee, on behalf of the bondholders.

The Bonds shall constitute the direct, unconditional, and unsecured obligations of the Bank and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of the Bank's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14)(a) of the Civil Code of the Philippines without a waiver of preference or priority.

The specific terms of the Bonds for each Tranche will be determined by the Bank considering prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (**Pricing Supplement**).

See "**Investment Considerations**" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Joint Lead Arrangers



Sole Selling Agent



The date of this Offering Circular is 5 January 2023.

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Bank, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Program and the Bonds, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Bank accepts responsibility accordingly.

Neither the delivery of this Offering Circular nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Offering Circular is accurate as of any time subsequent to the date hereof. To the fullest extent permitted by law, none of the Joint Lead Arrangers, the Sole Selling Agent, and the Participating Selling Agent/s as applicable to the tranche (the Sole Selling Agent and the Participating Selling Agent/s shall collectively be referred to as **Selling Agents**), accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Arrangers or the Selling Agents or on their respective behalf in connection with the Bank, the Program, or the issue and offering of the Bonds. Each of the Joint Lead Arrangers and the Selling Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Bank to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Program or the Bonds and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Bank, the Joint Lead Arrangers and/or the Selling Agents.

None of the Joint Lead Arrangers and the Selling Agents has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Lead Arrangers or any of the Selling Agents as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Bank in connection with the Program.

The contents of this Offering Circular are not to be considered as legal, business or tax advice. Neither this Offering Circular nor any other information supplied in connection with the Program or any Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, the Joint Lead Arrangers, or the Selling Agents, that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Bonds should purchase any of the Bonds. Each investor contemplating purchasing Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Offering Circular, nor any other information supplied in connection with the Program or the issue of any Bonds, constitutes an offer or invitation by or on behalf of the Bank, any of the Joint Lead Arrangers or any of the Selling Agents to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and the Selling Agents expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Program or to advise any investor in the Bonds of any information coming to their attention. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein or therein is correct as at any date subsequent to the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Bonds.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The audited consolidated financial statements of the Bank and its subsidiaries as of and for the years ended 31 December 2019, 2020 and 2021 and *reviewed condensed consolidated financial statements* as of and for the nine months ended 30 September 2022 included in this Offering Circular have been prepared in accordance with accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks and Philippine Financial Reporting Standards (**PFRS**), respectively. PFRS is substantially based on International Financial Reporting Standards. The Bank's financial statements as of and for the years ended 31 December 2019, 2020 and 2021 were audited by Isla Lipana & Co., independent auditors, in accordance with Philippine Standards on Auditing (**PSA**) and the Bank's financial statements as of and for the nine months ended 30 September 2022 and 2021 were reviewed by Isla Lipana & Co., independent auditors, in accordance with the Philippine Standard on Review Engagements (**PSRE**).

CERTAIN DEFINITIONS

Unless the context clearly indicates otherwise, any reference to the **Bank** refers to Bank of the Philippine Islands and its subsidiaries on a consolidated basis, while **Parent Company**, **BPI** or the **Issuer** refers to Bank of the Philippine Islands on a standalone basis. The information contained in this Offering Circular relating to the Bank, its operations and those of its subsidiaries and associates has been supplied by the Bank, unless otherwise stated herein. To the best of its knowledge and belief, the Bank (which has taken all reasonable care to ensure that such is the case) confirms that, as of the date of this Offering Circular, the information contained in this Offering Circular relating solely to the Bank, its operations and those of its subsidiaries and associates is true and that there is no material misstatement or omission of fact which would make any statement in this Offering Circular misleading in any material respect and that the Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Offering Circular with respect to the same. Unless otherwise indicated, all information in this Offering Circular is as of the date of this Offering Circular. Neither the delivery of this Offering Circular nor any sale made pursuant to this Offering Circular shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Bank since such date. Neither of the Joint Lead Arrangers assume any liability for information supplied by the Bank in relation to this Offering Circular.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the **Philippines** are references to the Republic of the Philippines. All references to the **Government** herein are references to the Government of the Republic of the Philippines. All references to the **BSP** herein are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to **United States** or **U.S.** herein are to the United States of America, its territories and possessions, any State of the United States and the District of Columbia. All references to **Peso** and **₱** herein are to the lawful currency of the Philippines and all references to **U.S. Dollars** or **US\$** herein are to the lawful currency of the United States. Unless the context indicates otherwise, references to a particular **fiscal** year are to the Bank's financial year ended 31 December of such year.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Offering Circular which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Bank with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of Philippine banking regulations on it, which includes the assets and liabilities of the Bank, its ability to roll over its short-term funding sources, its exposure to market risks and the market acceptance of and demand for internet banking services.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to general economic and political conditions in the Philippines, Southeast Asia, and the other countries which have an impact on the Bank's business activities or investments, political or financial instability in the Philippines or any other country caused by any factor including any terrorist attacks in the Philippines, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of the Philippines, political or financial instability in the Philippines or any other country or social unrest in any part of the Philippines, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Peso, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of internet penetration in the Philippines and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in the Philippines and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Investment Considerations*" contained in this Offering Circular.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Program, a new offering circular will be prepared.

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OFFERING CIRCULAR SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. You are recommended to read this entire Offering Circular and the relevant Pricing Supplement carefully, including the Bank's consolidated financial statements and related notes (the "Financial Statements") and "Investment Considerations"

Description of the Bank

Bank of the Philippine Islands (**BPI** or the **Bank**) is a universal bank with an expanded banking license. Together with its subsidiaries, the Bank offers a wide range of financial products and services that include corporate banking, retail banking, investment banking, asset management, securities distribution, insurance services, credit cards, payments and leasing. Such services are offered to a wide range of customers, including multinationals, government entities, large corporates, small-and-medium sized enterprises (**SMEs**) and individuals.

According to data available from the *Bangko Sentral ng Pilipinas* (**BSP**, the central bank of the Philippines), the Bank is the third largest universal bank in the country in terms of total assets which stood at ₱2.53 trillion as of 30 September 2022. The Bank also holds a significant market share in the deposit, lending, and asset management markets. According to industry data on Philippine publicly listed banks, the Bank is the Philippines' second largest in terms of gross customer loans and assets under management, with market shares of 14.6% and 18.0%, respectively, and third largest in terms of deposits at 12.2% as of 30 September 2022. The Bank also enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution and foreign exchange business. It is also a market leader in electronic banking where it has been a first mover and innovator in the use of automated teller machines (**ATMs**), cash acceptance machines (**CAMs**), point-of-sale debit systems, kiosk banking, phone banking, internet banking and mobile banking.

As of 31 December 2019, 2020 and 2021 and 30 September 2022, the Bank had a network of 1,170, 1,176, 1,179 and 1,181 branches (which include full-service branches, express banking centres (**EBCs**) and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,181 branches, as of 30 September 2022, 1,178 branches were located in the Philippines, of which 869 were BPI branches and 309 were BPI Direct BanKo branches and branch-lite units. In terms of geographic distribution (excluding BPI Direct BanKo), 458 of the branches were located in Metro Manila, 242 were in Luzon (excluding Metro Manila), 101 were in Visayas, and 68 were in Mindanao. The Bank also provides 24-hour banking services through its call centre and network of 1,741 ATMs and 336 CAMs as of 30 September 2022, the second largest network owned by a single bank in the Philippines, with such ATMs and CAMs being located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's overseas network includes one banking location in Hong Kong and two in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. The Bank has three remittance centres in Hong Kong and maintains over 140 remittance tie-ups and correspondent relationships with over 60 accounts with 30 banks and financial institutions globally.

Over the past three years, the Bank has enjoyed recognition from various prestigious award-giving bodies. In 2020, the Bank was named "Best Bank in the Philippines" by *Euromoney*, "Best Sustainable Bank in the Philippines" by *FinanceAsia*, and "Best Trade Finance Bank" by as many as three publications—*Global Finance*, *Global Business Outlook*, and *Alpha Southeast Asia*. In 2021, it garnered the award for "Best SME Bank in the Philippines" from *Alpha Southeast Asia* and *Global Finance*. In both 2021 and 2022, BPI was again named the "Best Sustainable Bank in the Philippines" by *FinanceAsia*, and in those back-to-back years, BPI was also recognized as the Philippines' Best Bank for Corporate Social Responsibility by *Asiamoney*. In 2022, *Asiamoney* also honored the Bank as the "Philippines' Best Domestic Bank" while *Euromoney* ranked BPI as a "Market Leader" in the Philippines for Corporate Banking, CSR, ESG (Environmental, Social, and Governance), Investment Banking, and SME Banking.

The Bank's consolidated common equity tier 1 (**CET1**) ratio stood at 15.89% while capital adequacy ratio (**CAR**) stood at 16.78%, as of 30 September 2022. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 30 September 2022, the Bank had a market capitalisation on the Philippine Stock Exchange (**PSE**) of ₱403.9 billion (based on the closing price on the PSE of ₱89.50 per share on 30 September 2022). The Bank's significant shareholders include Ayala Corporation (**Ayala**), one of the Philippines' oldest and largest conglomerates, Liontide Holdings, Inc., and the Roman Catholic Archbishop of Manila.

Competitive Strengths

Over the course of its long history, BPI believes it has established a preeminent franchise that embodies financial strength and prudent risk management. The Bank believes that it is one of the best-equipped banks to deal with any downturn, be it in the financial sector or in the domestic or global economies. The Bank's well-established reputation is anchored on the following key strengths:

Preeminent banking brand in the Philippines

With over 170 years of operations, the Bank has a deep-rooted history and has succeeded to be one of the Philippines' most trusted and widely-recognised brands in the financial services industry. Established on 1 August 1851 as "El Banco Español Filipino de Isabel II", the Bank is the oldest operating Bank in the Philippines. The Bank's shareholder base includes some of the most prominent companies domestically and internationally such as the Ayala Group, one of the oldest and largest conglomerates in the Philippines, Liontide Holdings, Inc., and the Roman Catholic Archbishop of Manila, Inc.

Through the years, the Bank has maintained long-standing relationships with the largest domestic and multinational corporates in the country, providing comprehensive financial services from traditional lending, payroll services, cash management, and foreign exchange, to financial advisory, capital markets, and insurance.

The strength of the Bank's brand is validated by its growing client base, which grew 67% in 10 years to 8.46 million as of end-December 2021. As further testament to the Bank's brand, various Industry agencies have awarded and affirmed the Bank's best-in-class financial and operating metrics. The Bank has maintained industry-leading profitability and price-to-book that is the highest among listed banks during the COVID-19 pandemic.

In 2022, all three major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In May 2022, Fitch affirmed its Long-term Issuer Default Rating of "BBB-" (investment grade). In July 2022, Moody's affirmed its Baseline Credit Assessment of "Baa2" which is one notch above investment grade. Most recently, in September 2022, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" which is two notches above investment grade (same as the agency's rating for the Philippine Sovereign).

In addition, BPI garnered among the highest scores between Philippine banks in the 2022 Environmental, Social, and Governance Ratings (**ESG Ratings**) of MSCI, S&P Global, and Sustainalytics. ESG Ratings generally measure a company's performance in initiatives and risk management practices related to environmental protection, social responsibility, and good governance. As of November 2022, MSCI gave the Bank a rating of BB (best possible rating: AAA) while S&P Global gave the Bank a rating of 47 (best possible rating: 100). Following an inverted rating scale, Sustainalytics gave the Bank a rating of 29.3 (best possible rating: 0).

Strong track record of profitability and cost management

Historically, the Bank has been known as one of the most cost-efficient banks with the lowest operating leverage in the industry. As of 30 September 2022, its cost-to-income ratio stood at 45.8% and its cost-to-assets ratio at 2.2%, one of the lowest among Philippine banks based on publicly available financial data. The Bank's cost discipline coupled with its investments in its digital platforms have allowed it to maintain its cost leadership, remain resilient through downturns, and continuously improve productivity and cost-efficiency through the years.

Coupled with its strong income generating capabilities and deposit franchise, the Bank's cost-leadership has allowed it to produce industry leading returns for its equity holders. As of 30 September 2022, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 13.7% and 1.7% respectively, one of the highest in the Philippine Banking industry according to BSP data.

Moreover, the Bank has maintained a strong track record of profitability and has consistently created shareholder value by consistently generating earnings for its shareholders, annually, for the past 20 years.

Well-capitalised with sufficient liquidity

As of 30 September 2022, the Bank's Common Equity Tier 1 Ratio (**CET1**) of 15.89% and Capital Adequacy Ratio (**CAR**) of 16.78%, were both well above regulatory requirements. The Bank believes these ratios are ahead of most banks in the Philippines and comfortably above the BSP's minimum CET1 ratio and CAR of 6% and 10%, respectively.

The Bank believes that its strong capital base, which primarily consists of common equity, provides sufficient protection to the Bank's current and prospective creditors. The Bank's strong capital base, coupled with its deposit franchise, have also allowed it to limit reliance on debt funding and to maintain comparatively low leverage levels as compared to other banks with its debt/total liabilities, as of 30 September 2022, at 3.8% (calculated as bonds issuances and bills payable over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 203.14% and leverage ratio at 10.98% as of 30 September 2022, which are well above the minimum prescribed ratios of 100% and 5%, respectively, set by the BSP.

Through the years, the Bank has proven its ability to weather economic downturns and benefit from investors' flight to quality.

High quality and diversified asset base driven by prudent risk management

As of 30 September 2022, 77% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From 2017-2021, the Bank's loan growth has primarily been driven by large corporate loans, which grew at a compound annual growth rate (CAGR) of 9.0% for that period, as compared to the Bank's retail loans, which grew by 6.4% over the same period. The Bank likewise registered a loan growth of 15.2% year-on-year as of 30 September 2022.

The Bank's strong risk management framework coupled with its prudent approach to growth has allowed it to significantly improve its asset quality metrics, with gross 90-day non-performing loan (NPL) ratios declining from 3.11% as of 31 December 2010 to 1.7% as of 31 December 2019, and NPL coverage increasing from 82.3% as of 31 December 2010 to 102.1% as of 31 December 2019. The ratios, however significantly increased in 2020 to 2.68% and 115.2%, respectively due to a challenging economic environment brought about by the COVID-19 pandemic. In 2021, asset quality remained resilient. The Bank's NPL level turned out better than initially expected, and better than industry average. As of 31 December 2021, NPL ratio slowed down to 2.5% vs system-wide average of 4.12%, with NPL coverage ratio at 136.1%. Asset quality continued to improve with NPL ratio at 1.9% and NPL coverage ratio at 176.4% as of 30 September 2022.

BPI was the first Philippine Bank to receive an Asia Risk Award in 2014, being awarded the "House of the Year – Philippines' Risk Management Award", which the Bank was awarded again in 2018. In 2019, BPI was recognized as the 2019 ASEAN Risk Champion by the Enterprise Risk Management Academy (ERMA), becoming the first Philippine bank to win the said award. With the Bank's comprehensive risk management framework and continuous efforts to enhance its risk management activities, BPI was recognized in the 2020 Asia Risk Awards by Risk.Net, winning "House of the Year- Philippines" (for the third time) and "Bank Risk Manager of the Year" for the Bank's CRO in recognition of sound risk management leadership.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, wholesale and retail, utilities and financial intermediaries, among others. BPI extends loans to several sectors in the Philippines. As of 30 September 2022, BPI's exposure to the real estate sector accounted for 23.7% of the Bank's total loan portfolio, whereas manufacturing accounted for 16.2%, wholesale and retail trade for 10.4%, consumer for 9.1%, financial institutions for 9.0%, and agriculture for 1.9%.

As of 30 September 2022, the Bank's top 20 clients comprised 38% of the Bank's loan book. Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3% of the Bank's loan book as of 30 September 2022.

Stable and diversified revenue sources

Despite the challenging environment brought by the COVID-19 pandemic, the Bank's Net Interest Income grew 10.2% to ₱72.26 billion in 2020 versus ₱65.58 billion in 2019. It declined however in 2021, ending at ₱69.58 billion as lower rate environment resulted in lower yields across most loan portfolios and treasury assets. This resulted in contraction in Net Interest Margin (NIM) by 19 bps from 3.49% to 3.30%.

For January to September 2022, the Bank's Net Interest Income grew by 20.5% year-on-year to ₱61.6 billion on the back of continued loan growth and sustained expansion in average NIM for the year by 23 bps to 3.53%.

Over and above its core lending business, the Bank generates (i) trading income from securities and foreign exchange and (ii) fees and commission income from diversified businesses.

Over the years, the Bank's fee-based income, has remained as a stable source of income for the Bank. The Bank's fee generation is backed by strong performance of its largest businesses (i) asset management and trust business, which has assets under management at ₱997 billion as of 30 September 2022, (ii) credit card business, with 1.848 million credit cards in circulation as of 30 September 2022 based on data from the Credit Cards Association of the Philippines, and (iii) insurance joint ventures with Mitsumi Sumitomo Insurance Group for non-life insurance (BPI/MS Insurance Corporation), and BPI AIA Life Assurance Corporation (formerly BPI Philam Life Assurance, Corporation) for life insurance.

The Bank believes its sources of fee income are diversified and these sources will continue to provide a stable source of income that will complement income from its core deposit taking and lending businesses.

Stable funding base supported by its extensive physical and digital distribution network

The Bank's primary source of funding has been and is expected to always be its depositors. Deposits' share on the Bank's funding base averaged above 90% over the past five years.

The Bank has been successful in maintaining long-term relationships with its client base, with customer retention rate of 94.6% as of 30 September 2022.

While the cost of deposits is largely driven by interest rate movements, the Bank has kept its average cost of deposits relatively low by improving its CASA (i.e., demand and savings accounts) to deposits ratio over the past five years. As of end September 2022, CASA Ratio stood at 76.1%, a 14.9% improvement from its 31 December 2012 level of 61.2%. The Bank also believes that its CASA to deposit ratio is one of the highest in the Philippines. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity.

In 2020, the Bank tapped the debt capital markets three times, aggregating to ₱70.7 billion. All three issuances have been oversubscribed, reflecting investors' confidence in the Bank's credit strength. This includes the Bank's successful issuance of the BPI COVID-19 Action Response Bonds (**BPI CARE Bonds**) due 2022, the country's first peso-denominated bonds to be issued as a direct response to the COVID-19 pandemic. The proceeds of the CARE Bonds were used to finance and refinance eligible micro, small and medium enterprises under the Bank's Sustainable Finance Framework. The Philippine Securities and Exchange Commission has confirmed that the CARE Bonds qualify as Social Bonds under the ASEAN Social Bonds Standards of the country. In the third quarter of 2021, borrowings declined to bond maturities (maturity of ₱34 billion BPI bonds), thus, improving the Bank's funding cost. This was replaced by ₱27 billion in BPI bonds issued in January 2022.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,178 branch licences (which include full-service branches, express banking centres (**EBCs**), and branch-lite units (**BLUs**), as of 30 September 2022. The Bank's overseas network includes one banking location in Hong Kong and two in London, two representative offices and three remittance centres in Hong Kong. The Bank also maintains over 140 remittance tie-ups and correspondent relationships with over 60 accounts with 30 banks and financial institutions globally.

Increased digitalization allowed BPI to serve more clients and process more transactions with less branch footprint and a much leaner organization, with headcount declining by 14.4% from pre-pandemic level. Moreover, the merger with subsidiary BPI Family Savings Bank, Inc. (**BFSB**) with BPI as the surviving entity was approved by the regulators and took effect on 01 January 2022. This has allowed the Bank to optimize its branch footprint. As of 30 September 2022, the Bank co-located 109 branches and consolidated seven branches bringing the Bank's physical branch count to 753. More branches are scheduled for co-location and closure in 2022 as clients increasingly migrate their transactions to the Bank's digital platforms.

The Bank's branch network is supported by a network of 1,741 ATMs and 336 CAMs as of 30 September 2022, which together provide cash-related banking services to customers 24/7. The Bank's interconnection with Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 24,300 ATMs across the Philippines as of 30 September 2022. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank recently partnered with Euronet (Euronet Technology Services, Inc. (**ETSI**) in the Philippines) to

manage end-to-end operations of 500 of its offsite machines, of which, 200 will continue to operate under the BPI brand. While the remaining 300 ATMs are integrated with Euronet's existing independent ATM network in the Philippines, BPI customers may continue to use these ATMs free of charge. The Bank will continue to own and operate the 2,077 ATMs and CAMs across the country. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

In December 2021, the merger with subsidiary BFSB with BPI as the surviving entity was approved by the regulators to take effect on 01 January 2022, allowing the Bank to seize and further optimize opportunities to enhance the quality of its customers' overall banking experience.

Over the next few years, the reinvention of the branch experience will play a crucial role in transforming its customer service.

Digital Transformation

The Bank's many years of investment in technology, and digitalization in particular, became readily apparent to BPI customers and the market in 2020-2021, as the lockdowns forced customers to transact via their mobile phones or their laptops/computers. Prior to the lockdowns, transactions executed via the Bank's electronic channels (mobile, laptop/computer, ATM, CAM) accounted for 85.2% of all transactions. At the height of the lockdowns, this percentage grew to 95.1%. As of 31 December 2021, with the lockdowns eased, this percentage was at 91.3%. While branch transactions still account for the bulk of the value of all of the Bank's transactions, it is believed that the percentage of branch transactions to total transactions will not return to pre-COVID levels. In fact, during the lockdowns, the Bank saw thousands of customers enrolling in its digital channels every week.

Moving to customers' digital propensity-growth in enrolled accounts and active users continue to be strong. As of 30 September 2022, out of BPI's 9.10 million client base, 5.6 million or 61% are enrolled in digital platforms while 3.8 million are active users, up 22% from the same period last year. As of 30 September 2022, active users' penetration rate stood at 42%, up from 38% in December 2021, and from 17% in 2016.

The Bank's objective is to make banking easier and more convenient for clients through its seven digital banking platforms. Each of these platforms is designed with a particular client segment in mind: the individuals; the affluent; self-employed micro entrepreneurs (**SEMEs**); Corporate; the broad market; High Net Worth (**HNW**), and small-and-medium-sized enterprises (**SMEs**). These platforms will allow clients to manage their finances from their smartphone or other online channels – from payments, loans, insurance, investment products and investment advisory for retail clients, to payroll management, collection and invoicing, and link to business communities for small/medium enterprises and corporate accounts.

The Bank's digital platforms that serve as robust support systems include **BizLink**, BPI's one-stop shop for the digital needs of the Bank's business and corporate clients, and **BizKo**, the Bank's all-on-one, subscription-based platform available via app and web that enables MSMEs to manage their business finances while also providing an integrated online system for invoicing and collection.

The designs aim to provide useful, easy to navigate and intuitive user-experience on aesthetically appealing platforms to maximize user interface, customer loyalty, and revenue generation.

The Bank has committed a significant amount of capital to deliver these seven platforms to address the changing customer needs and behaviors. The Bank's six platforms are already live, with the final platform currently undergoing development.

BPI's early investments in technology paved the way for it to be the most API-ready Bank. As of 31 December 2021, the Bank has a growing list of over 80 API-partners, which includes various e-wallets, utility providers, remittance centers, e-commerce platforms, and even government agencies.

GCash remains the Bank's top partner in open banking and the Bank continuously collaborates with GCash in providing various financial products and services such as:

- Mutual funds managed by BPI Investment Management Inc with the GInvest platform
- Auto Insurance of BPI/MS with the GInsure platform
- Partnership on client acquisition for BPI's credit card and personal loan products

- Deposits products
- Loan products to be launched soon

Experienced Management and Strong Performance Culture

The qualification, diversity and independence of the Bank's Board of Directors is one of the important factors accounting for BPI's long-term growth and success. The Bank underscores diversity at the Board level in terms of skills and experience, age, gender, and the Bank places value in ESG (environment, social, governance) experience as an essential element of sound corporate governance, risk management, sustainable and balanced development, and effective business strategy.

The Bank believes it has a highly qualified and experienced management team, with significant experience and proven track records in the banking industry. The Bank's senior management (comprising of officers from the vice-president level) have an average tenure with the Bank of over 19 years. In addition, the Bank's executives and officers have a broad range of experience in their respective areas of banking and finance, with certain executives and officers acquiring international banking experience with some of the leading global financial institutions. The Bank has a succession plan to avoid significant disruptions caused by the loss of any members of senior management.

The Bank also fosters a strong performance culture by providing performance-based incentives such as employee stock option and stock purchase plans, and competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programs and activities from which employees benefit throughout the course of their careers with the Bank. These programs range from workshops for new hires to advanced leadership programs for officers as well as courses on financial advisory.

STRATEGIES

The pandemic heightened the rapidly changing banking environment, fundamentals, and economics, with shifts in consumer behavior and rise of new competitors and tech disruptors.

With this, BPI has set big strategic aspirations, founded on its analysis of the macro-outlook, competitive environment, regulatory landscape, stakeholder concerns, and other relevant factors, which will serve as guide in capturing new opportunities and managing risks.

These bold moves, supported by meaningful investment commitments to future proof competitive position and gain market share, are expected to cement the Bank as a choice investment, attractive to both domestic and offshore investors.

The Bank has set out the following strategies over the medium-term:

1. Establish BPI as the undisputed digital leader in banking

The Bank has embarked on digital transformation as early as 2016, via the BPI Digital 1.0, where it established a technology foundation for its digital aspirations – setting up a 24/7 cyber security operations center, upgrading core banking systems, and rebuilding digital infrastructure, including delayering of architecture.

In the near term, the Bank's immediate objective is to make banking easier and more convenient for clients through seven digital banking platforms.

1. BPI Online for retail clients
2. BPI Trade
3. BPI BanKo App for Self-Employed Micro-Entrepreneurs (SEMEs)
4. BPI BizKo for Small and Medium Enterprises (SMEs)
5. BPI BizLink for corporate clients
6. BPI Wallet Vybe for broader market
7. Platform for High Net Worth clients

Each platform is designed with a particular client segment in mind. These platforms will allow clients to manage their finances from their smartphone or other online channels – from payments, loans, insurance, investment products and investment advisory for retail clients, to payroll management, collection and invoicing, and link to business communities for small/medium enterprises and corporate accounts. The design aims to provide useful, easy to navigate and intuitive user-experience on aesthetically appealing platforms to maximize user interface, customer loyalty, and revenue generation.

Six platforms are already live, with the final platform currently undergoing development.

With its Application Programming Interface (**API**) components in place, BPI aims to be a pace setter for open banking in the Philippines, actively forming various fintech partnerships with groups ranging from e-wallets, utility providers, remittance centers, e-commerce platforms, and government agencies. It also has agile off-app capabilities, such as local remittance, quick pay, eGov, insurance, and electronic Auto-Debit Arrangements.

With the full support of its Board of Directors, BPI continues to commit a significant amount of capital to its digital transformation journey. These investments in technology not only sustain platform growth and modernize capabilities, but also allow broadening of the digital ecosystem and deepening of client relationships.

2. Increase the share of SME and consumer loans in the loan book

The Bank remains focused on re-balancing its loan mix by prudently accelerating growth in the higher-margin SME and consumer lending businesses. As the pandemic revealed the vulnerability of these sectors, BPI has taken an active role in supporting this segment's economic resurgence by continuing to lend to emerging winners and those with a clear path to recovery. This is in tandem with its objective to preserve a high-quality loan book while supporting customer needs.

The current environment also requires continued emphasis on managing risks by enhancing the credit process in the aspects of underwriting, monitoring, and collections, in consideration of the COVID-19 impact. BPI also monitors SMEs which need stronger financing support from banks due to the effects of COVID-19, at the same time, seeking to identify opportunities in other industries and sectors as a result of the change in economic behaviors post-crisis.

To date, the labor market has improved substantially since the onset of the pandemic and mobility restrictions have also been relaxed. The country's Unemployment Rate as of September 2022 improved to 5.0% compared to 8.9% as of September 2021. The economic recovery in 2021 through the present has been reflected in business volumes, clients' activities, and the Bank's profitability. Mortgage, credit cards, and microfinance loans have rebounded to pre-pandemic levels. These promising results have put BPI back on track in repositioning its loan portfolio mix in favor of SME and consumer loans.

The Bank also recognizes its integral role in the corporate space by helping Philippine conglomerates, large corporates, and multinational companies, as their main operating bank in the new normal. BPI strives to strengthen relationships with those bounce-back industries and companies, while evaluating what assistance can be provided to clients in pandemic-affected sectors.

3. Close the gap in funding leadership

The Bank's deposit base remains robust and, similar to previous crisis situations, the overall current account and savings account (**CASA**) has grown rather than diminished, as BPI has been generally considered a safe haven in times of crisis. The Bank proceeds with an invigorated focus on CASA deposit growth in the near-term, with the digitalization of platforms playing a big part in capturing new customers and deepening relationships with existing ones.

BPI's core banking system upgrade now allows for real-time versus batch processing of deposits, which increased efficiency of back-office operations that ensured smooth processing of client transactions.

The enhanced version of the BizLink platform empowers corporates with self-service solutions for cash management and bills payment, allowing the Bank to tap their financial ecosystem.

Meanwhile, the BPI online/mobile platform new-to-product (**NTP**) and new-to-bank (**NTB**) features allow clients an all-digital account opening experience, providing simplicity in sign-ups, and dispensing with the need for paper

applications, in-person signatures, and visits to the branches. The unique onboarding process is able to detect potentially fraudulent IDs and customer identity, ensuring good quality customers. Even in the absence of promotion or a formal launch, 33,000 applications for NTB have already been processed so far. Since the launch of the NTB and NTP features, BPI has acquired around 120,000 new-to-bank clients and around 160,000 new-to-product accounts with the Bank's seamless, safe and fully digital onboarding process.

The Bank's microfinance arm, BPI Direct BanKo, also has its own mobile app, where self-employed micro-entrepreneur customers can avail of tailor-made deposit products. In May 2022, a digital deposit product in the BanKo app was launched, called TODO Savings, the Bank's answers to the high-yielding deposit products offered by digital banks. In addition to sending money to other banks, paying bills and buying load, clients can now open a digital savings account paying 4% per annum for up to ₱50,000.00 through the BanKo app.

The other part of the Bank's funding leadership also comes from optimizing its funding costs. The Bank continues to rationalize its deposit products and explore alternative sources of funding for its capital market maturities. Efficient balance sheet management also ensures prudent position taking, so that the Bank is poised to optimize opportunities in the market.

4. Redefine the new role of branches

BPI's digitalization journey provides opportunity to reassess its branches and operate with a leaner organization. With various mobility restrictions during the pandemic, the drop in branch foot traffic also provided an opportunity to fine-tune operations.

The Bank is redesigning and reinventing its branches to transform them from being places for transaction chores, such as withdrawals and deposits, to avenues for more high-value interactions that satisfy customers' more complex financial needs.

The aspiration is to transform them into "stores" where clients go to "buy" financial products and services, complemented by trusted advice. With varying customer preferences and needs, physical changes in the branches will also be customized depending on the unique preferences of the customers within certain clusters. There will be formats designed for high-net-worth corporate, retail, and a hybrid of clients.

The branch rationalization process is ongoing, with the co-location, consolidation, or relocation of select branches, following the merger of BPI and BFSB.

Upskilling and retraining of branch personnel is also underway as they are either redeployed elsewhere in the organization, or their branch role transitions from transactional processing to high-value activities, such as sales advisory. This is a step forward in the Bank's mission to deliver excellent customer service.

5. Continue leading in sustainable banking

Sustainability is an essential part of what the Bank stands for. Through the implementation of its Board-approved Sustainability Agenda, BPI has integrated ESG to its core business strategy, as supported by the pillars of Responsible Banking and Responsible Operations.

As of date, BPI continues to lead in financing projects on renewable energy, energy efficiency, green buildings, and sustainable agriculture through its Sustainable Development Finance (SDF) Program. Through the program, BPI has disbursed a total of ₱230 billion through 371 cumulative projects as of March 2022. BPI SDF Program is the new name of the BPI Sustainable Energy Finance (SEF) Program, the first formal financing initiative for sustainability projects in the Philippines.

From 2021 to 2022, BPI has continued to pioneer sustainable banking initiatives in the Philippines:

- First Philippine bank to give a time-bound coal commitment, as follows:
 - a. The Bank shall have no additional commitments to finance greenfield coal power generation projects; and
 - b. Outstanding loans of the Bank to coal power generation shall be zeroed-out by 2032.
- First Philippine bank to finance the early decommissioning of coal power plants, via an Energy Transition Financing Facility (ETFF)
- First Philippine bank to sign up as a supporter of the Task Force on Climate Related Financial Disclosures (TCFD)

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- First bank to perform a bank-wide Environmental Risk Assessment, where client assets, client collaterals, employee residences, bank branches, and bank machines are mapped vis-à-vis natural hazards such as earthquakes, flooding / typhoons, and volcanic eruptions
- BPI Iloilo Solis as the first EDGE-certified green bank branch in the Philippines
- Shift to renewable energy of BPI Buendia Center
- First to mandate sustainability training for all employees
- First to mandate sustainability to be part of all employees' key result areas

In addition, BPI has continued innovating on products and services targeting financial inclusion:

- NegosyoKo Lite: business loan with a ₱10,000.00 minimum loan, making financing more accessible for Self-Employed Micro-Entrepreneurs (SEMEs)
- MyBahay: housing loan with minimum downpayment and flexible loan terms, making home ownership more accessible for Filipinos

Following BPI's unique formula ESG + E₂, the Bank emphasizes how project success, profitability, and economic benefits (E₂) in ESG initiatives are key for true sustainability.

As a result of such various initiatives, BPI has reaped nine (9) sustainability-related awards in 2022 alone – the highest number among Philippine banks.

1. Best Sustainable Bank (Philippines), FinanceAsia Country Awards 2022
2. Financial Leadership in Sustaining Communities (Asia-Pacific), Global Finance Sustainable Finance Awards 2022
3. Best Bank for Sustainable Finance (Philippines), Global Finance Sustainable Finance Awards 2022
4. House Awards Service Providers APAC: ESG Solution, Corporate Treasurer Awards 2022
5. Market Leader in Environmental, Social, and Governance (ESG), Euromoney Market Leaders
6. Most Sustainable Bank (Philippines), International Business Magazine Awards 2022
7. Top Sustainability Advocates in Asia, Asia Corporate Excellence and Sustainability (ACES) Awards 2022
8. Sustainability Company the Year Circle of Excellence, Asia CEO Awards 2022
9. Sustainability Award for BPI's Sustainable Development Finance Program, Manila Bulletin

6. Customer Excellence

All the above imperatives center around the Bank's passion for the customer, as the Bank realizes there is still so much more it can do to improve customer service excellence.

In 2021, BPI rolled out simple action statements based on its core values, to emphasize the shift in mindset to one that revolves around customers, to keep them top-of-mind, and to look at things from their perspective. In 2022, the Bank has rolled out a concise version of its core values, one of which is to cultivate a culture of customer obsession to its over 18,300-strong workforce.

To drive this initiative on customer excellence, a Chief Customer Experience Officer has been appointed, with a dedicated team focused on improving customer experience, reviewing customer-related policies and processes and pushing the Bank's service culture. Various other platforms, such as social media chatbots and a 24/7 Help and Support portal to address customer concerns, were also introduced.

Recent Developments

In May 2022, the Bank announced a dividend policy based on a dividend payout ratio of 35% to 50% of previous year's earnings and the distribution of ₱1.06 dividend per share for the first semester of 2022, up ₱0.16 or 17.8% from the same period last year. This dividend policy replaces the fixed ₱0.90 dividend per share per semester paid by the Bank in prior years.

On 18 May 2022, the Board of Directors of the Bank approved the issuance of up to ₱100.0 billion in peso-denominated bank bonds and commercial papers under a new Peso Bond and Commercial Paper Program following full utilization of the Bank's Bond program previously established in 2019. Actual issuance of bonds and commercial papers under the Program shall be subject to market conditions and shall be determined by requirements of the Bank's business.

The objective of the Program is to diversify the Bank's funding sources and support, when possible, the Bank's sustainability strategy.

On 16 March 2022, the Bank disclosed that the Board of Directors approved the amendment of Article Seventh of the Bank's Articles of Incorporation to decrease its authorized capital stock by retiring 406,179,276 common shares previously issued and recorded as treasury shares pursuant to the Bank's merger with BFSB. On 28 April 2022, the Bank disclosed that stockholders representing at least two-thirds of the outstanding shares of the Bank approved said amendment of Article Seventh, subject to regulatory approvals. On 29 September 2022, the Bank was informed that its request for approval was not favorably endorsed by the BSP in view of their opinion that retirement of treasury shares cannot be considered as sale or disposition of shares in accordance with Section 10 of The General Banking Law. In this regard, the proposed decrease of authorized capital stock by retirement of the 406,179,276 treasury shares will no longer be pursued by the Bank.

During its special meeting held on 30 September 2022, the Board of Directors of the Bank approved the proposed merger between BPI and Robinsons Bank Corporation (**RBC**) with BPI as the surviving bank, and the amendments to the Bank's Articles of Incorporation, both matters being subject to shareholders' and regulatory approvals, and, in connection thereto, the Board likewise approved the following:

- a. The execution of a merger agreement of BPI and RBC, among BPI, RBC and JG Summit Capital Services Corp. and Robinsons Retail Holdings, Inc. as the RBC Shareholders (the **Merger Agreement**);
- b. The execution of the Plan of Merger and Articles of Merger by and between BPI and RBC, with BPI as the surviving bank;
- c. Designation of certain authorized signatories and representatives to give effect to the aforementioned resolutions; and
- d. Calling for a special stockholders' meeting.

The proposed merger is a statutory merger pursuant to Title IX of the Revised Corporation Code and Section 40(C)(2) of the National Internal Revenue Code, i.e. merger with the issuance of primary shares. Upon the effectivity of the proposed merger after receipt of all necessary corporate and regulatory approvals, BPI shall issue to the shareholders of RBC such number of primary BPI common shares equivalent to approximately 6% of the resulting outstanding capital stock of BPI and in exchange, BPI will absorb the net assets of RBC. The merger is subject to conditions precedent including obtaining the approvals of the shareholders' and regulatory approvals.

In addition to the foregoing, the Board likewise approved the amendment to Article SEVENTH of the Articles of Incorporation of BPI to:

- a. Increase BPI's Authorized Capital Stock in the amount of Four Billion Pesos (₱4,000,000,000.00) or from Fifty Billion Six Hundred Million Pesos (₱50,600,000,000.00) to Fifty Four Billion Six Hundred Million Pesos (₱54,600,000,000.00) divided into Common Stock consisting of Five Billion Four Hundred Million (5,400,000,000) shares with a par value of Ten Pesos (₱10.00) per share and Preferred Stock consisting of Sixty Million (60,000,000) Preferred "A" shares with a par value of Ten Pesos (₱10.00) per share;
- b. Combine the allocation of authorized common shares for Executive Stock Option Plan and Stock Purchase Plan into a 3% allocation for all employee stock incentive plans; and
- c. Deny the pre-emptive rights over the Four Hundred Six Million One Hundred Seventy-Nine Thousand Two Hundred Seventy-Six (406,179,276) treasury shares which shall be disposed of by BPI in accordance with the General Banking Law.

On the same day, the Bank entered into the Merger Agreement with RBC and the RBC Shareholders.

The Board of Directors of the Bank in its meeting on 14 December 2022 approved the issuance to the shareholders of RBC of such number of the Bank common shares, but in no case more than 318,912,309, as would result to the RBC shareholders collectively holding approximately 6% of the resulting outstanding common stock of the Bank as of the closing date, pursuant to the merger.

On 04 January 2023, it was reported that some CAM deposits and ATM, POS, and e-commerce debit transactions concerning BPI, performed from December 30 to 31, 2022, were erroneously posted twice. BPI has taken measures to resolve the issue and assure its clients that their accounts are safe and secure. Within the day of such reports, BPI's systems had corrected the duplicate transactions. The Bank's web and mobile app platforms have since been fully operational and accessible. These developments have caused no material impact on the Bank's business, financial condition, and operations. BPI has advised the BSP of successful resolution of the issue. As of the date of this Offering Circular, BPI has received no further instruction regarding the issue from the BSP.

Selected Consolidated Financial Information

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled "Description of the Bank" in this Offering Circular. The selected financial information presented below as of and for the years ended 31 December 2019, 2020 and 2021 were derived from the audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks, and audited by Isla Lipana & Co., in accordance with PSA. The selected financial information presented below as of and for the nine months ended 30 September 2021 and 2022 were derived from the reviewed condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks and reviewed by Isla Lipana & Co. in accordance with PSRE. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

SELECTED CONSOLIDATED STATEMENTS OF INCOME¹

	For the years ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
	(P millions, except for earnings per share) (audited)			(P millions, except for earnings per share) (reviewed)	
Interest income on					
Loans and advances	86,056	82,312	72,225	53,836	60,069
Investment securities	12,709	12,052	10,436	7,505	12,203
Deposits with BSP and other banks	1,722	1,944	1,956	1,262	932
	100,487	96,308	84,617	62,603	73,204
Interest and finance charges					
Deposits	28,874	18,986	10,168	7,494	8,980
Bills payable and other borrowed funds	6,038	5,058	4,866	3,941	2,578
	34,912	24,044	15,034	11,435	11,558
Net interest income	65,575	72,264	69,583	51,168	61,646
Impairment losses	5,562	28,000	13,135	10,251	7,500
Net interest income after impairment losses	60,013	44,264	56,448	40,917	54,146
Other income					
Fees and commissions	9,068	8,899	11,204	8,448	8,477
Income from foreign exchange trading	2,111	2,155	2,384	1,565	1,967
Income attributable to insurance operations	1,223	1,506	1,854	1,299	878
Trading gain on securities	3,882	3,310	97	257	633
Net gains (losses) on disposals of investment securities at amortized cost	128	4,647	1,513	1,499	213
Other operating income	10,275	9,142	10,770	7,386	13,644
	26,687	29,659	27,822	20,454	25,812
Other expenses					
Compensation and fringe benefits	17,369	18,005	18,528	13,785	14,354
Occupancy and equipment-related expenses	14,736	14,606	16,010	11,522	12,609
Other operating expenses	16,239	15,543	16,195	11,183	13,128
	48,344	48,154	50,733	36,490	40,091
Income before income tax	38,356	25,769	33,537	24,881	39,867
Provision for income tax					
Current	9,975	10,751	8,328	5,881	9,562
Deferred	(620)	(6,845)	1,099	1,357	(397)
	9,355	3,906	9,427	7,238	9,165
Net income from continuing operations	29,001	21,863	24,110	17,643	30,702
Net (loss) income from discontinued operations	82	(211)	-	-	-
Net income after tax	29,083	21,652	24,110	17,643	30,702
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from:					
Continuing operations	6.38	4.79	5.29	3.87	6.77
Discontinued operations	0.01	(0.05)	-	-	-
Income (loss) attributable to equity holders of BPI arising from:					
Continuing operations	28,761	21,620	23,880	17,475	30,547
Discontinued operations	42	(211)	-	-	-
	28,803	21,409	23,880	17,475	30,547
Income attributable to the non-controlling interests arising from:					

Selected Consolidated Financial Information

	For the years ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
	(P millions, except for earnings per share) (audited)			(P millions, except for earnings per share) (reviewed)	
Continuing operations.....	240	243	230	168	155
Discontinued operations.....	40	-	-	-	-
	280	243	230	168	155
Income Attributable to:					
Equity holders of the Bank.....	28,803	21,409	23,880	17,475	30,547
Non-controlling Interests	280	243	230	168	155
Net income	29,083	21,652	24,110	17,643	30,702

Note:

(1) 2019, 2020, 2021 and September 2022 restated with impact of discontinued operation arising from BPICTL transaction.

Selected Consolidated Financial Information

STATEMENTS OF CONDITION

	As of 31 December			For the nine months ended 30 September
	2019	2020	2021	2022
		(P millions) (audited)		(P millions) (reviewed)
Resources				
Cash and other cash items	47,256	37,176	35,143	29,399
Due from BSP	207,845	223,989	268,827	187,115
Due from other banks.....	22,356	40,155	34,572	50,541
Interbank loans receivable and securities purchased under agreements to resell.....	22,570	30,251	30,852	3,347
Financial assets at fair value through profit or loss..	24,105	37,210	21,334	50,457
Financial assets at fair value through other comprehensive income	53,905	130,186	134,741	81,715
Investment securities at amortized cost, net	275,105	244,653	338,672	446,750
Loans and advances, net.....	1,475,336	1,407,413	1,476,527	1,600,386
Assets held for sale, net	3,155	2,971	3,282	3,807
Bank premises, furniture, fixtures and equipment, net	23,748	18,832	17,525	15,790
Investments in subsidiaries and associates, net.....	6,746	7,510	7,165	6,618
Assets attributable to insurance operations	17,790	18,726	17,563	17,194
Deferred income tax assets, net	9,706	17,525	15,819	16,209
Other assets, net	15,407	16,846	19,893	18,895
Total resources	2,205,030	2,233,443	2,421,915	2,528,223
Liabilities and Capital Funds				
Liabilities				
Deposit liabilities	1,695,343	1,716,177	1,955,147	2,033,934
Derivative liabilities	2,877	5,657	3,632	9,649
Bills payable and other borrowed funds	150,837	151,947	95,039	84,155
Due to BSP and other banks.....	2,946	1,491	953	4,375
Manager's checks and demand drafts outstanding...	8,299	7,108	6,931	7,517
Accrued taxes, interest and other expenses.....	9,865	8,902	8,413	9,174
Liabilities attributable to insurance operations	14,061	14,347	13,242	13,225
Deferred credits and other liabilities.....	47,768	45,857	43,402	50,805
Total liabilities	1,931,996	1,951,486	2,126,759	2,212,834
Capital funds attributable to the equity holders of the Bank				
Capital stock	44,999	45,045	45,131	49,193
Paid-in-surplus	74,449	74,764	74,934	104,074
Treasury Shares	-	-	-	(33,043)
Reserves	5,108	416	564	663
Accumulated other comprehensive loss	(2,439)	(5,899)	(8,670)	(14,303)
Surplus	147,460	165,509	181,101	206,789
	269,577	279,835	293,060	313,373
Non-controlling interests	3,457	2,122	2,096	2,016
Total capital funds	273,034	281,957	295,156	315,389
Total liabilities and capital funds	2,205,030	2,233,443	2,421,915	2,528,223

Selected Consolidated Financial Information

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
	(P millions) (audited)			(P millions) (reviewed)	
Net cash provided by (used in) operating activities	33,352	89,254	206,480	99,755	(27,836)
Net cash provided by (used in) investing activities	(18,158)	(49,625)	(104,437)	14,209	(52,979)
Net cash provided by (used in) financing activities	(29,396)	(8,111)	(66,676)	(63,305)	(16,693)
Cash and cash equivalents at beginning of the year	313,270	299,068	330,586	330,586	365,953
Cash and cash equivalents at end of the period	299,068	330,586	365,953	381,245	268,445

SELECTED CONSOLIDATED FINANCIAL RATIOS AND PER SHARE DATA

	As of and for the years ended 31 December			For the nine months ended 30 September	
	2019	2020	2021	2021	2022
Return on average assets ⁽¹⁾	1.4%	1.0%	1.1%	1.1%	1.66%
Return on average equity ⁽²⁾	11.0%	7.7%	8.4%	8.3%	13.73%
Net interest margin ⁽³⁾	3.4%	3.5%	3.3%	3.3%	3.53%
Cost-to-income ratio ⁽⁴⁾	52.4%	47.3%	52.1%	50.9%	45.8%
Gross loans to deposits ⁽⁵⁾	88.0%	84.2%	77.9%	79.7%	81.1%
Tier 1 capital adequacy ratio ⁽⁶⁾	15.2%	16.2%	15.8%	16.8%	15.9%
Total capital adequacy ratio ⁽⁷⁾	16.1%	17.1%	16.7%	17.6%	16.8%
Total tangible capital funds to total tangible assets ⁽⁸⁾	12.3%	12.5%	12.1%	12.9%	12.4%
Total gross non-performing loans (90-day) to total gross loans ⁽⁹⁾	1.7%	2.7%	2.5%	2.7%	1.9%
Allowances for credit losses to total gross loans ⁽¹⁰⁾	1.7%	3.1%	3.4%	3.6%	3.4%
Allowances for credit losses to total gross non-performing loans (90-day) ⁽¹¹⁾	102.1%	115.2%	136.1%	130.7%	176.4%
Specific provisions to gross loans	1.7%	3.2%	3.5%	3.7%	3.6%
Dividend payout ratio ⁽¹²⁾	35.2%	28.2%	37.9%	25.4%	26.8%
Dividend per Share (₱)	₱1.80	₱1.80	₱1.80	₱0.90	₱1.06
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from ⁽¹³⁾					
Continuing operations (₱)	₱6.38	₱4.79	₱5.29	₱3.87	₱6.77
Discontinued operations (₱)	₱0.01	₱(0.05)	-	-	-

Notes:

- (1) Net income divided by average total assets for the period indicated. Average total assets is based on the monthly average balance of total assets for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2022 and 2021.
- (2) Net income divided by average total equity for the period indicated. Average total equity is based on the monthly average balance of equity for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2022 and 2021.
- (3) Net interest income divided by average interest-earning assets.
- (4) Total operating expenses (net of provision for credit and impairment losses) divided by net interest and other income.
- (5) Total receivable from customers divided by total deposit liabilities.
- (6) Net Tier 1 capital divided by total risk weighted assets (under Basel III).
- (7) Total qualifying capital less deductions divided by total risk weighted assets (under Basel III).
- (8) Total Equity, net of deferred charges divided by total assets, net of deferred charges.
- (9) Total gross non-performing loans (90-day NPLs) divided by total receivable from customers, net of unearned interest and discount. Data as of 30 September is based on BSP Circular No. 941.
- (10) Total allowance for credit losses on receivable from customers divided by receivable from customers.
- (11) Total allowance for credit losses on receivable from customers divided by total gross 90-day NPLs.
- (12) The ratios were computed as total dividend declared during the year divided by prior year's net income.
- (13) Net income divided by total weighted average number of shares outstanding.

INVESTMENT CONSIDERATIONS

An investment in the Bonds involves a number of foreseeable and unforeseeable risks and other investment considerations. You should carefully consider all the information contained in this Offering Circular including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, financial condition and results of operations could be materially adversely affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost.

The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to disclose all risks or other significant aspects of investing in the Bonds. Prospective Holders are encouraged to make their own independent legal, financial, and business examination of the Bank and the market. Neither the Bank nor the Joint Lead Arrangers make any warranty or representation on the marketability or price on any investment in the Bonds.

Risks Relating to the Bank and its Business

Geopolitical tensions affecting the global economy may pose risks to the domestic economy and likewise to the Bank's business and results of operations

On 24 February 2022, Russia launched a full-scale invasion of Ukraine that is resulting in massive humanitarian casualties from both sides especially in Ukraine and in destruction of infrastructure, roads, and physical properties in Ukrainian cities and in the Crimean region which was annexed by Russia since 2014. Russia's initiation of a full-blown war prompted European nations, the US, Australia and some Asian countries to impose major and significant economic and financial sanctions against Russia within two weeks after Kyiv, the capital of Ukraine, came under heavy shelling. These sanctions were aimed at disrupting inflow of funds to Russia and prevent further financing of the war. However, trade and supply chain disruptions are now causing political and economic tensions amongst member nations of the European Union, in the US and, to some extent, in some Asian and African countries. As Russia is a major oil and gas exporter to Europe, many European countries, being mainly dependent on Russian oil and gas, are now facing foreseeable economic consequences should gas and oil trade with Russia get halted either partially or completely. Presently, the war has already contributed to rising oil and gas prices globally. In addition, since Ukraine is a major exporter of wheat (along with Russia) and sunflower oil, disruption in global trade with Ukraine is causing hunger and famine amongst populations of some African and Middle Eastern nations and further exacerbates inflation concerns. Apart from trade disruptions, the banning of some Russian banks from the Society for Worldwide Interbank Financial Telecommunication (or **SWIFT**) system, a global network for transferring payments, in March 2022 also had adverse impacts on the business of international companies who are owed money by Russian entities, as such companies had to find alternative and possibly costlier channels to receive payments. Another significant development was the exit of big multi-national companies – such as McDonald's, PepsiCo, the top four audit firms, H&M, Ikea, top global banks, and Starbucks, to name a few - from Russia's domestic economy, which in turn caused such companies to incur significant losses. As of November 2022, over 1,000 companies have either closed shops in Russia permanently, stopped importing from / exporting to Russia, or stopped providing or availing of services to/from Russian entities.

As the war continues, the long-term effects on the global economy remain uncertain. These uncertainties and other future events related to this conflict could continue to adversely impact the political and monetary policies of major economies, which in turn could have a negative impact in the Philippine market. As of October 2022¹, headline inflation in the Philippines hit its highest rate since December 2008 at 7.7%, higher than 6.9% from September 2022. The increase was mainly attributable to supply disruptions- in particular, in global crude oil- which was exacerbated by weather disturbances that occurred in the month. This prompted the BSP, in its monetary policy meeting on 17 November 2022, to raise the overnight reverse repurchase (**RRP**) facility, overnight deposit facility (**ODF**), and overnight lending facility (**OLF**) rates by 75 basis points to 5.00%, 4.50%, and 5.50%, respectively. According to the BSP, inflation outlook globally and domestically is still skewed to the upside, particularly for 2023, due to potential impact of trade restrictions and higher international food prices, elevated oil prices, and weaker-than-expected global output recovery, which was worsened by China's total lockdowns until the last quarter of 2022 as part of the strict implementation of its "Zero-Covid" policy.

In addition, the uneven and divergent conditions across major economies and the resulting divergent policy environment continue to persist, with the US continuing to show firmer signs of economic growth and possible

¹ As of November 2022, inflation rate was at 8.0%.

monetary tightening in the horizon, while Japan and the Eurozone require more economic stimulus and unconventional monetary measures (e.g., negative interest rates) to revive their economies. Likewise putting a downside risk to the global outlook are the other ongoing geopolitical crises that include, among others, Turkish invasion of Syria; fears of escalations of geopolitical conflicts between (i) Greece and Turkey and (ii) Taiwan and China; and the ongoing civil protests throughout Chile, Iran and Pakistan.

While the Bank's operations have not been negatively affected by the war in Ukraine and by other geopolitical tensions in other parts of the world, there can be no assurance that the uncertainties affecting global markets will not negatively impact the credit markets in the Philippines in the coming months or quarters. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services.

The Bank's business and results of operations have been and could continuously be adversely affected by public health epidemics or outbreaks of diseases such as the COVID-19 pandemic.

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, was declared in March 2020 as a pandemic by the World Health Organization (**WHO**). COVID-19 has spread globally since its initial outbreak and throughout the past nearly three years. As of 30 September 2022, there have been over 614 million confirmed cases and over 6.5 million deaths. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

As a result of the shrinking of the economy due to the government-imposed lockdowns and business disruptions to contain the pandemic, the Bank's results of operations were adversely affected. For the years ended 31 December 2020 and 2021, the return on average assets were 0.98% and 1.08%, and the return on average equity were 7.7% and 8.4%, respectively, lower than 1.4% and 11.0% for the year ended 31 December 2019, respectively. With the gradual reopening of the economy, the Bank likewise saw improvements in its financial performance, and as of September 2022, the Bank's return on average assets was at 1.7% and return on average equity at 13.7%.

As health protocols and mobility restrictions have relaxed to usher in the reopening of the Philippine economy, the BPI Group's business model continues to evolve in the new normal. Certain business continuity plans enacted during the pandemic have now formed part of the Bank's current operating environment. These include, but are not limited to, changes in the workforce arrangements and set-up of corporate offices, allowing for hybrid schedules, split operations, and alternative work sites, all duly supported by the use of mobility tools and virtual communications. The BPI Group's accelerated shift to digitalization has also ensured continuous client service through its various distribution platforms while maintaining back-office efficiency. The Bank's robust risk management continues to guard against increasing cybersecurity risks heightened by remote and virtual work arrangements.

To mitigate risks arising from the pandemic to the BPI Group's core businesses, the Bank has taken a pro-active stance by constantly monitoring vulnerable industries and sectors that have been affected by COVID-19, identifying new opportunities in other industries and sectors, and having regular conversations with its clients. Asset quality is constantly monitored and the Bank continues to uphold its stringent credit process while also enhancing aspects of its underwriting, monitoring, and collections, in consideration of the changes in regulatory, economic, and customer behaviors post-crisis. The Bank's asset quality has remained resilient and more favorable than industry averages. Since June 2021, asset quality has been showing improvement across all metrics. The Bank's robust capital and liquidity levels also serve as sufficient buffers for any adverse scenario during the ongoing pandemic.

The Bank may not be successful in implementing new business strategies or penetrating new markets.

As part of its strategy, the Bank intends to:

- maintain its leading position in the corporate segment;
- diversify its asset base and improve risk-adjusted returns by prudently accelerating growth in higher margin small-and-medium-sized enterprise (**SME**) and consumer lending;
- enhance deposit franchise and delivery infrastructure;

- elevate its digital infrastructure to deliver superior customer experience and cost efficiencies; and
- maintain prudent balance sheet management.

While this strategy is expected to diversify the Bank's revenue sources, it may likewise expose the Bank to a number of risks and challenges including, among others, the following:

- new and expanded business activities may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;
- the Bank's competitors may have substantially greater experience and resources for the new and expanded business activities; and
- economic conditions, such as rising interest rates or inflation and regulatory changes, such as changes in banking and tax regulations, could hinder the Bank's expansion.

In addition, new business endeavours may require knowledge and expertise which differ from those used in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit risk evaluation, monitoring and recovery procedures. The Bank may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant managerial and operational resources, which the Bank may not be able to procure on a timely basis or at all. The Bank's inability to implement its business strategy and adequately managing the related risks could have a material adverse effect on the business, financial condition and results of operations of the Bank.

Inability to adapt to technology shifts and address changing consumer demand may negatively impact BPI's competitiveness and customer experience.

The prevalence of smartphones and other connectivity devices and mobile data applications has increased the number of platforms providing online payment solutions, electronic money and wallets, and other similar services and products. The emergence of such web- and app-based products and services has significantly increased competition with those traditionally provided by banks, such as BPI. The quarantine and other movement restrictions imposed in connection with the COVID-19 pandemic also serve to increase demand for such digital and online solutions.

Banks compete with expanding financial technology (**fintech**) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others.

Moreover, to date, the BSP has granted six (6) digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, and (vi) Maya Bank. These are in addition to banks, notably CIMB Bank Philippines, offering no-branch banking services through their respective mobile apps which provide all-online retail banking services despite having existing commercial and universal banking licenses.

Any inability on the part of BPI to recognize and quickly respond to changes in customer preferences by upgrading its existing infrastructure and systems may impact its competitiveness in the marketplace, which would in turn negatively impact its business, results of operations and financial condition. While BPI invests substantially in technological upgrades and aims to remain up to date with banking technology in the Philippines, there are no significant barriers that prevent its competitors from adopting more advanced technology for their products and services. Accordingly, there can be no assurance that it will be able to maintain its technological competitiveness with its competitors. Furthermore, BPI may need to incur a significant amount of research and development and/or capital expenditures to maintain its technological competitiveness. Failure to maintain its technological competitiveness or its brand image may have a material adverse impact on its fee-based revenue and its ability to attract new deposits from affluent retail and corporate customers, which in turn may lead to an increase in costs of funding and loss of business and result in a material adverse effect on its business, financial condition and results of operations.

As a way of addressing consumer demand for more channels or platforms providing e-wallet services or cashless payments and transactions, in October 2022, the Bank launched the mobile app VYBE, a one-stop lifestyle app

providing secure, cashless, and quick day-to-day payment transactions with additional features such as rewards points, vouchers, and discounts from partner brands. The app is currently available to existing BPI Online and BPI Mobile app users. The app is still being developed to make it available to non-BPI clients and for more in-app features to be introduced to continue keeping up with the trends and evolving consumer needs and preferences for such digital services.

The Bank has some concentration of loans to certain customer segments or borrower-groups and to certain industries within acceptable credit and risk thresholds, and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of 30 September 2022, the Bank's total exposure to borrowers was ₱1.65 trillion. The ten largest individual borrowers in aggregate accounted for approximately 13% of the Bank's total exposure, and its ten largest borrower groups in aggregate accounted for approximately 26% of the Bank's total exposure. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth. The Bank is committed to ensure strict compliance with laws, regulations and reporting requirements relating to single borrower limits (and also, related party transactions). The largest borrower group as of 30 September 2022 accounted for approximately 5% of the Bank's total exposure and within internal and regulatory SBL. Credit losses on these large single borrower and group exposures could adversely affect the business, financial condition and results of operations of the Bank.

The Bank extends loans to several sectors in the Philippines. As of 30 September 2022, the Bank's loan exposure to the top five industries, namely real estate, manufacturing, utilities, wholesale and retail trade, and consumer, account for 71.7% of the Bank's total loan portfolio. The Bank's aggregate exposure to these industries amounted to ₱1.18 trillion. The Bank's largest loan exposure is to the real estate industry, which accounted for 23.7% of the Bank's loan portfolio as of 30 September 2022. Although the Bank continues to adopt risk controls and diversification strategies to minimise risk concentrations, financial difficulties in these industries could increase the level of non-performing assets and restructured assets, and adversely affect the Bank's business, its financial condition and results of operations.

The Bank may face increasing levels of NPLs, provisions for impairment losses and delinquencies in its loan portfolio, which may adversely affect its business, financial condition, results of operations and capital adequacy.

The Bank's results of operations have been, and continue to be, affected by the level of its non-performing loans (NPLs). The Bank's total gross NPLs were equal to ₱24.84 billion, ₱38.75 billion and ₱37.96 billion as of 31 December 2019, 2020 and 2021, respectively, and ₱32.04 billion as of 30 September 2022. For the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, the Bank's provisions for credit losses on receivables from customers were ₱5.39 billion, ₱27.29 billion, ₱13.14 billion, ₱10.21 billion and ₱7.40 billion respectively, representing approximately 8%, 38%, 19%, 20% and 12% of the Bank's net interest income for these periods, respectively. The Bank plans to continue to expand its microfinance, SME and consumer loan operations, including credit card services. Such expansion plans will increase the Bank's exposure to microfinance, SME and consumer debt and volatile economic conditions in the Philippines may adversely affect the future ability of the Bank's borrowers, including microfinance and SME borrowers and credit card holders, to meet their obligations under their indebtedness and, as a result, the Bank may continue to experience increasing levels of non-performing loans and provisions for impairment losses in the future.

Volatile economic conditions and inflation risks in the Philippines and overseas, including volatile exchange and interest rates, may adversely affect many of the Bank's customers, causing uncertainty regarding their ability to fulfil obligations under the Bank's loans and significantly increasing the Bank's exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in the Bank's credit card portfolio in the future. Any significant increase in the Bank's NPLs or delinquencies in the Bank's credit card portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

As a result of the COVID-19 pandemic, BPI has seen an increase in the level of NPL attributable to the temporary and/or permanent closure of certain businesses, suspended business operations and limited travel and exchange of goods. The actual delinquency status or effect on the NPL levels across different segments and products became evident this year and may be on a steady increase up to early to mid-2022.

The Bank may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose the Bank to significant losses.

As of 30 September 2022, the Bank's secured loans represented 29.9% of the Bank's total loans, and 55.0% of the collateral on these secured loans consisted of real properties. There can be no assurance that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realised value of the collateral would be adequate to cover the Bank's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its provisions for credit losses may be inadequate and the Bank may need to increase such provisions. Any increase in the Bank's provisions for credit losses could adversely affect its business, its financial condition, results of operations and CAR.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These difficulties may significantly reduce the Bank's ability to realise the value of its collateral and therefore the effectiveness of taking security for the loans it makes. The Bank initially carries the value of the foreclosed properties at the lower of loan exposure or fair value of the properties at the time of foreclosure. Subsequently, the foreclosed properties are carried at the lower of amount initially recognised or fair value less cost to sell. While the Bank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and to prevent their deterioration. In realising cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realisation. There can be no assurance that the Bank will be able to realise the full value, or any value, of any collateral on its loans.

The Bank's provisioning policies with respect to NPLs require significant subjective determinations which may increase the variation of application of such policies.

BSP regulations require that Philippine banks classify NPLs based on four different categories corresponding to levels of risk: Loans Especially Mentioned, Substandard, Doubtful and Loss. Generally, classification depends on a combination of a number of qualitative as well as quantitative factors such as the number of months, payment is in arrears, the type of loan, the terms of the loan and the level of collateral coverage, and the extent of collectability or recoverability (if still any). These requirements have in the past, and may in the future, be subject to change by the BSP. Periodic examination by the BSP of these classifications may also result in changes being made by the Bank to such classifications and to the factors relevant thereto.

For financial reporting purposes, the Bank assesses at each reporting date whether there is a significant increase in credit risk on the loan or group of loans. The level of provisions currently recognized by the Bank in respect of its secured loan portfolio depends largely on the estimated value of the collateral coverage of the portfolio, as well as the Bank's evaluation of the creditworthiness of the borrower and the risk classification of a loan. If the Bank's evaluations or determinations are inaccurate, the level of the Bank's provisions may not be adequate to cover actual losses resulting from its NPL portfolio. The Bank may also have to increase its level of provisions if there is any deterioration in the overall credit quality of the Bank's existing loan portfolio, including the value of the underlying collateral.

In addition, the level of loan loss provisions which the Bank recognises may increase significantly in the future due to the introduction of new accounting standards or a turn in the credit cycle and implementation of tighter regulations on credit risk. In January 2017, the BSP issued Circular No. 941, which amended the regulatory definitions of past due accounts, restructured loans and non-performing loans. Among others, the said Circular cites the conditions under which an account will be classified as NPL. To comply with the new standards, banks

were required to revise their management reporting systems to align them with the circular's definition of NPLs, past due accounts and restructured loans.

Certain accounting standards based on International Accounting Standards have been adopted in the Philippines. Effective 01 January 2018, banks adopted PFRS 9 estimates provisioning based on Expected Credit Loss (ECL) model. This model poses a risk of variability of provisioning across banks due to the subjective assumptions, complex data, and unforeseen changes in macroeconomic conditions.

While the new model affirmed the Bank's prudent stance in its historical provisioning, there is no guarantee that such new accounting standards may result in the Bank recognizing significantly higher provisions for loan loss in the future. Moreover, while the Bank believes its current level of provisions and collateral position are more than adequate to cover its non-performing loan exposure, an unexpected or significant increase in non-performing loan levels may result in the need for higher levels of loan loss provisions in the future.

The Bank relies on certain key personnel and the loss of any such key personnel or the inability to attract and retain them may negatively affect the business.

The Bank's success depends upon, among other factors, the retention of its key management, senior executives and upon its ability to attract and retain other highly capable individuals. The loss of some of the Bank's key management, and senior executives, or an inability to attract or retain other key individuals could materially and adversely affect the Bank's business, financial condition and results of operations.

Increased enforcement by the BSP related to priority lending for the agrarian reform and agricultural sectors, could adversely affect the Bank's business, financial condition and results of operations.

In support of government initiatives to strengthen rural development, Philippine banks, under Republic Act No. 10000 or the Agri-Agra Credit Act of 2009, are required to extend certain loan amounts, equivalent to a certain percentage of its total loan portfolio to agrarian beneficiaries and the agricultural sectors of the Philippines. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank. These fines are calculated based on the relevant rate multiplied by the prescribed Agri-Agra loan amount shortfall. Because BPI is unable to generate sufficient exposure to the Agri-Agra sectors that meet its credit and risk management standards, BPI has paid fines in the past and may continue to do so in the future. There can be no assurance that the Government will not increase its penalties for non-compliance or force banks to lend in accordance with the policy in the future. If the Government substantially increases the penalty for non-compliance or BPI is forced to extend loans to the Agri-Agra sectors that are inconsistent with BPI's credit and risk management policies, its business, financial condition and results of operations could be adversely affected.

The Bank's heavy use and reliance on information and technology systems could expose it to related risks that could adversely affect its business.

BPI is subject to risks relating to its extensive reliance on information and technology systems and processes. Hardware and software used by BPI are inherently vulnerable to damage or disruptions caused by human error or misconduct, malfunction, natural disasters, power loss, external attacks, or loss of support services from third parties such as internet service providers and telecom companies. Work-from-home / remote working arrangements necessitated by quarantine measures imposed by the government in response to the COVID pandemic heightened the cybersecurity risks faced by BPI.

There can be no assurance that future similar incidents will not result in material impact to BPI. Any disruption, outage, delay or other difficulties in any of these information and technology systems may lead to customer suits, income losses, regulatory investigations, penalties and fines and weakened consumer confidence in BPI. These may, in turn, adversely affect BPI's operations and financial condition.

BPI seeks to protect its computer systems and network infrastructure from security breaches and disruptions as it progresses through its digitalization journey. To mitigate against cyberattacks, BPI maintains a robust defense-in-depth designed to arrest the progress of determined threat actors and protect information assets and systems. Anchoring the various security systems employed by the Bank is a 24/7 Cyber Security Operations Center. The Bank also maintains an information security program (ISP) which aims to ensure comprehensive and sustainable compliance with applicable legal and regulatory requirements which include the Philippine Data Privacy Act (RA 10173) and BSP's Manual of Regulations for Banks (MORB). A critical component of the ISP is an infosec awareness program that seeks to build and maintain an organization equipped to properly protect personal data

and other proprietary information assets. Finally, the Bank has a cyber insurance policy as part of its risk treatment strategy.

Nevertheless, the threat of cyberattacks will persist and there can be no assurance that in-place security measures will prove adequate in preventing breaches. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on BPI's operations, business, reputation, and financial condition.

The Bank is subject to credit, market and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

To the extent any of the instruments and strategies the Bank uses to manage its exposure to market or credit risk is not effective, the Bank may not be able to mitigate effectively its risk exposures, in particular to market environments or against particular types of risk. The Bank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to originate, underwrite, securitise, sell, purchase and/or syndicate particular loans or loan portfolios. The Bank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark to market the changes in the value of financial instruments caused by changes in market prices or rates. The Bank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Bank could suffer higher than anticipated losses. The successful management of credit, market and operational risks is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market and liquidity risk could have a negative effect on its business, financial condition and results of operations.

A downgrade of the Bank's credit rating could have a negative effect on its business, financial condition and results of operations.

As of 30 September 2022, the Bank has a local long-term bank deposit rating of Baa2 with a stable outlook from Moody's; long-term rating and A-2 short-term issuer credit rating of BBB+ with a "stable" outlook from S&P Global Ratings; and a long-term issuer default rating of BBB- with a "negative" outlook – consistent with the sovereign outlook - from Fitch. In the event of a downgrade of the Bank's rating by one or more credit rating agencies, the Bank may have to accept terms that are not as favourable in its transactions with counterparties or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to downgrade the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a downgrade of ratings. Any downgrade in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and negatively impact its operating results and financial condition.

The Bank's business, reputation and prospects may be adversely affected if the Bank is not able to detect and prevent fraud or other misconduct committed by the Bank's employees or outsiders on a timely basis.

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidents may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. Any occurrence of such fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations and prospects. In addition, failure on the part of the Bank to prevent such fraudulent actions may result in administrative or other regulatory sanctions by the BSP or other government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. Although the Bank has in place certain internal procedures to prevent and detect fraudulent activities, these may be insufficient to prevent such occurrences from transpiring. There can be no assurance that the Bank will be able to avoid incidents of fraud in the course of its business.

The Bank may be involved in litigation, which could result in financial losses or harm its business.

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, the Bank and/or subject the Bank to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm the Bank's business, reputation or standing in the market place or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault. Furthermore, there can be no assurance that (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of the Bank's insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial condition or results of operation, or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

New tax and other revenue raising measures, including those contemplated by the fourth package (Package 4) of the Comprehensive Tax Reform Program (CTRP) may have a material adverse impact on the results of operation of the Bank.

On 09 September 2019, the House of Representatives approved House Bill (HB) No. 304, or Package 4 of the CTRP or otherwise known as the Passive Income and Financial Intermediary Taxation Act (PIFITA), on its third and final reading. However, HB No. 304 has not become a law. Nevertheless, on 14 November 2022, HB No. 4339 was approved by the House of Representatives on its third and final reading. However, before HB No. 4339 can become effective, it must be considered and approved by the Senate.

HB No. 4339 proposes certain changes to the taxation of passive income, financial intermediaries, and financial transactions. Among the changes proposed by HB No. 4339 is the removal of the preferential tax treatment of the expanded foreign currency deposit system.

Any increase in taxes will reduce the net income of the Bank, which may have a material and adverse effect on the Bank's business, results of operations and financial condition.

BPI may not realize the anticipated synergies from the merger with Robinsons Bank Corporation (RBC).

The Board of Directors of BPI in its meeting on 30 September 2022 approved the proposed merger between RBC and BPI, with BPI as the surviving bank, subject to shareholders' and regulatory approvals. The proposed merger is a statutory merger pursuant to Title IX of the Revised Corporation Code and Section 40(C)(2) of the National Internal Revenue Code, i.e. merger with the issuance of primary shares. Upon the effectivity of the proposed merger after receipt of all necessary corporate and regulatory approvals, the shareholders of RBC will collectively hold approximately 6% of the resulting outstanding capital stock of BPI.

Upon the effectivity of the merger, BPI hopes to be able to unlock various synergies across several products and service platforms, expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI's expertise and network, enhance the overall banking experience of RBC customers. BPI seeks to be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group. However, these expected synergies may not materialize due to difficulties, delays or unexpected costs in implementing the integration of BPI and RBC.

Furthermore, the proposed merger is subject to regulatory approval of the SEC, PCC, BSP, and PDIC. There is no assurance that these approvals will be received and, if received, it will be in accordance with the planned schedule of the merger.

The Bank faces risks and challenges associated with acquisitions and investments.

From time to time, the Bank acquires companies or businesses, enters into strategic alliances and joint ventures and makes investments, and will continue to seek opportunities to do so in the future as part of its expansion plan. In order to pursue this strategy successfully, the Bank must effectively identify suitable targets for, and negotiate and consummate, acquisition or investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees.

Risks associated with business combination and investment transactions include the following, any of which could adversely affect the Bank's revenue, gross margin and profitability:

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- managing business combination and investment transactions often requires significant management resources, which may divert the Bank's attention from other business operations;
- the Bank may not fully realize all of the anticipated benefits of any business combination and investment transaction, and the timeframe for realizing benefits of a business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers or other third parties;
- business combination and investment transactions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans;
- the Bank's due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices or internal control deficiencies;
- the Bank may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect the Bank's liquidity and financial condition; and
- if disputes arise in connection with business combination and investment transactions, such disputes may lead to litigation, which may be costly and divert the Bank's resources.

Risks Relating to the Philippine Banking Industry

The Bank's principal businesses are in the highly competitive Philippine banking industry and increases in competition may result in declining margins in the Bank's principal businesses.

The Bank is subject to significant levels of competition from many other Philippine banks and branches of international banks, including, in some instances, competitors that have greater financial and other capital resources, greater market share and greater brand name recognition than the Bank. The banking industry in the Philippines is a mature market that has, in recent years, been subject to consolidation and liberalisation, including liberalisation of foreign ownership restrictions, such as the lifting in 2014 of restrictions that previously barred the full entry and operation of foreign banks in the Philippines. Since 2014, several foreign banks have entered the Philippine banking market. In addition, the establishment of ASEAN economic integration, which envisions providing a platform for ASEAN banks to enjoy greater market access and operational flexibility across ASEAN member states, including the Philippines, could further increase competition from foreign banks.

According to data published by the BSP, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines as of 30 September 2022.

In the future, the Bank may also face increased competition from financial institutions offering a wider range of commercial banking services and products than the Bank and having larger lending limits, greater financial resources and stronger balance sheets than the Bank. Increased competition may arise from:

- other large Philippine banking and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- foreign banks, due to, among other things, relaxed foreign bank ownership standards permitting large foreign banks to set up their own branches in the Philippines or expand their branch network through acquiring domestic banks;
- ability of the Bank's competitors to establish new branches in Metro Manila due to the removal of the existing new branch license restriction scheme in 2014;

- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources; and
- continued consolidation in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions.

The ongoing mergers and consolidations in the banking industry, as well as the liberalisation of bank foreign ownership restrictions, have allowed the emergence of foreign and bigger local banks in the market. This is expected to increase the level of competition both from Philippine and foreign banks and may impact the Bank's operating margins.

There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to increase the size of its loan portfolios and deposit bases and may cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, ability to pass on increased costs of funding, results of operations and financial position.

The Philippine banking industry may face another downturn, which could materially and adversely affect the Bank.

The Philippine banking industry has recovered from the global economic crisis as evidenced by the steady decrease in average NPL ratios (including interbank loans) in the Philippine banking system from 3.6% in end-2010 to 2.0% as of December 2019. The Bank has realised some benefits from this recovery, including increased liquidity levels in the Philippine market, lower levels of interest rates as well as lower levels of NPLs. However, the Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank margins, low loan growth and potential or actual under-capitalisation of the banking system. Disruptions in the Philippine financial sector, or general economic conditions in the Philippines, may cause the Philippine banking industry in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges. As an example, the adverse effects of the pandemic in the general economy drove up the monthly gross NPL ratios to 3.5% to 4.5% levels from September 2020 to August 2021. With the reopening and improvement of the economy, these figures gradually moved back down to the 3.5% level as of August 2022.

The Bank may have to comply with strict rules and guidelines issued by regulatory authorities in the Philippines, including the BSP, the PSEC, the NPC, the PSE, the BIR and international bodies, including the FATF.

The Bank's banking interests are regulated and supervised principally by the BSP, to which the Bank has reporting obligations. The Bank is also subject to banking, corporate, taxation, data privacy laws and other relevant laws and regulations in effect in the Philippines, administered by agencies such as the Bureau of Internal Revenue (the **BIR**), the Philippine Securities and Exchange Commission (**PSEC**), the Philippine Stock Exchange (the **PSE**), the National Privacy Commission (**NPC**) and the Anti-Money Laundering Council (**AMLC**). The Bank is also subject to recommendations and pronouncements of international bodies such as the Financial Action Task Force (**FATF**) which have been adopted, incorporated, or referred to by the BSP in its regulatory issuances.

In recent years, existing BSP and BIR rules have been modified, new regulations and rules have been enacted and reforms have been implemented by the BSP and the BIR which are intended to provide tighter control and added transparency in the Philippine banking sector. Rules governing banks' capital adequacy and reserve requirements, ceilings on loans to subsidiaries and affiliates, as well as limits on the amount of loans, credit accommodations and guarantees to a single borrower have also evolved over the years. Guidelines on the monitoring and reporting of suspected money laundering activities were incorporated into the BSP's Manual of Regulations for Banks (**MORB**). Institutions that are subject to the Anti-Money Laundering Act, as amended (**AMLA**) are required to establish and record the identities of their clients based on official documents. In addition, under the AMLA regulations, all records of customer identification and transaction documents are required to be maintained and stored for a minimum of five years from the date of a transaction. Records of closed accounts must also be kept for at least five years after their closure. The AMLA regulations also require covered institutions to report covered and suspicious transactions as defined under the relevant law.

The BSP has also ordered universal, commercial and thrift banks to conduct real estate stress tests to determine whether their capital is sufficient to absorb a severe shock. The Real Estate Stress Test Limit (**REST Limit**)

combines a macro-prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. If the explanation is deemed insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame. If a bank fails to submit an action plan or persistently breaches the REST Limits due to non-compliance with the commitments in its submitted action plan, it may be considered to be engaging in unsafe or unsound banking which may subject it to appropriate sanctions.

In June 2016, the BSP implemented the interest rate corridor (**IRC**) which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the "special deposit account" prior to the implementation of the IRC, was replaced by the ODF with a current rate of 4.50% (as of 17 November 2022), and forms the lower bound of the IRC. Meanwhile, the rate for the OLF, which replaced the previous repurchase facility, and forms the upper bound of the IRC, is currently at 5.50% (as of 17 November 2022). The BSP likewise introduced the "term deposit facility" (**TDF**) to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

On 31 March 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 03 April 2020 (and reiterated in Circular No. 1092 for reserve week of 31 July 2020) for universal and commercial banks, to (a) 12% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 3% against bonds; and (e) 0% against basic deposit accounts as defined under Section X222 of the MORB and for interbank call loan transactions (**IBCL**). The BIR has also promulgated rules on the submission of an alphabetical list of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit such list of payees on income payments subject to creditable and withholding taxes and prohibit the lumping into a single amount and account of various income payments and taxes withheld. The Supreme Court, however, issued a temporary restraining order against the said BIR rule on 9 September 2014 insofar as they prohibit the naming of an entity called the Philippine Central Depository (**PCD**) Nominee, or any other securities intermediaries representing the beneficial owner, as the payee for dividend payments made by listed companies.

The Bank's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines or significant compliance and monitoring costs resulting from current or future regulations and guidelines could have a material adverse effect on the Bank's business, financial condition and results of operations. In addition, as a result of a failure to comply with any current or future regulations and guidelines, the Bank may become subject to sanctions, warning or reprimand and incur monetary penalties.

The implementation of Basel III in the Philippines may impose certain restrictions and stricter capital requirements affecting BPI.

On 04 August 2006, the BSP issued Circular No. 538, which contained the implementing guidelines on the revised risk-based capital adequacy framework for the Philippine banking system, in conformity with the recommendations of the International Convergence of Capital Measurement and Capital Standards (**Basel II**) set by the Basel Committee on Banking Supervision (**Basel Committee**). The circular, which took effect on 01 July 2007, maintained the minimum CAR at 10.0% and provided the approaches that may be used in computing the regulatory capital requirements for credit, market, and operational risks.

In December 2010, the Basel Committee issued an update to the Basel Accords, known as Basel III that modified the structure of regulatory capital. The Basel III regulations included tighter definitions of qualifying capital, and introduced frameworks for capital conservation buffer, countercyclical buffer, systemically important financial institutions, leverage ratio, and short-term and medium-term quantitative liquidity ratios.

On 15 January 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which took effect in January 2014. Its highlights include:

- Adopting a new categorization of the capital base;
- Keeping minimum CAR at 10.0% and prescribing:
 - A minimum Common Equity Tier 1 (**CET1**) ratio of 6.0%;
 - A minimum Tier 1 ratio of 7.5%; and
 - A capital conservation buffer of 2.5%
- Rendering ineligible existing capital instruments that do not meet eligibility criteria for capital instruments under the revised capital framework; and
- Subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital

On 29 October 2014, the BSP issued Circular No. 856, *Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (D-SIBs) under Basel III*, with an amendment issued via Circular No. 1051 on 27 September 2019, to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the Philippine banking industry. Banks identified as D-SIBs will be required to have higher loss absorbency capabilities, in addition to minimum CET1 capital and capital conservation buffer requirements. Identified D-SIBs will need to put up an additional 1.5% to 2.5% of common equity Tier 1 capital, depending on their classification.

On 09 June 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, requiring covered institutions to maintain a leverage ratio not lower than 5.0%. The leverage ratio, expressed as the proportion of Tier 1 capital against exposure measure, serves as a backstop to the CAR.

On 10 March 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) and Disclosure Standards*, requiring banks to hold a sufficient level of high-quality liquid assets (**HQLA**) to enable them to withstand a 30-day liquidity stress scenario. On 06 June 2018, the BSP issued Circular No. 1007, *Implementation of Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR)*, requiring that banks' assets and activities be structurally funded with long-term and more stable funding sources. Although these measures are aimed at strengthening the ability of banks to withstand liquidity stress and promote resilience of the banking sector, compliance with these ratios may also further competition among banks for deposits as well as high quality liquid assets.

On 06 December 2018, the BSP issued Circular No. 1024, *Philippine Adoption of the Basel III Countercyclical Buffer*, imposing a countercyclical buffer (**CCyB**) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately.

On 04 May 2020, BSP issued Memorandum No. M-2020-039 allowing universal and commercial banks, and their subsidiary banks and quasi-banks which have built their capital conservation buffer and LCR buffer to utilize such during the state of health emergency. A covered bank which draws down its 2.5% minimum capital conservation buffer will not be considered in breach of the capital adequacy framework. A covered bank which utilizes its capital conservation buffer is restricted from making distributions in the form of dividends, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. A covered bank may draw on its stock of liquid assets to meet liquidity demand even if may cause to maintain an LCR that is below the 100% minimum requirement. However, a covered bank that has recorded a shortfall in the stock of its HQLA for three banking days within any two-week rolling calendar period, causing it to fall below the 100% must notify the BSP on the banking day immediately following the occurrence of the third liquidity shortfall.

They will be given a reasonable time to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic.

As of 30 September 2022, the Bank had CAR of 16.78%, CET1 ratio of 15.89% and capital conservation buffer of 9.89%. Compliance with these ratios may further increase competition among banks for deposits as well as high quality liquid assets.

Although intended to strengthen banks' capital positions and avoid potential asset bubbles, the foregoing BSP and Monetary Board regulations will add pressure to local banks to meet the additional capital requirements, which may effectively create greater competition among local banks for deposits and temper bank lending. Stricter lending and prudential regulations may reduce the lending appetite of BPI or cause BPI to alter its credit risk management systems, which may adversely affect BPI's business, financial condition, and results of operations.

Compliance with regulatory requirements may impact BPI's ability to grow its business and may even require BPI to withdraw from or to curtail some of its current business operations, which could materially and adversely affect BPI's business, financial condition, and results of operations. Unless BPI is able to access the necessary amount of additional capital, any incremental increase in the capital or liquidity requirement due to the implementation of Basel III may result in BSP-imposed monetary and non-monetary sanctions, including prohibition on the declaration of dividends. While BPI has in place measures to ensure compliance to the requirements of Basel III as implemented by the BSP, there can also be no assurance that BPI will be able to raise adequate additional capital in the future at all or on terms favourable to it.

If the Bank fails to maintain expected levels of customer deposits, its business operations may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding and the Bank intends to continue to expand its deposit base, particularly low-cost sources such as demand and savings deposits (**CASA deposits**) to help fund its future loan growth. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return or increase their deposits in trust accounts, while small, mid-market and large corporate customers may reduce their deposits in order to fund increased working capital requirements in a favourable economic environment or the Bank may need to increase the rates it offers to its customers to minimise deposit outflows, which would have an adverse impact on its cost of funding. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such an event, the Bank may need to seek more expensive sources of funding (including external sources). The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets, and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all.

The Bank is subject to interest rate risk.

The Bank realises income from the margin between interest-earning assets (due from BSP on balances above the minimum reserve requirement, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and senior/subordinated, and other forms of borrowings). Fluctuations in domestic market interest rates, which are neither predictable nor controllable, can have a significant impact on the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. In a period of rising domestic interest rates, the Bank may be required to compete aggressively to attract deposits by offering higher rates to depositors in order to increase the Bank's loanable funds, which may result in a decrease in the Bank's profitability. As interest rates increase, the Bank's profitability may decrease as a result. Increased interest rates on the Bank's customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired (**ROPA**). Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealised marked to market losses in its trading and fair value through other comprehensive income (**FVOCI**) investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities. Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low interest rate environment in the Philippines. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn adversely affect the Bank's business, financial condition and results of operations.

Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan and credit card portfolios.

The Bank plans to continue to expand its consumer loan operations. Such expansion plans will increase the Bank's exposure to consumer debt and vulnerability with respect to changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer loan and credit card portfolios. A rise in unemployment or substantial increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults, NPLs and reduce demand for consumer loans.

The sovereign credit ratings of the Philippines may adversely affect the Bank's business.

The sovereign credit ratings of the Philippines directly affect companies that are resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies—Fitch (BBB-), Standard and Poor's (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" with a positive outlook and "Baa2" in May and December, respectively, with Moody's affirming its rating in May 2019. Meanwhile, Fitch upgraded the Philippines' credit rating from "BBB-" to "BBB" in December 2018, and affirmed the rating in May 2019. In addition, S&P also further upgraded the country's rating by a notch from "BBB" to "BBB+" in April 2019 brought about by the country's solid economic fundamentals. All ratings are above investment grade and the highest that the country has received so far.

On 11 February 2020, Fitch affirmed the country's credit rating of "BBB" and revised its outlook to "positive." On 07 May 2020, the "BBB" rating was affirmed but outlook was revised to "stable". The rating and outlook were maintained by the agency on 10 January 2021.

On 2 September 2020, Moody's maintained its sovereign credit rating of "Baa2" with a "stable" outlook for the Philippines, unchanged from the its rating and outlook for the country on 16 July 2020. On 12 July 2021, the agency reaffirmed the country's credit rating to "BBB" but revised its outlook from "stable" to "negative," stating the prolonged impact of the pandemic in the country. A "negative outlook" means that the rating could be downgraded in the next 12 to 18 months.

In November 2021, S&P affirmed the investment-grade BBB+ rating with a stable outlook it gave to the Philippines in May of the same year, citing its assumption that a "healthy" economic recovery will contribute to improvement in the country's fiscal standing which was weakened by the pandemic. Meanwhile, Moody's maintained the Government of the Philippines a "Baa2" rating with a "stable" outlook on 26 August 2021.

On 17 February 2022, Fitch kept the sovereign rating of "BBB" with a "negative" outlook, citing that the rating agency remained wary of the country's post-pandemic economic recovery due to the May 2022 election uncertainties, risk of new COVID-19 variant spreading within the country, and the fiscal cost of the government's pandemic response. The rating and outlook were maintained by the agency on 27 October 2022.

On 15 September 2022, Moody's affirmed the country's long-term local and foreign currency issuer and senior unsecured ratings at "Baa2" with a "stable" outlook, citing the following factors: (i) recovery resilient to external pressures although it may take time to address the economic impact of the pandemic; (ii) policy continuity attributable to the results of the national elections supports post-pandemic fiscal recovery; and (iii) ESG considerations.

On 20 November 2022, S&P affirmed the Philippine's investment-grade long-term credit rating of "BBB+" short-term rating of "A-2" with a "stable" outlook. The agency mentioned that the sovereign ratings reflected the country's "above-average economic growth potential" and that the domestic economy has sustained recovery driven by strong domestic demand as it lifts mobility restrictions and fully reopens.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Banks, to raise additional financing, and will increase borrowing and other costs.

The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than those of more developed countries.

Philippine banks are subject to the credit risk that Philippine borrowers may not make timely payment of principal and interest on loans and, in particular that, upon such failure to pay, Philippine banks may not be able to enforce the security interest they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in developed countries due to:

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- the greater uncertainty associated with the Philippine regulatory, political, legal and economic environment;
- the vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries and OFW remittances
- the large foreign debt of the Government and the corporate sector, relative to the gross domestic product (**GDP**) of the Philippines; and
- volatility of interest rates and U.S. Dollar/Peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data from the BSP, the average NPL ratios exclusive of interbank loans in the Philippine universal and commercial banking industry were 1.35%, 2.01%, 2.01%, and 3.72% as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

The ability of Philippine banks to assess, monitor and manage risks inherent in their business differs from the standards of their counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

If the Bank were not to comply with FATCA, this may cause material and adverse impact on the Bank's business, financial conditions and results of operations.

The Foreign Account Tax Compliance Act (**FATCA**) was enacted into law in the U.S. on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It is a new regime for finding income overseas as a response to a landmark court case in which a large international bank agreed to pay \$780 million in fines for their role in assisting U.S. citizens in evading income taxes.

FATCA impacts a number of organisations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions (**FFIs**) that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

An FFI will have to set up a process to identify U.S. accounts as part of its on boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

After the identification of impacted accounts, an FFI will have to collect documentation on each of these accounts to prove whether or not they are a U.S. person. If they are not a U.S. person and the FFI has the appropriate documentation, the FFI's obligations have been fulfilled. If they are a U.S. person, the FFI's next move will depend on the country that has jurisdiction over the FFI. By default, the Participating Foreign Financial Institutions (**PFFIs**) in countries without an intergovernmental agreement will directly report to the US Internal Revenue Service (**IRS**).

There is a requirement for PFFIs to withhold 30% of income from recalcitrant account holders in order to comply with FATCA. A recalcitrant account holder is one who fails to comply with reasonable requests pursuant to IRS mandated verification and due diligence procedures to identify U.S. accounts, to provide a name, address and TIN or fails to provide a bank secrecy waiver upon request.

Specific to the Bank's compliance with FATCA, the Bank and its subsidiaries registered on 30 June 2014 as an Expanded Affiliate Group i.e., Bank of the Philippine Islands (lead financial institution) and subsidiaries. The Bank subsequently updated its FATCA status and registered as a Reporting Financial Institution under a Model 1 Intergovernmental Agreement (IGA). The Bank's FATCA ID and Global Intermediary Identification Number is CUC041.00000.LE.608.

Under the IGA, the Secretary of Finance or Commissioner of Internal Revenue is the competent authority to receive FATCA information for reporting to the U.S. Internal Revenue Service. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines.

Economic conditions in some Eurozone sovereign states could possibly lead to these member states re-negotiating or restructuring their existing debt obligations, which may lead to a material change in the current political and/or economic framework of the European Monetary Union. One potential change that may result from the crisis is an end to the single-currency system that prevails across much of Europe, with some or all European member states reverting to currency forms used prior to adoption of the euro. The crisis could also lead to the restructuring or breakup of other political and monetary institutions within the European Union. The risk may have been exacerbated by the referendum on membership of the European Union, held in the UK on 23 June 2016, where the UK public voted by a majority in favor of the British government taking the necessary action for the UK to leave the European Union. In November 2016, the British High Court ruled that the British government needed the Parliament's approval to trigger Article 50 of the Lisbon Treaty and begin the two-year process of withdrawing the UK from the European Union, which took effect on 31 January 2020. UK's decision to withdraw from the EU has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and have a ripple effect across sovereign states and the private sector in Europe and the rest of the world and possibly lead to a global economic crisis. Any changes to the euro currency could also cause substantial currency readjustments across Europe and other parts of the world. Until the terms and timing of the UK's exit from the EU are clearer, it is not possible to determine the impact that the UK's departure from the EU and/or any related matters may have on the stability of the Eurozone or the European Union. The broad ramifications of "Brexit" to the UK, the EU and the global economy have yet to unravel, casting uncertainty to global prospects and possible volatility in financial markets.

Risks Relating to the Philippines

Political instability in the Philippines may have a negative effect on the general economic conditions in the Philippines which could have a material adverse impact on the results of operations and financial condition of the Bank.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy.

In July 2019, sedition, inciting to sedition, libel, cyber-libel, harboring a criminal and obstruction of justice cases and other criminal cases were filed against several personalities including incumbent Vice President Leni Robredo, former senator Antonio Trillanes, IV, incumbent senators Risa Hontiveros and Leila de Lima, Catholic Archbishops Socrates Villegas and Pablo David, De La Salle University President, Armin Luistro, and seven opposition senatorial candidates who lost in the May 2019 elections – Jose “Chel” Diokno, Romulo Macalintal, Florin Hilbay, Samira Gutoc, and Erin Tanada. In February 2019, journalist Maria Ressa was ordered arrested on charges of cyber libel. Her arrest elicited concern from the international community and has been criticised by various groups as an attempt by the government to silence critical press coverage against President Rodrigo Duterte and his administration. In December 2018, Senator Antonio Trillanes III was ordered arrested in connection with a libel case filed by presidential son Paolo Duterte. In February 2017, Senator Leila de Lima was arrested after charges were filed in court accusing her of orchestrating a drug-trafficking ring during her term as Secretary of the Department of Justice from 2010 to 2015. Senator Trillanes and Senator de Lima are outspoken critics of the Duterte administration. In May 2018, the Supreme Court ruled against Maria Lourdes P. Sereno in the quo warranto proceedings initiated by the Office of the Solicitor General, removing her from the post of Chief Justice of the Supreme Court. On June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking among other offenses. In addition, according to the United Nations Human Rights Council (UNHRC), there is an “extraordinarily high number of deaths – and persistent reports of extrajudicial killings – in the context of campaigns against drug use” in the Philippines. In July 2019, the UNHRC approved a resolution calling for an investigation into the drug war to prevent more extra-judicial killings.

No assurance can be given that any changes in such regulations or policies imposed by the Government from time to time or the future political environment in the Philippines will be stable or that current or future administrations will adopt economic policies conducive to sustaining economic growth. Political instability in the future could reduce consumer demand for retail and consumer goods to the Bank’s disadvantage, or result in inconsistent or sudden changes in regulations and policies that affect the Bank’s business operations, which could have a material adverse impact on the results of operations and financial condition of the Bank.

A substantial portion of the Bank’s business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country, including the performance of the Philippine economy.

Historically, the Bank has derived a substantial portion of its operating income and operating profits from the Philippines and, as such, it is highly dependent on the state of the Philippine economy. Demand for banking services is directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- foreign exchange rate fluctuations;
- foreign exchange controls;
- inflation or increase in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Philippine government’s fiscal policies;
- Philippine government budget deficits;
- a re-emergence of polio, SARS, bird flu, or H1N1, or the emergence of other similar diseases in the Philippines or in other countries in Southeast Asia;

Investment Considerations

- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect the Bank's borrowers and contractual counterparties. This, in turn, could materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy. Therefore, changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition or results of operations.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Bank's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. However, should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial position and results of operations.

As a mitigation tool, BPI has mapped not only its corporate offices, branches, ATMs, and CAMs, but also employee residences, client assets, and client collaterals, vis-à-vis natural hazards such as earthquakes, flooding / typhoons, and volcanic eruptions. As such, BPI has implemented and continues to implement proactive mitigation measures to minimize the negative impact of such hazards to the Bank.

Significant calamities that hit the country in the recent years include the Taal Volcano eruption and Typhoon Rolly in 2020, Typhoon Odette in 2021 and the magnitude 7.0 earthquake in Abra and Typhoon Paeng in 2022.

On 12 January 2020, the Taal Volcano erupted, causing ash falls and earthquakes in Southern Luzon, Metro Manila, some parts of Central Luzon and Pangasinan in Ilocos Region. The Philippine Institute of Volcanology and Seismology (**PHIVOLCS**) issued an Alert Level 4, which means that a hazardous explosive eruption may happen at any given moment. The explosion resulted in the suspension of classes, work schedules, and flights in the affected areas.

In November 2020, Typhoon Goni, locally known as Typhoon Rolly, brought severe flash floods and displaced thousands in the areas affected. In December 2021, Typhoon Rai, locally known as Typhoon Odette, also caused significant destruction and damage to infrastructure, including telecommunication facilities and power lines, which temporarily reduced the Bank's ATM availability in the areas affected.

On 27 July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas. In October 2022, tropical storm Paeng caused flooding and landslides in the islands of Mindanao. Its strong winds and heavy rains took the lives of at least 45 people with many more missing victims as it displaced thousands of residents and submerged schools and households in floodwater.

Natural catastrophes will continue to affect the Philippines. The Bank may incur losses for such catastrophic events, which could materially and adversely affect its business, financial condition and results of operations.

Acts of terrorism could destabilise the country and could have a material adverse effect on the Bank's business, financial position and results of operations.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine Army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as for clashing against separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and in a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on 22 July 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On 17 October 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents and the reconstruction of the city is on-going. On 13 December 2017, both Houses of Congress again granted President Duterte's request to extend Martial law in Mindanao until 31 December 2018. For the third time on 17 December 2018, Martial Law was extended by both Houses of Congress until 31 December 2019. In January 2019, separate petitions were filed with the Supreme Court challenging the third extension of Martial Law in Mindanao.

On 03 July 2020, Republic Act No. 11479, otherwise known as the Anti-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007. The law is currently being challenged in the Supreme Court by multiple groups.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilisation could cause interruption to parts of the Company's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines (AFP), which could destabilise parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilise parts of the country and adversely affect the country's economy. An increase in the frequency, severity, or geographic reach of terrorist acts could adversely affect the country's economy. Any such destabilisation could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects. An increase in the frequency, severity or geographic reach of terrorist acts could adversely affect the country's economy.

Public health epidemics or outbreaks of diseases other than COVID-19 could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organization declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. While Ebola-free, the Philippines, however, remains vulnerable to exposure and spread of the disease for the following reasons: a) the considerable number of Overseas Filipino Workers (OFWs) in the Ebola-hit West African countries; b) the impact of international travel which raises the probability of transmission; and c) lack of the necessary infrastructure to contain the spread of the disease. In March 2016, the Director-General of the World Health Organization terminated the Public Health Emergency of International Concern in regards to the Ebola virus disease outbreak.

In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for MERS-CoV. She was quarantined, received medical treatment and was later discharged and cleared of the disease by the Department of

Health. All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection, putting the Philippines free of an active case of the disease.

In March 2016, reports of an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the *Aedes aegypti* mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients had recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products produced outside a seven-kilometre radius control area surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus.

As early as September 2018, in its efforts to respond to the outbreak of African Swine Fever (ASF), the government issued directives to ban the importation of domestic and wild pigs and their products and by-products including pork meat, pig skin and semen originating from the following countries: Belgium, Bulgaria, China, Czech Republic, Hungary, Latvia, Moldova, Poland, Romania, Russia, South Africa, Ukraine, and Zambia. In addition, January 2019, the Department of Agriculture (DA) issued a temporary ban on the importation of domestic and wild birds and their products including poultry meat, day-old chicks, eggs and semen originating from India due to outbreaks of H5N1 (avian influenza). Furthermore, in February 2019, imports of pork products from Vietnam were included. In March 2019, the Department of Health (DOH) issued a temporary ban on the importation of processed porcine animal proteins originating from ASF-infected countries. Products of the ban included processed porcine/pork meal for animal feed use. In May 2019, the Food and Drug Administration reiterated the temporary ban on importation, distribution and sale of all processed pork meat products from the following countries suspected to be affected by ASF virus: Belgium, Bulgaria, Cambodia, China, Czech Republic, Hungary, Latvia, Moldova, Mongolia, Poland, Romania, Russia, South Africa, Ukraine, Vietnam, and Zambia. In July 2019, the Food and Drug Administration further expanded this list to include Hong Kong, North Korea, Laos, and Germany.

On 06 August 2019, the Department of Health declared a national dengue epidemic in the wake of the 146,062 cases recorded since January up to 20 July 2019 – a number 98% higher than the same period in 2018. There were 662 deaths. Furthermore, seven out of the 17 regions of the Philippines have exceeded the epidemic threshold of dengue in their regions for the past three consecutive weeks. The Department of Health also saw a slight increase in diphtheria in 2019, recording a total of 167 cases and 40 deaths from January to September 2019. This is slightly higher than figures from the same period in 2018, with 122 cases and 30 deaths.

On 19 September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur. Low vaccination coverage, poor early surveillance of polio symptoms, and substandard sanitation practices are seen as the culprits in this re-emergence.

Since early May 2022, cases of monkeypox have been reported from countries where the disease is not endemic, and continue to be reported in several endemic countries. On 23 July 2022, WHO Director-General Tedros Adhanom Ghebreyesus declared the ongoing monkeypox outbreak a Public Health Emergency of International Concern.

If the outbreak of the Ebola virus, MERS-CoV, Zika virus, ASF, avian influenza, polio, monkeypox or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognised principles of international law consistent with the United Nations Convention on the Law of the Sea (UNCLOS). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands

and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

In 2016, the Permanent Court of Arbitration ruled in favour of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has “no historical rights” to the resources within the sea areas falling within the “nine-dash line;” (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China has violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognise the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious and unresolved.

On 18 May 2018, China's People's Liberation Army Air Force announced that it has sent an H-6K bomber in the Paracel Islands in the South China Sea. On 09 June 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater feature being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines, though the owners of the Chinese vessel have since apologized.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and demand for the vessels to leave the area, issued by Philippine Defense Secretary Delfin Lorenzana.

Newly elected President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Bank's operations could be adversely affected as a result.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines requires the Bank to have at least two independent Directors or such number of independent Directors as is equal to 20% of the Board, whichever is the lower number. The Bank currently has seven independent Directors. Many other jurisdictions may require more independent directors.

Furthermore, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of interests of public shareholders of the Bank may be less well-defined and enforced in the Philippines than elsewhere, putting public shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of public shareholders of the Bank.

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank's businesses.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to US\$1.00 in July 1997 to ₱56.18 to US\$1.00 by December 2004.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies.

The value of the Peso has sharply declined in recent times. As of 02 December 2022, the BSP Reference Rate quoted on the BSP Reference Exchange Rate Bulletin was ₱55.74 per U.S.\$1.00 compared to ₱51.00 per U.S.\$1.00 as of 31 December 2021.

Investors may face difficulties enforcing judgments against the Bank.

The Bank is organised under the laws of the Republic of the Philippines. A substantial portion of the Bank's assets are located in the Philippines. It may be difficult for investors to effect service of process outside of the Philippines upon the Bank. Moreover, it may be difficult for investors to enforce judgments against the Bank outside of the Philippines in any actions pertaining to the Bonds. In addition, substantially all of the directors and officers of the Bank are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons, judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Judgments obtained against the Bank in any foreign court may be recognised and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to laws, morals, good customs, public order, or public policy of the Philippines, (iv) the Bank did not have notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

Risks Relating to an Investment in the Bonds Generally

The priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. So far as the Bank is aware, none of its Relevant Indebtedness is evidenced by a public instrument, unless it has secured a waiver of the benefits of notarization, and the Bank will undertake in the Conditions and the Trust Indenture not to create or permit to subsist any preference or priority in respect of any Relevant Indebtedness (as defined in Condition 20) pursuant to Article 2244(14)(a). However, a domestic lender may acknowledge debt before a notary or a person authorised to administer oaths without notice to the Bank. Philippine courts have not addressed this matter, and it is uncertain whether a document evidencing the debt, notarised without one party's participation, would be considered documented by a public instrument. If, however, such debt was definitively considered documented by a public

instrument, then, as with other documents similarly situated, it would rank ahead of the debt securities if the Bank goes into insolvency and is unable to meet its debt obligations.

Philippine Deposit Insurance Corporation (PDIC) Insurance Coverage of the Bonds

The Bonds are not considered bank deposits, and as such are not insured with the PDIC.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of investing in the Bonds in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

If an investor holds Bonds which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Bonds could result in an investor not receiving payments on those Bonds.

The Bank will pay principal and interest on the Bonds in Philippine Pesos. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Bonds; (2) the Investor's Currency equivalent value of the principal payable on the Bonds; and (3) the Investor's Currency equivalent market value of the Bonds.

The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Bank is not aware of any pending proposals by the Government relating to such restrictions. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will

not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of investors to repatriate foreign currency upon sale of the Bonds or receipt of any dividends.

The Bonds may have limited liquidity.

Bonds issued under the Program will constitute a new issue of securities for which there is no existing market. The Selling Agents are not obligated to make a market in any Bonds. While a market maker may be appointed for the Bonds, any market-making activity with respect to such Bonds, if commenced, may be discontinued at any time without notice in its sole discretion.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, Bonds issued under the Program. If an active trading market for any Bonds does not develop or is not maintained, the market price and liquidity of such Bonds may be adversely affected. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, including:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

The Bank intends to list the Bonds on PDEX. However, there can be no assurance that the Bank will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Bonds on the PDEX. The Bank does not intend to apply for listing of the Bonds on any securities exchange other than the PDEX. Lack of a liquid, active trading market for the Bonds may adversely affect the price of the Bonds or may otherwise impede a holder's ability to dispose of the Bonds.

The implementation of Basel III guidelines may have an adverse effect on the position of the Bondholders.

On 17 December 2009, the Basel Committee on Banking Supervision (BCBS) proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the BCBS issued its final guidance on Basel III. The Basel III reforms require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The BCBS has proposed that the guidelines should be implemented from 01 January 2013. In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from 01 January 2014. Under the new Basel III capital standards proposed by the BSP, Philippine banks are required to maintain at least 7.5% and 10.0% Tier 1 and total Capital Adequacy Ratio (CAR), respectively, compared to the current minimum levels of 5% and 10%. These effectively make the proposed BSP requirements more stringent than those of the BIS minimum levels of 6.0% and 8.0% Tier 1 and total CAR, respectively. BSP Circular No. 768 issued in September 2012 provides that eligible capital instruments issued as Lower Tier 2 capital under the conditions for eligibility as capital instruments pursuant to existing regulations shall continue to be recognised as qualifying capital until the BSP issues further guidelines. In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient HQLAs that can be easily converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from 01 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning 01 January 2019, banks must meet a 100% LCR threshold.

The press release of the BCBS dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included an additional Basel III requirement (the **Point of Non-Viability Requirement**) as follows:

“The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.”

The release also states as follows: “The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority” (for the purposes of this Offering Circular, each a **Non-Viability Event**).

The BSP has provided guidance to the Philippine banks regarding the minimum capital ratios under the Basel III regime and the terms and conditions of Basel III compliant capital through the issuance of BSP Circular No. 781, Series of 2013, concerning the Basel III Implementing Guidelines on Minimum Capital Requirements. The Implementing Guidelines states that all instruments (other than common equity) qualified as Additional Tier 1 and Tier 2 capital must have contractual terms and conditions requiring them to be written-off or converted into common equity upon occurrence of a specified trigger event. The trigger event occurs when a bank is considered nonviable as determined by the BSP.

Specifically, capital instruments should be written off or converted into Common Equity Tier 1 at the earlier of:

- (a) The occurrence of a deviation from a certain level of Common Equity Tier 1 ratio, specifically, in case the Common Equity Tier 1 ratio falls to 7.25% or below or as may be determined by the BSP;
- (b) The inability of the bank to continued business; or
- (c) any other event as may be determined by the BSP.

There is currently no indication that the BSP is considering having laws in place that would allow it or any other relevant authority the right to impose losses on the capital instruments without there being specific terms and conditions in the capital instruments that would allow it to do so (**Statutory Loss Absorption**).

The Conditions contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Bondholders and without regard to the individual interests of particular Bondholders.

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without regard to the interests of particular Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds or (ii) determine without the consent of the Bondholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 22.

Taxation of the Bonds are subject to change

As part of the Duterte administration’s (01 July 2016 to 30 June 2022) 10-point socioeconomic agenda, a comprehensive tax policy and administration reform was sought to be implemented. Said comprehensive tax reform plan proposes significant changes to the tax system that will purportedly reduce tax rates, the impact of which will be compensated by measures that will broaden tax base. Package 1 of the CTRP or otherwise known as the Tax Reform for Acceleration and Inclusion (**TRAIN**) was signed into law (Republic Act No. 10963) by

then President Duterte on 19 December 2017 and took effect on 01 January 2018. One of the key provisions of TRAIN Law is the increase of documentary stamp tax rate on original issue of debt instruments (e.g. bonds) from ₱1.00 on each ₱200.00 to ₱1.50 on each ₱200.00, or fractional part thereof, of the issue price of the debt instrument.

Package 2 of the CTRP or otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (**CREATE**) was signed into law (Republic Act No. 11534) by then President Duterte on 26 March 2021 and took effect on 11 April 2021 (with effective dates on specific provisions). The key provisions of CREATE Law include, but not limited to, reduction of regular corporate income tax rate from 30% to 25% (or 20% for corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 excluding land on which the office, plant, and equipment are situated) effective 01 July 2020; reduction of minimum corporate income tax rate from 2% to 1% for 01 July 2020 until 30 June 2023, thereafter, the rate will revert to 2%; reduction of income tax (final tax) rate on payments to non-resident foreign corporations from 30% to 25% effective 01 January 2021; and repeal of improperly accumulated earnings tax (**IAET**).

On 09 September 2019, the House of Representatives approved in its third and final reading, House Bill (**HB**) No. 304 or Package 4 of the CTRP or otherwise known as the Passive Income and Financial Intermediary Taxation Act (**PIFITA**), which proposes to introduce reforms to the taxation of passive income, financial intermediaries, and financial transactions. However, HB No. 304 has not become a law.

On 14 November 2022, the House of Representatives approved HB No. 4339 in its third and final reading. HB No. 4339, while similar to HB No. 304, also proposes revisions to other sections of the current Tax Code. Before HB No. 4339 can become a law, it must be considered and approved by the Senate, which may also propose other revisions.

Under the terms of the Bonds, if any payments of principal and/or interest under the Bonds shall be subject to deductions or withholding for or on account of any taxes, duties, assessments, or governmental charges of whatever nature (including any additional or new taxes, duties, assessments, or governmental charges arising from changes in tax laws and regulations or from changes in the interpretation thereof) that may be levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, including interest, surcharges, and penalties thereon then all such taxes shall be for the account of the relevant Bondholder. In the event that Package 4 reduces the interest income tax rate affecting the Bonds or imposes a different rate of tax for instruments such as the Bonds, the Bondholders expected yield may be affected.

There is no assurance that HB No. 4339 will be passed into law, or in what form such a law may take. HB No. 4339 is not final and it may be superseded or amended by the Senate in such a manner that may impose different rates or different means or measures of taxation, entirely and no assurance can be given that any final tax measures enacted into law would be favourable to the Bondholders. All sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for taxes or government charges, subject to the submission by the relevant Holder claiming the exemption of reasonable and acceptable evidence of such exemption to the Bank through the Registrar and Paying Agent (see “*Philippine Taxation*” section for a discussion on the taxation of the Bonds).

As issuer of the Bonds, the withholding of final tax on the interest due on the Bonds is the responsibility of the Bank pursuant to Section 57 of the National Internal Revenue Code, as implemented by Section 2.57 of Revenue Regulations No. 2-98, as amended by Revenue Regulations No. 11-2018.

The credit ratings assigned to the Bank or the Bonds may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Bank, an issue or Bonds and/or the Program. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds and/or the Program. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risks Relating to the Structure of a Particular Issue of Bonds

A wide range of debt instruments may be issued by the Bank under the Program. A number of these Bonds may have features which contain particular risks for investors. Set out below is a description of certain such features of the Bonds and associated risks.

Bonds subject to optional redemption by the Bank

An optional redemption feature of Bonds is likely to limit their market value. During any period when the Bank may elect to redeem Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed / Floating Rate Bonds

Fixed/Floating Rate Bonds are Bonds which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Bonds since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Bonds may be less favorable than then prevailing spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Bonds.

Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount (such as Zero Coupon Bonds) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates compared with that of conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The Bonds issued as green, social, or sustainability bonds may not be a suitable investment for all investors seeking exposure to sustainable assets

The Bank may issue the Bonds, the use of proceeds of which shall be specifically and exclusively used for the financing and/or refinancing of specified “green”, “social”, or “sustainability” projects of the Bank or any of its subsidiaries, in accordance with certain prescribed eligibility criteria (**Sustainability Bonds**). In connection with an issue of Sustainability Bonds, the Bank may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a **Second Party Opinion**) confirming that such Sustainability Bonds are in compliance with the Sustainability Bond Guidelines 2018 published by the International Capital Market Association, and the ASEAN Green Bond Standards, ASEAN Social Bond Standards, and ASEAN Sustainability Bond Standards published by the ASEAN Capital Markets Forum (collectively, the **Principles**).

There is currently no specific definition (legal, regulatory or otherwise) of, nor market consensus on what precise attributes are required for a particular project to be defined as “green”, “social”, or “sustainability”, and therefore no assurance can be provided to potential investors that the projects to be undertaken in the use of proceeds qualify as “green”, “social”, or “sustainability” projects, nor that they will meet all investors’ expectations regarding sustainability performance or continue to meet the relevant eligibility criteria. Although applicable sustainable projects are expected to be selected in accordance with the categories recognized by the Principles, and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green or sustainable projects. Where any negative impacts are sufficiently not mitigated, green or sustainable projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

Accordingly, no assurance is or can be given by the Bank, any other member of the Bank, the Joint Lead Arrangers, any Selling Agent or any other person to investors that any projects or uses, the subject of or related to, any Eligible Green and/or Social Projects (as defined in BPI's Sustainable Finance Framework), will meet any or all investor expectations regarding such "green", "social", "sustainability", or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses, the subject of or related to, any Eligible Green and/or Social Projects. In addition, no assurance can be given by the Bank, any other member of the Bank, the Joint Lead Arrangers, any Selling Agent or any other person to investors that any Bonds will comply with any future standards or requirements regarding any "green", "social", "sustainability", or other equivalently-labelled performance objectives and, accordingly, the status of any Bonds as being "green", "social", "sustainability" (or equivalent), could be withdrawn at any time.

Potential investors should be aware that any Second Party Opinion will not be incorporated into, and will not form part of, this Offering Circular. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price of value of the Sustainability Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue. Prospective investors must determine for themselves the relevance of any such Second Party Opinion and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Sustainability Bonds. Currently, the providers of such Second Party Opinions and certifications are not subject to any specific regulatory or other regime or oversight. Further, although the Bank may agree at the Issue Date of any Sustainability Bonds to certain allocation and/or impact reporting and to use the proceeds for financing and/or refinancing of social projects (as specified in the Use of Proceeds), it would not be an event of default under the Sustainability Bonds if (i) the Bank were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Terms and Conditions, (ii) the Bank were to fail to comply with the provisions of its Sustainable Finance Framework or the SEC Memorandum Circulars No.12 (2018), No. 8 (2019) and No. 9 (2019), and/or (iii) the Second Party Opinion were to be withdrawn. Any failure to use the net proceeds of any Sustainability Bonds in connection with green, social, or sustainability projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Sustainability Bonds may affect the value and/or trading price of the Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in sustainable assets which may cause one or more of such investors to dispose of the Sustainability Bonds held by them which may affect the value, trading price and/or liquidity of the relevant Sustainability Bonds.

Neither the Bank nor the Joint Lead Arrangers and Selling Agents make any representation as to the suitability for any purpose of any Second Party Opinion or whether any Sustainability Bonds fulfil the relevant environmental and sustainability criteria. Prospective investors should have regard to the Eligible Green and/or Social projects and eligibility criteria described in the applicable Use of Proceeds. Each potential investor of the Sustainability Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of any Sustainability Bonds should be based upon such investigation as it deems necessary.

In the event that any such Sustainability Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable", or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Joint Lead Arrangers and Selling Agents or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green and/or Social Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Joint Lead Arrangers and Selling Agents or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainability Bonds.

While it is the intention of the Bank to apply the net proceeds of any Sustainability Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in "Use of Proceeds" section of the relevant Pricing Supplement, there can be no assurance that the Bank will be able to

do so. In addition, there can be no assurance that any Eligible Sustainability Projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or similar) as originally expected or anticipated by the Bank.

Any such event or failure to apply the net proceeds of any issue of Sustainability Bonds for any Eligible Green and/or Social Projects or to obtain and publish any such reports, assessments, opinions and certifications will neither constitute an “Event of Default” under the relevant Sustainability Bonds nor give rise to any other claim of an investor in such Sustainability Bonds against the Bank. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Sustainability Bonds no longer being listed or admitted to trading on any securities exchange or market, as aforesaid, might have a material adverse effect on the value of an investment in such Sustainability Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

PURPOSE OF THE ESTABLISHMENT OF THE PROGRAM

The use of proceeds from each Tranche of Bonds under the Program shall be described in the relevant Pricing Supplement.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Bank, subject to compliance with all relevant laws, regulations, and directives, may from time to time, issue Bonds denominated in Philippine Pesos in several Tranches in one or more Series, subject to the general terms and conditions as set out in the *General Terms and Conditions of the Bonds*. The applicable terms of any Series will be agreed between the Bank and the relevant Selling Agent prior to the issue of the Bonds and will be set out in the terms and conditions endorsed on, attached to, or incorporated by reference into, the relevant offering circular, or endorsed on, such Bonds. The following sections outline the description of the Program followed by specific indicative terms and conditions applicable to a particular Tranche or Series.

Issuer:	Bank of the Philippine Islands
Facility:	₱100,000,000,000.00 (PHILIPPINE PESOS: ONE HUNDRED BILLION) Bond Program
Purpose:	Proceeds from each Tranche of Bonds under the Program will be used in the manner as described in the respective Pricing Supplement of each Tranche.
Method of Issue:	Each Tranche consisting of one or more Series will be issued on different issue dates. The specific terms of each Tranche (which, save in respect of the issue date, issue price, interest commencement date, and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the corresponding Pricing Supplement.
Form:	Each Series of each Tranche will be represented by a certificate to be issued and registered in the name of the Trustee for the holders of the Bond (the Bondholders). Legal title to the Bonds shall be shown on and recorded in the register of Bondholders maintained by the registrar.
Denomination of Securities:	Minimum face value and increments will be set forth in the corresponding Pricing Supplement.
Status of the Securities:	The Bonds will constitute direct, unconditional and unsecured Peso-denominated obligations of the Bank and will rank <i>pari passu</i> and ratably without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Bank, other than obligations mandatorily preferred by law.
Taxation:	Except: (1) tax on a Bondholder's interest income on the Bonds whether subject to withholding or not, and (2) income tax, documentary stamp tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the Bondholder, all payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of the Bank; provided, however, that the Bank shall not be liable for: (a) any withholding tax on interest earned on the Bonds as prescribed under National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. An investor who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents; (b) Gross Receipts Tax under Section 121 and 122 of the National Internal Revenue Code of 1997, as amended; (c) taxes on the overall income of any securities Selling Agent or Bondholder, whether or not subject to withholding; and

- (d) Value Added Tax (**VAT**) under Sections 106 to 108 of the National Internal Revenue Code of 1997, as amended.

Documentary stamp tax on the original issue of the Bonds shall be for the Bank's account.

A Bondholder who is exempt from, subject to, or is subject to a lower rate of final withholding tax on interest income may claim such exemption or preferential withholding tax rate by submitting such documents as may be required by the Bank to evidence any tax exemptions for the relevant Bonds at the prescribed time. The tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any state, local or foreign tax laws.

Issuer Rating: Issuer shall obtain and maintain a rating from an accredited rating agency for as long as any Tranche is outstanding.

Governing Law: Philippine Law

A summary of the terms and conditions of the Bonds (the **Conditions**) appears below, as more fully described under "*Terms and Conditions of the Bonds*".

This Offering Circular will only be valid for listing Bonds on the PDEx in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Bonds previously or simultaneously issued under the Program, does not exceed ₱100,000,000,000.00.

GENERAL TERMS AND CONDITIONS OF THE BONDS

The following are the General Terms and Conditions of the Bonds (the **Conditions**) which will be incorporated by reference into each Bond Certificate (as defined below). The applicable Pricing Supplement in relation to any Tranche of any Series may specify other terms and conditions which shall, to the extent so specified, replace or modify the following Conditions for the purpose of such Tranche of such Series.

1	DEFINITIONS	In these Terms and Conditions and the Contracts (as hereinafter defined):
	“AGREEMENT DATE”	means, in respect of a Series or Tranche of Bonds, the execution date of an Issue Management and Placement Agreement and Pricing Supplement in relation to such Series or Tranche of Bonds.
	“AUDITORS”	means Isla Lipana & Co./ Pricewaterhouse Coopers;
	“BANK” or “ISSUER”	means Bank of the Philippine Islands;
	“BIR”	means the Philippine Bureau of Internal Revenue;
	“BPI CAPITAL”	means BPI Capital Corporation;
	“BSP”	means the <i>Bangko Sentral ng Pilipinas</i> ;
	“BUSINESS DAY”	means any day (other than a Saturday or Sunday) on which commercial banks and the Philippine Clearing House Corporation in Makati City are not required or authorized to close for business. All other days not otherwise specified in these Terms and Conditions shall mean calendar days;
	“BONDHOLDER(S)”	means a person who is not a Prohibited Holder and who, at any relevant time, appears in the Registry as a registered owner of the Bonds;
	“BONDS”	means the Philippine Peso denominated fixed rate bonds to be issued by the Bank in one or more Tranches or Series under the Program;
	“CONTRACTS”	means (a) the Program Agreement; (b) the Trust Indenture dated on or about 05 January 2023 between the Bank and the Trustee; (c) the Master Registry and Paying Agency Agreement dated on or about 05 January 2023 between the Bank and the Registrar and Paying Agent; (d) the Master Certificate of Indebtedness for each Series or Tranche of Bonds; (e) these Terms and Conditions; (f) the Pricing Supplement for each Series or Tranche of Bonds; (g) the relevant Issue Management and Placement Agreement; and (h) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto
	“EVENT OF DEFAULT”	means an event specified as such under Condition 22 hereof;
	“GOVERNING REGULATIONS”	means all the necessary rules and guidelines for the issuance of the Bonds, including, where applicable, the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks (MORB), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019) and any other circulars and regulations as may be relevant, as may be amended from time to time.;

<i>“GROUP”</i>	means the Issuer and its Principal Subsidiaries, taken as a whole.
<i>“INSOLVENCY DEFAULT”</i>	means the acts of bankruptcy referred to under subparagraph (h) of Condition 22, including but not limited to the following: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of the Bank’s properties; (iii) making of an assignment for the benefit of the Bank’s creditors of all or substantially all of its properties; (iv) admission in writing of the Bank’s inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Bank or a substantial portion of its properties or assets;
<i>“INTEREST”</i>	means the interest payable on the Bonds at such rate set out in the relevant Pricing Supplement;
<i>“INTEREST PAYMENT DATE”</i>	means the last day of an Interest Period when payment for Interest in respect of the relevant Series or Tranche of the Bonds becomes due, as set out in the relevant (a) Master Certificate of Indebtedness and (b) Pricing Supplement Interest shall be computed based on the outstanding balance of the Bonds. If any Interest Payment Date would otherwise fall on a day that is not a Business Day, payments will be made on the subsequent Business Day without adjustment of the amount due.
<i>“INTEREST PERIOD”</i>	means the period as may be specified in the relevant Pricing Supplement.
<i>“INTEREST RATE”</i>	means the relevant Interest Rate per annum as set out in the relevant Pricing Supplement. The Interest Rate shall be applied to compute for the interest due on a relevant Interest Payment Date; provided that, the interest accruing on the Bonds as of an Interest Payment Date shall be calculated on the basis of a month of 30/360 ISMA days;
<i>“ISSUE DATE”</i>	means, in respect of any Series or Tranche of the Bonds, the date of issue and purchase of such Series or Tranche of Bonds, as indicated in the applicable Pricing Supplement.
<i>“ISSUE MANAGEMENT AND PLACEMENT AGREEMENT”</i>	means an agreement supplemental to the Program Agreement to be executed by the Bank, the relevant Joint Lead Arrangers and Selling Agent(s) appointed for the issuance of a particular Series or Tranche of Bonds, substantially in the form of <u>Annex C</u> to the Program Agreement or in such other form as may be agreed among the parties to such Issue Management and Placement Agreement;
<i>“ISSUE PRICE”</i>	means the price of a Series or Tranche of Bonds as set out in the relevant Pricing Supplement;
<i>“ISSUE SIZE”</i>	means the minimum aggregate principal amount as provided in the relevant Pricing Supplement;
<i>“JOINT LEAD ARRANGERS”</i>	means for purposes of the establishment of the Program and the issuance of the first tranche Bonds, BPI Capital Corporation and ING Bank N.V., Manila Branch, and, for purposes of any subsequent

	Series or Tranche, any such entity/ies that may be appointed as such in respect of any particular Series or Tranche of Bonds;
<i>“MAJORITY BONDHOLDER”</i>	means the holders of more than fifty percent (50%) of the principal amount of the Bonds then outstanding, regardless of the Tranche in which the Bonds may be issued;
<i>“MASTER CERTIFICATE OF INDEBTEDNESS”</i>	means the certificate dated the Issue Date to be issued by the Bank to the Trustee (with a copy to the Registrar and Paying Agent) evidencing such amount corresponding to a Series or Tranche of Bonds.
<i>“MATERIAL ADVERSE EFFECT”</i>	means (i) a material adverse effect on the business, properties, condition (financial or otherwise), results of operations, general affairs or prospects of the Issuer and its Principal Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business; or (ii) would have a material adverse effect on the ability of the Issuer to perform its obligations under the Contracts or the Bonds;
<i>“MATURITY DATE”</i>	means the date on which the Series or Tranche of the Bonds will be redeemed in accordance with the relevant Master Certificate of Indebtedness and the relevant Pricing Supplement; provided, that, if such date is declared to be a non-Business Day, the Maturity Date shall be the next succeeding Business Day, without adjustment to the amount of interest to be paid;
<i>“MATURITY VALUE”</i>	means the Issue Price plus unpaid and accrued applicable interests up to but excluding the Maturity Date;
<i>“MORB”</i>	means the Manual of Regulations for Banks;
<i>“OFFERING CIRCULAR”</i>	means the Offering Circular (including, for the avoidance of doubt, the consolidated financial statements of the Issuer included therein) prepared in connection with the Program, as revised, supplemented and amended from time to time by the Bank in accordance with the Program Agreement, including any documents which are from time to time incorporated in the Offering Circular by reference, provided that in relation to each Series or Tranche of Bonds only, the applicable Pricing Supplement shall be deemed included in the Offering Circular;
<i>“PARTICIPATING SELLING AGENT”</i>	means any of the entities identified as such in the relevant Pricing Supplement and includes their respective successor entities, or the selling agent(s) in respect of the Bonds appointed from time to time under the Program Agreement or an agreement supplemental to it.
<i>“PDEX”</i>	means the Philippine Dealing & Exchange Corp.;
<i>“PDIC”</i>	means Philippine Deposit Insurance Corporation;
<i>“PDTC”</i>	means Philippine Depository & Trust Corp.;
<i>“PFRS”</i>	means the Philippine Financial Reporting Standards;
<i>“PRICING SUPPLEMENT”</i>	means the pricing supplement issued in relation to each Series or Tranche of the Bonds, which gives details of such Series or Tranche and, in relation to any particular Series or Tranche of the Bonds;

	“applicable Pricing Supplement” means the Pricing Supplement applicable to that Series or Tranche;
“PRINCIPAL SUBSIDIARIES”	means the entities listed as “Subsidiaries” under the heading “Principal Subsidiaries and Associates” in the Offering Circular;
“PROGRAM”	means, as of the date of the Program Agreement, the One Hundred Billion Pesos (₱100,000,000,000.00) peso-denominated bonds and commercial papers to be issued in one or more Tranches over a period of three years approved by the Bank’s Board of Directors on 18 May 2022;
“PROGRAM AGREEMENT”	means the Program Agreement among the Bank and the Joint Lead Arrangers dated 05 January 2023;
“PROHIBITED HOLDER”	means persons and entities which are prohibited from purchasing and/or holding the Bonds of BPI pursuant to regulations governing the Bank, specifically: (a) the Issuer, including its related parties such as its subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Issuer exerts direct/indirect control over; the Issuer’s DOSRI (as defined under the MORB) and their close family members, and corresponding persons in affiliated companies; and such other person or entity whose interests may pose potential conflict with the Issuer’s interest or who are identified as related parties pursuant to Section 131 of the MORB in relation with BSP Circular No. 1062, except (i) the Issuer’s trust department or related trust entities, or (ii) an underwriter or arranger that is an Issuer’s related party, provided that the holding of the Bonds is part of the underwriting agreement, and such underwriter or arranger has complied with the requirements of Governing Regulations; or (b) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding or transfer of the Bonds would violate any applicable law or regulation, including but not limited to the rules of the PDEX, BSP, AMLC, or other government regulation in any relevant jurisdiction; or (c) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time, which include: (a) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship); (b) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. (“substantial presence” is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year); (c) a U.S. partnership, U.S. corporation, or U.S. entity; (d) a U.S. estate; (e) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons have the authority to control all substantial decisions of the trust; or (f) any other person that is not a non-US person; or

(d) persons classified as a Restricted Party.

For purposes of the definition of Prohibited Holders, a “**subsidiary**” means, 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 the Bank. An “**affiliate**” means, at any particular time, an entity linked directly or indirectly to the Bank by means of: (1) ownership, control, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (2) interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity; (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; (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 (5) permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa. For a company to be “**controlled**” by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has power over more than one-half of the voting rights by virtue of an agreement with other stockholders, power to govern the financial and operating policies of the enterprise under a statute or an agreement, the power to appoint or remove the majority of the members of the board of directors or other equivalent governing body of that company, power to cast the majority votes at meetings of the board of directors or equivalent governing body, or otherwise controls or has the power to control the company through similar arrangements.

“PSE”

means The Philippine Stock Exchange;

“RATING”

The Bank has been rated Baa2 by Moody’s, BBB- by Fitch, and BBB+ by Standard and Poor. These are Bank ratings that are subject to regular annual reviews, or more frequently as market developments may dictate, and are not ratings of the Bonds themselves. The Bonds are not rated;

**“REGISTRAR” and/or
“PAYING AGENT”**

means the PDTC, or any other successor Registrar or Paying Agent acting as registrar or paying agent pursuant to the Registry and Paying Agency Agreement;

“REGISTRY”

means the electronic registry book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers or assignments thereof or any liens or encumbrances thereon;

**“REGISTRY
CONFIRMATION”**

means the written advice sent by the Registrar to the Bondholders, confirming the registration in the name of such Bondholders of the specified amount of Bonds issued to or purchased by a Bondholder, in the Registry, and setting forth the declarations required by the BSP;

**“RELEVANT
INDEBTEDNESS”**

means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other

	securities which are for the time being or capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity with respect to any such indebtedness.
“SEC”	means the Philippine Securities and Exchange Commission and its successor agency/ies;
“SECURITIES REGULATION CODE”	means Republic Act No. 8799, and its implementing rules and regulations, as the same may be amended and supplemented from time to time.
“SELLING AGENTS”	means the Sole Selling Agent for the establishment of the Program and the first tranche Bonds, and the Participating Selling Agent/s, if applicable, for the succeeding tranches, or any other entity appointed as a Selling Agent for any relevant Tranche of the Bonds, and excludes any entity whose appointment has been terminated pursuant to the Program Agreement; references to the relevant Selling Agent shall, in relation to any Tranche of Bonds, be references to the Selling Agent(s) with whom the Bank has appointed for the distribution and sale of such Bonds;
“SOLE SELLING AGENT”	means BPI Capital Corporation for the establishment of the Program and the first tranche Bonds;
“SERIES”	means a Tranche of the Bonds, as the case may be, together with any further Tranche or Tranches of the Bonds, as the case may be, which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions Bonds of the relevant Series, Bondholders of the relevant Series, and related expressions shall (where appropriate) be construed accordingly;
“SPECIFIC RELATED PARTIES”	The term “Prohibited Holders” includes BPI’s related parties who are in possession or have access to material and non-public information which can affect the pricing and marketability of upcoming and outstanding BPI bond issuances, such as: 1. With respect to any issuance of BPI’s bonds: i. BPI Subsidiaries; ii. BPI Affiliates; iii. Directors of BPI; iv. BPI officers holding positions of senior vice president or higher; v. Officers and staff of BPI in the following departments/divisions/ segments: a. Global Markets; b. Risk Management Office; c. Compliance Office; d. Office of the Corporate Secretary; e. Unibank Centralized Accounting Division; f. Corporate Planning; g. Legal; and

- h. All Assets and Liabilities Committee attendees;
- vi. Spouses, children, and parents of all individuals covered by items (iii) to (v) above.
- 2. With respect to any issuance of BPI's bonds, the following persons for the duration that they are engaged for a proposed issuance of any tranche/ series of BPI's bonds:
 - i. Select officers and staff of Arrangers and Selling Agents;
 - ii. Select officers and staff of Bond Booking Vehicle;
 - iii. Select officers and staff of Legal Counsels;
 - iv. Select officers and staff of Auditors;

“TERMS AND CONDITIONS”

means these Terms and Conditions of the Bonds as may be amended from time to time;

“TRANCHE”

means all Bonds which are identical in all respects (including as to listing and admission to trading);

“TRUSTEE”

means Development Bank of the Philippines – Trust Banking Group or any other successor Trustee acting as trustee pursuant to the Trust Indenture.

2	PURPOSE OF ISSUANCE/USE OF PROCEEDS	The proceeds from each Tranche of Bonds under the Program shall be used in the manner described in the relevant Pricing Supplement.
3	FORM	The Bonds shall be issued in scripless form and, subject to the payment of fees to the Registrar and Paying Agent, registered and lodged with the Registrar and Paying Agent in the name of the Bondholders. Once lodged, the Bonds shall be eligible for electronic transfer in the Registry, without the issuance or cancellation of certificates. The Bonds shall comply with the provisions of Republic Act No. 8792 or the Electronic Commerce Act, particularly, on the existence of an assurance on the integrity, reliability and authenticity of the Bonds and in electronic form. A Master Certificate of Indebtedness representing the relevant Series or Tranche of Bonds shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.
4	DENOMINATION	The Bonds will be in minimum denominations as may be provided in the applicable Pricing Supplement and relevant Master Certificate of Indebtedness for each Series or Tranche of Bonds, or such other minimum denomination as may be prescribed or approved by the BSP.
5	TITLE	Legal title to the Bonds shall be shown in the Registry to be maintained by the Registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time.

General Terms and Conditions of the Bonds

6 SEC REGISTRATION AND LISTING	The Bonds have not been and will not be registered with the SEC. Since the Bonds qualify as exempt securities under Section 9.1(e) of the Philippine Securities Regulation Code, the Bonds may be sold and offered for sale or distribution in the Philippines without registration. The Bonds are intended to be listed for electronic trading and settlement on the PDEX on or about the Issue Date. Trading, transfer, and/or settlement of the Bonds shall be performed in accordance with the procedures to be set by the PDEX and the Registrar.
7 ELIGIBLE PURCHASERS	In general, the Bonds may be issued or transferred to any person of legal age, regardless of nationality or residency, any corporation, association, partnership, trust account, fund or entity, regardless of place of incorporation or domicile, except, in each case, to Prohibited Holders.
8 QUALIFICATION DETERMINATION	The Selling Agent or PDEX Trading Participant (in the case of transfers or assignments of the Bonds) shall verify the identity and relevant details of each proposed Bondholder and ascertain that said proposed Bondholder is an Eligible Purchaser and is not a Prohibited Holder. Proposed Bondholders shall be required to submit any and all information reasonably required by the Selling Agent or the PDEX Trading Participant, as the case may be, in order for the said Sole Selling Agent to be able to determine that such proposed Bondholder is an Eligible Purchaser and is not a Prohibited Holder. Any question on such determination shall be referred to the Bank.
9 INTEREST ACCRUAL AND PAYMENT	The Bonds will bear Interest on its principal from and including the Issue Date up to but excluding: (a) the Maturity Date (if the Redemption Option is not exercised); or (b) the relevant redemption date. Interest shall be payable on each Interest Payment Date. The amount of Interest payable in respect of the Bonds shall be calculated by the Paying Agent on the basis of the number of days elapsed from (and including) the Issue Date (for the first interest period) or the last Interest Payment Date (for succeeding interest periods) to the next (but excluding) the next Interest Payment Date, using a 30/360 calendar-day count. The determination by the Paying Agent of the amount of Interest payable (in the absence of manifest error) is final and binding upon all parties.
10 MANNER OF PAYMENT OF INTEREST AND PRINCIPAL	On each Interest Payment Date and Maturity Date (as applicable), the Bank shall make available cleared funds to the Paying Agent for payment to the relevant Bondholders of the Bonds as shown in the Registry to be maintained by the Registrar.
11 PRINCIPAL REPAYMENT	The Bonds shall be redeemed at their Maturity Value on Maturity Date. If the Maturity Date falls on a date that is not a Business Day, the Maturity Date shall fall on the immediately succeeding Business Day, without adjustment to interest payable in respect of the Bonds.
12 FINAL REDEMPTION	All Bonds outstanding on Maturity Date will be redeemed at par or 100% face value.

13 PRETERMINATION BY THE BONDHOLDER	Presentation of the Bonds to the Bank for termination or redemption before the Maturity Date is not allowed, unless there occurs (i) an event under “Events of Default” and following the procedures set out in these Terms and Conditions, or (ii) the Issuer exercises its early redemption option under Condition 28. Bondholders may, however, transfer or assign their Bonds to another holder who is not a Prohibited Holder. Such transfer or assignment shall not be considered a pre-termination, subject to Condition 14.
14 SECONDARY TRADING	The Bonds are freely transferable across tax categories, if and when so allowed under PDEX rules, conventions, and guidelines. All transfers or assignments of the Bonds shall be coursed through a PDEX Trading Participant, subject to the PDEX rules. All trading in the secondary market should be in denominations of ₱10,000.00. The denominations for trading the Bonds on PDEX will be subject to PDEX rules, as may be in effect at the relevant time. As a condition precedent for any transfer or assignment of the Bonds, the transferee Bondholder must present to the Registrar, and in such forms as prescribed by the Registrar: (i) the Registry Confirmations of both the transferor and the transferee (if any); (ii) the Trade-Related Transfer Form or Non-Trade Related Transfer Form; (iii) the Investor Registration Form; (iv) Tax Exempt/Treaty Documents, if applicable; (v) written consent of the transferee Bondholder to be bound by the terms of the Bonds and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and (vi) such other documents as may be reasonably required by the Registrar. A service charge shall be imposed for any registration of transfer or assignment of the Bonds, and the Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or assignment of the Bonds, each for the account of the Bondholder requesting the registration of transfer or assignment of the Bonds. Subject to Conditions 15 and 17 and payment by the relevant Bondholder of the proper fees, if any, to PDEX and/or the Registrar, a transfer or assignment of Bonds may generally be done at any time.
15 TRANSFERABILITY	All transfers and assignment of, as well as change in title to, the Bonds shall be recorded in the Registry. Settlement in respect of such transfer and assignment of, or change of title to, the Bonds, including settlement of applicable taxes (subject to Condition 26), if any, arising from such transfers, assignments or change in title, shall be for the account of the transferee and/or transferor Bondholder. Transfers or assignments of the Bonds made in violation of the restrictions on transfer under these Terms and Conditions shall be null and void and shall not be registered by the Registrar.

16 PLACE OF REGISTRY AND COMPLIANCE WITH REGISTRY RULES	The Registry shall be kept at the specified office of the Registrar. To the extent not inconsistent with or contrary to these Terms and Conditions, the registry rules of the Registrar (a copy of which shall be separately provided by the Registrar to the Bank and the Bondholders) shall be observed and complied in the implementation of the functions of the Registrar, including, without limit, transfers of the Bonds.
17 CLOSING OF REGISTRY	The Registrar shall not register any transfer or assignment of the Bonds for a period of two (2) Business Days preceding the due date for any payment of Interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds, or register the transfer or assignment of any Bonds previously called for redemption or pre-termination (Closed Period). The Registrar will treat the person in whose name the Bonds is registered immediately before the relevant Closed Period as the owner of such Bonds for the purpose of receiving distributions pursuant to these Terms and Conditions and for all other purposes whatsoever, and the Registrar shall not be affected by any notice to the contrary.
18 STATUS/RANKING	The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Bank and shall at all times rank <i>pari passu</i> and ratably without any preference or priority among themselves and with all other present and future direct, unsecured and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.
19 MANNER OF DISTRIBUTION	Retail and institutional offering
20 REPRESENTATIONS AND WARRANTIES	1.1 The Bank represents and warrants: (a) that: (i) the most recently published audited (if any) unconsolidated and (if produced) consolidated financial statements of the Bank (the Audited Accounts); and (ii) the most recently published unaudited interim (if any) unconsolidated and (if produced) consolidated financial statements of the Bank, i. are in accordance with the books and records of the Bank and are complete and correct in all material respects; ii. were prepared in accordance with Philippine Financial Reporting Standards (PFRS) and the accounting policies of the Bank applied on a consistent basis throughout the periods involved; iii. fairly present in all material respects the financial condition of the Bank as at the relevant dates and of the results of operations, cash flows and the changes in shareholder's equity of the Bank, for the relevant periods in respect of

- which they have been prepared in accordance with PFRS;
and
- iv. there has been no material change in the financial condition or results of operations of the Bank sufficient to impair its ability to perform its obligations under the Bonds and the Contracts according to their terms;
- (b) that the Offering Circular and any written roadshow materials prepared by or on behalf of the Bank and approved by the Bank, do not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements in or omissions from the Offering Circular made in reliance upon and in conformity with information furnished to the Bank in writing by the Selling Agents expressly for use therein, it being understood and agreed that the only such information furnished by the Selling Agents consists of the names and addresses of the Selling Agents;
- (c) that the other financial and statistical data set forth in the Offering Circular relating to the Bank are accurately presented and derived from the financial statements and books and records of the Bank which the Bank in good faith believes are reliable, accurate and fair and not misleading presentation of the data purported to be shown; and except as may be disclosed in the Offering Circular and its audited financial statements or its unaudited financial statements attached to the Offering Circular, the Bank has, as of the date hereof, no liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise (including any off-balance sheet liabilities and obligations), including but not limited to tax liabilities, due or to become due, and whether incurred in respect of or measured by any income for any period prior to such date or arising out of transactions entered into or any state of facts existing prior thereto, which may in any case or in the aggregate, materially and adversely affect the Bank's ability to discharge its obligations under the Bonds and the Contracts;
- (d) that each expression of opinion, belief, intention, expectation or policy contained in the Offering Circular (including, without limitation any such statement concerning prospects, dividends and working capital) has been made only after due and proper consideration, is reasonable and truly and honestly held, is based on all relevant facts known or which ought on reasonable enquiry to have been known to the Bank or its directors and can be properly supported;
- (e) that each of the Bank and its subsidiaries is in compliance with all of its obligations under any outstanding guarantees or contingent obligations, other than to an extent which would not, individually or in aggregate, have a Material Adverse Effect;
- (f) neither the Bank nor any of its subsidiaries has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Bank or any of its subsidiaries, such as structured finance entities and special purpose entities that are reasonably likely to have a Material Adverse Effect on the liquidity of the Bank or any of its subsidiaries or the availability thereof or the requirements of the Bank or any of its subsidiaries for capital resources;
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- (g) the issuance of the Bonds in the manner described in the Offering Circular and the issue of the Offering Circular will comply, where relevant, with all applicable laws, governmental or other regulations of the Philippines;
- (h) each of the Bank and its Principal Subsidiaries is a corporate banking institution or a corporation, as the case may be, duly incorporated and validly existing under the laws of its place of incorporation, is not in liquidation or receivership and has full power and authority to own, lease and operate its assets and properties, as the case may be, to conduct its business in the manner described in the Offering Circular, is capable of suing and being sued, and is lawfully qualified to do business and is in good standing in those jurisdictions in which business is conducted by it. The Bank has full power and authority to enter into and perform its obligations under the Contracts. The Bank's and its Principal Subsidiaries' articles of incorporation and by-laws (or equivalent constitutive documents) comply with the requirements of the laws of their respective jurisdiction of incorporation and are in full force and effect. All material licenses, consents, approvals, authorizations, permits, permissions, clearances, certificates, orders, concessions, qualifications, registrations, sanctions, declarations and/or filings with any relevant authority with respect to the establishment of the Bank have been duly and validly made or obtained;
- (i) that the interests of the Bank in the capital stock of its Principal Subsidiaries are fully and accurately described in the Offering Circular. All of the Bank's shares in the Principal Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable, have been issued in compliance with all applicable laws without violating any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, right or preference, or any other encumbrance, or security interest, granted to any third party (**Encumbrance**) and are owned by the Bank free of any Encumbrance. No options, warrants or other rights to purchase or subscribe for, agreements or other obligations to allot, issue or sell or other rights to convert any obligation into, share capital or other equity interest of the Bank in the Principal Subsidiaries are outstanding;
- (j) that the establishment of the Program, issue of the Bonds and the execution and delivery of the Contracts by the Bank have been duly authorized by the Bank and, in case of the Bonds, upon due execution, issue and delivery in accordance with the Trust Indenture, will constitute valid and legally binding obligations of the Bank enforceable in accordance with their terms, subject to the laws of bankruptcy, moratorium and other similar laws affecting the rights of creditors and general principles of equity;
- (k) that the Bank has power under its constitutional documents to enter into and perform its obligations under the Contracts, to create and issue the Bonds in accordance with the Contracts without any authority, sanction or consent by the stockholders of the Bank and there are no internal consents other than as contemplated by the Program Agreement on the proposed Issue Date required by the Bank for the issue of the Bonds or the consummation of the transactions provided for in the Contracts which have not been unconditionally obtained;
- (l) that the Bank has received (or will, prior to the Issue Date, receive) all consents, clearances, approvals, authorizations, exemptions, orders, licenses, permits, registrations and qualifications from all courts, governmental agencies and regulatory bodies in the Philippines as required by the Bank for the execution and delivery of the Contracts by the Bank and the issuance and distribution of the Bonds and the

performance of the terms of the Bonds and the Contracts by the Bank and such consents, clearances, approvals, authorizations, exemptions, orders, licenses, permits, registrations and qualifications are (or will, on the Issue Date, be) in full force and effect;

- (m) that the Bank has not prepared, executed or filed any public instrument, as provided in Article 2244(14)(a) of the Civil Code of the Philippines, relating to any Relevant Indebtedness of the Bank, or consented to the preparation, execution or filing of any such public instrument, unless it has secured a waiver of the benefits of notarization;
- (n) that, except for the disclosure notices to be filed with the SEC, PSE and PDEx post-issuance of the Bonds and the payment of documentary stamp tax on the issuance of the Bonds (as applicable), all necessary actions and things required to be taken, fulfilled or done (including the giving of any updates to the BSP) for the issue of the Bonds, the carrying out of the other transactions contemplated by the Contracts or the compliance by the Bank with the terms of the Contracts (including with respect to the payment of principal and interest on the Bonds, as the case may be) have been, or by the Issue Date, will be, taken fulfilled or done;
- (o) that the Bank has been (or will be), in connection with the offering of the Bonds represented by Philippine counsel experienced in such transactions; the Bank is knowledgeable regarding the structure of the issue and offering of the Bonds and the transactions contemplated thereby and the roles of each of the respective parties thereto, and acknowledges that the structure of the offering of the Bonds and the issue of the Bonds is customary in transactions of this type in the Philippines and internationally, is beneficial to the Bank, is in accordance with the intentions and objectives of the Bank and is necessary for the completion of the offering of the Bonds and the fulfilment of the purposes thereof as described in the Offering Circular; the Bank has not been induced to engage in the offering of the Bonds nor enter into the Contracts or the transactions contemplated thereby by means of any fraud, manipulation or other deceptive means;
- (p) that the Bonds will, upon due execution, issue and delivery in accordance with the Trust Indenture, be in proper legal form under the laws of the Philippines, and to ensure the legality, validity, enforceability and admissibility into evidence in the Philippines of the Contracts, it is not necessary that the Contracts, the Bonds or any other document or instrument be filed or recorded with any court or other authority in the Philippines or that any stamp or similar tax be paid in the Philippines on or in respect of the Contracts, the Bonds or any such other document, except that Philippine documentary stamp tax, if due on the issuance of the Bonds, will be paid by the Bank within the period required under Philippine law;
- (q) that there are no other contracts, agreements or understandings between the Bank and any person in connection with the distribution of the Bonds that would give rise to a valid claim against the Bank the Joint Lead Arrangers, or the Selling Agents for a brokerage commission, finder's fee or other like payment, other than the arrangements between the Bank and the Joint Lead Arrangers and the Selling Agents;
- (r) that the execution, delivery and performance of the Contracts and the offer and sale of the Bonds, the consummation of the transactions herein and therein contemplated and compliance with the terms hereof and thereof do not, and will not, whether with or without the giving of notice or passage of time or both, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, (i) the Bank's or its Principal

Subsidiaries' articles of incorporation, or by-laws, or other organizational or constitutional documents or business licenses, or (ii) any indenture, trust deed, mortgage or other agreement or instrument to which the Bank or any of its Principal Subsidiaries is a party or by which it or any of its properties are bound, or (iii) infringe any existing applicable law, rule, regulation, judgment, order, writ, notice, circular, authorization, ruling or decree of any government, governmental body or court, domestic or foreign having jurisdiction over any of the Bank, its Principal Subsidiaries or any of their respective properties or assets;

- (s) that all Bonds will, upon issue, constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Bank, from time to time outstanding;
- (t) that the auditors, who have audited the financial statements of the Bank (the **Independent Auditors**) contained and incorporated by reference in the Offering Circular and delivered the reports with respect to such audited financial statements and the unaudited but reviewed interim financial statements included or incorporated by reference in the Offering Circular, are, with respect to the Bank, independent auditors, duly licensed under all applicable regulatory requirements of the Philippines including pursuant to the rules of the Philippine Board of Accountancy;
- (u) that since the date of the last Audited Accounts appearing in or incorporated by reference in the Offering Circular, there has been no event or development which has had or is reasonably expected to result in a prospective Material Adverse Effect;
- (v) that the Bank and its Principal Subsidiaries have good, valid and marketable title to, service contract rights for, or use rights for, all properties and to all assets necessary to conduct the business now operated by each of them in each case free from liens, encumbrances, or defects in title or use rights, except as would not have a Material Adverse Effect;
- (w) that the Bank has established procedures which provide a reasonable basis for the directors and officers to make proper judgments as to the financial position and prospects of the Bank and the Bank maintains a system of internal financial and accounting controls sufficient to provide assurance that transactions are recorded as necessary to permit preparation of complete and accurate accounting records, preparation of financial statements that fairly present the financial condition, results of operations and cash flows of the Bank in accordance with PFRS;
- (x) that the Bank has established and maintains and evaluates a system of disclosure and corporate governance controls and procedures to ensure that (i) material information relating to the Bank is made known in a timely manner to the Bank's board of directors and management, and (ii) the Bank and its board of directors complies in a timely manner with the requirements of the SEC, PSE and PDEX and any other applicable laws, rules, regulations, statutes, ordinances, guidelines, opinions, notices, circulars, orders, judgments, decrees or ruling (collectively, **Laws**) of any Governmental, Authority, including, without limitation, including, without limitation, the requirements of the SEC and the PSE on disclosure of material information and transactions required to be disclosed, and such disclosure and corporate governance controls and procedures are effective to perform the functions for which they were established and documented properly and the implementation of such disclosure and corporate

governance controls and procedures are monitored by the responsible persons; for the purposes of this subsection, the term “disclosure and corporate governance controls and procedures” means controls and other procedures that are designed to ensure that information required to be disclosed by the Bank, including, without limitation, information in reports that it files or submits under any applicable Laws, material information and information on related party transactions required to be disclosed under the requirements of the SEC and the PSE, is recorded, processed, summarized and reported, in a timely manner and in any event within the time period required by applicable Law;

- (y) that no Event of Default or event has occurred and is subsisting, or to the knowledge of the directors and officers of the Bank after due and careful inquiry, is about to occur, which constitutes or would (whether with the expiry of any applicable grace period or the giving of any notice or otherwise) constitute (i) an Event of Default, or (ii) an event of default under any obligations under any agreement, undertaking, instrument or arrangement to which the Bank or any of its Principal Subsidiaries is a party or by which the Bank or any of its Principal Subsidiaries or their respective properties or assets are bound, except in the case of (ii) where such default would not have a Material Adverse Effect;
- (z) that all transactions between the Bank and any of its respective directors, officers, management, associates, shareholders (including any other person formerly holding such positions) or any other related party, have been entered into on an arm’s length basis and commercially reasonable terms that are available from third parties;
- (aa) that (i) each of the Bank and its Principal Subsidiaries possesses all certificates, licenses, authorizations or permits issued by appropriate governmental agencies or bodies then required to be obtained to conduct the business now operated by each of them; (ii) neither of the Bank nor any of its Principal Subsidiaries has received any notice of proceedings or other notices relating to the revocation or modification of any such certificate, license, authorization or permit, and (iii) each of the Bank and its Principal Subsidiaries is in compliance with all applicable Philippine laws and regulations, including data privacy laws and regulations, relating to the conduct of its business as conducted as of the date hereof, in the case of (i) and (iii) except where failure to do so would not have a Material Adverse Effect;
- (bb) that no strike, lockout or similar labor dispute with the employees of any of the Bank or its subsidiaries exists or, to the best knowledge of the Bank, is imminent that would have a Material Adverse Effect;
- (cc) that each of the Bank and its Principal Subsidiaries possesses adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, **Intellectual Property Rights**) necessary or material to conduct the business now operated. Neither the Bank nor any of its Principal Subsidiaries has received any notice or communication of infringement of or conflict with asserted rights of others with respect to any Intellectual Property Rights of others that, if determined adversely to the Bank or any of its Principal Subsidiaries would, individually or in the aggregate, have a Material Adverse Effect;
- (dd) that except as disclosed in the Offering Circular, there are no pending actions, suits or proceedings against or affecting any of the Bank or its Principal Subsidiaries or any of their respective properties, which are reasonably likely to be determined adversely to the Bank, such Principal

Subsidiary or such property, as the case may be, and if so determined would individually or in the aggregate have a Material Adverse Effect or would materially and adversely affect the ability of the Bank to perform its obligations under the Program Agreement, and to the Bank's knowledge, no such actions, suits or proceedings are threatened or contemplated;

- (ee) that (i) neither the Bank nor any of its Principal Subsidiaries is in violation of any statute, rule, regulation or order of any Philippine governmental agency or body or any Philippine court, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, **Environmental Laws**); (ii) neither the Bank nor any of its Principal Subsidiaries owns or operates any real property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, except in each case where such violation, ownership, operation or liability would not have a Material Adverse Effect; and (iii) the Bank and each of its Principal Subsidiaries are in compliance in all respects with all applicable Environmental Laws except for such non-compliance as would not have a Material Adverse Effect;
- (ff) that all computer systems, communications systems, software and hardware which are currently owned, licensed or used by the Bank or its Principal Subsidiaries (collectively, **Information Technology**) comprise all of the information technology systems and related rights necessary to conduct, or material to, the respective businesses of the Bank and its Principal Subsidiaries as currently conducted. The Bank or its Principal Subsidiaries either legally and beneficially owns, or has obtained licenses for, or other rights to use, all of the Information Technology;
- (gg) that the Bank and its subsidiaries maintain insurance with responsible and reputable insurance companies in such amounts, covering such risks as are prudent and appropriate and as are usually carried by companies engaged in similar business and owning similar properties in the same geographical areas as those in which the Bank or the subsidiary, as the case may be, operates;
- (hh) that none of the Bank or its subsidiaries has sustained, since the date of its last audited financial statements, any loss or interference with its business from fire, explosion, flood, typhoon, landslide, act of terrorism or other calamity, regardless of whether covered by insurance, except for such loss or interference as would not have a Material Adverse Effect;
- (ii) that all tax returns required to be filed by the Bank and its Principal Subsidiaries have been filed, and all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from the Bank and its Principal Subsidiaries, have been paid or for which adequate reserves have been provided, except in each case for such tax returns and taxes the failure to file or pay which, respectively, would not have a Material Adverse Effect or are being or will be contested in good faith by the Bank in appropriate proceedings;
- (jj) that no order has been made or petition presented or resolution passed for the winding-up or judicial management or administration of the Bank or any of its Principal Subsidiaries or for the appointment of a provisional liquidator, nor are there any reasonable grounds on which any person would be entitled to have the Bank or any of its Principal Subsidiaries

wound-up or placed in judicial management or administration or to have a provisional liquidator appointed for the Bank or any of its Principal Subsidiaries, nor, to the knowledge of the Bank, (i) has any person threatened to present such a petition or convened or threatened to convene a meeting of the Bank or any of its Principal Subsidiaries to consider a resolution to wind up the Bank or any of its Principal Subsidiaries or any other resolutions, or (ii) has any step been taken in relation to the Bank or any of its Principal Subsidiaries under the law relating to insolvency or the relief of debtors;

(kk) that the application of the net proceeds from the sale of the Bonds, as set forth in and contemplated by the Offering Circular, will not contravene any applicable law or the articles of incorporation or by-laws of the Bank or any of its subsidiaries, or contravene the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument binding upon the Bank or any of its subsidiaries that, singly or in aggregate, will result in any applicable judgment, order or decree of any public, regulatory or governmental agency or any court having jurisdiction over the Bank or any of its subsidiaries;

(ll) other than as described in the conditions of the Bonds and under the section “*Taxation*” in the Offering Circular, all such payments of principal and interest on the Bonds will not be subject to income, withholding or other taxes under laws and regulations of Philippines, and will otherwise be free and clear of any other tax, duty, withholding or deduction in the Philippines and will not require any consent, approval, authorization, order, registration, clearance or qualification of or with any court or governmental agency or body or any stock exchange authorities having jurisdiction over the Bank or any of its properties;

(mm) that the Bank has the full power, authority and legal right under the laws of the Philippines to enter into and perform its obligations of indemnification set forth in the Contracts;

(nn) neither the Bank nor any of its subsidiaries, nor any person acting on behalf of the Bank or any of its subsidiaries (other than the Sole Selling Agent and any of its respective subsidiaries as to which the Bank makes no representation or warranty) has taken or will take, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might be expected to cause or result in (i) the stabilization of the price of the Bonds in violation of applicable laws or orders of government authorities or (ii) the manipulation of the price of any security to facilitate the sale or resale of the Bonds;

(oo) that in relation to the Bonds, the Bank has not issued and will not issue, without the prior consent of Selling Agents, any press or other public announcement referring to the proposed issue of Bonds;

(pp) that under the laws of the Philippines, neither the Bank nor any of its properties, assets or revenues are entitled to any right of immunity on the grounds of sovereignty from any legal action, suit or proceedings, from set-off or counterclaim, from the jurisdiction of any court, from services of process, from attachment prior to or in aid of execution of judgment, or from other legal process or proceedings for the giving of any relief or for the enforcement of any judgment;

(qq) that the Bank and its subsidiaries and affiliates have conducted and will continue to conduct their businesses in compliance with all applicable statutes, laws, rules regulations, judgments, orders or decrees relating to

anti-bribery or other corrupt practices (including, but not limited to, the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977) and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, compliance therewith, and will not use the proceeds of the Bonds, directly or indirectly, in violation of applicable anti-bribery or anti-corruption laws. There are no pending or (to the best knowledge of the Bank and its subsidiaries and affiliates after due and careful inquiry) threatened actions, suits or proceedings by or before any court or governmental agency, authority or body or any arbitrator alleging such corrupt practices against any of the Bank and its subsidiaries and affiliates;

- (rr) that the operations of the Bank and its subsidiaries and affiliates are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of all applicable laws, and in compliance with all anti-money laundering and anti-terrorism financing statutes, the rules and regulations thereunder (collectively, the **Anti-Money Laundering and Anti-Terrorism Financing Laws**) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any of the Bank or its subsidiaries or affiliates with respect to the Anti-Money Laundering and Anti-Terrorism Financing Laws is pending or, to the best knowledge of the Bank and its subsidiaries and affiliates after due and careful inquiry, threatened. The proceeds of the Bonds shall not be used directly or indirectly in violation of the Anti-Money Laundering and Anti-Terrorism Financing Laws;
- (ss) none of the Bank, its subsidiaries or any of their respective directors or officers, or, to the best knowledge of the Bank, any of their respective employees, agents, affiliates or other persons associated with or acting on behalf of the Bank or any of its subsidiaries:
 - (i) is an individual or entity (**Person**) that is, or is owned or controlled by a Person that is, targeted by or the subject of any sanctions laws, regulations, embargoes or restrictive measures administered by the United States government, including the Office of Foreign Assets Control of the U.S. Treasury Department (**OFAC**), or by the U.S. Department of State, or any sanctions imposed by the European Union, the United Nations Security Council, Her Majesty's Treasury or any other relevant governmental entity, including without limitation the Philippines (collectively, the **Sanctions**);
 - (ii) is located, organized or resident in a country, region or territory that is the subject or the target of Sanctions, including, without limitation, Cuba, Iran, The Democratic People's Republic of Korea, Sudan, Syria, the Crimea region of Ukraine, Russia, the so-called People's Republic of Luhansk, and the so-called People's Republic of Donetsk (each, a **Sanctioned Country**);
 - (iii) is listed on, or is owned or controlled by a Person that is listed on, a Sanctions List;
 - (iv) directly or indirectly, has conducted, conducts or is otherwise involved with any business with or involving any government (or any sub-division thereof), or any Person targeted by, or located in any country that is the subject of Sanctions or directly or indirectly supports or facilitates, or plans to support or facilitate or otherwise become involved with, any such Person or government;

- (v) is engaged in any activities sanctionable under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, the Iran Sanctions Act, the Iran Threat Reduction and Syria Human Rights Act, or any other applicable executive order; or
- (vi) is or ever has been in violation of or subject to any claim, action, proceeding, investigation, notice or demand relating to Sanctions (**Sanctions Claim**).
- (vii)(i) to (vi) collectively, a **Restricted Party**
- (tt) these representations and warranties, as well as all representations and warranties made by the Bank in the Offering Circular, are true and correct as of the date hereof and are deemed repeated on each Agreement Date and each Issue Date, by reference to the facts and circumstances then existing. The Bank shall also be deemed to repeat the representations and warranties contained in the Program Agreement on each date on which the Offering Circular or the Program Agreement is revised, supplemented or amended, by reference to the facts and circumstances then existing.
- (uu) with regard to each issue of Bonds, the Issuer shall be deemed to repeat the representations, warranties and undertakings contained in this Condition 20 as at the Agreement Date for such Bonds (any agreement on such Agreement Date being deemed to have been made on the basis of, and in reliance on, those representations, warranties and undertakings) and as at the Issue Date of such Bonds.
- (vv) the Issuer shall be deemed to repeat the representations, warranties and undertakings contained in this Condition 20 on each date on which the Offering Circular is revised, supplemented or amended and on each date on which the aggregate nominal amount of the Program is increased in accordance with the Program Agreement.

The representations, warranties and undertakings contained in this Condition 20 shall continue in full force and effect notwithstanding the actual or constructive knowledge of any Joint Lead Arranger or Selling Agent with respect to any of the matters referred to in the representations, warranties and undertakings set out above, any investigation by or on behalf of the Joint Lead Arrangers or Selling Agents or completion of the issue of any Bonds.

21 COVENANTS

For as long as the Bonds or any portion thereof remain outstanding, the Bank shall:

- (a) pay and discharge all taxes, assessments, and government charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it prior to the date on which penalties are assessed thereto; pay and discharge when due all lawful claims which, if unpaid, might become a lien or charge upon any of the properties of the Bank; and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture, or sale; *provided*, that the Bank shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by proper proceedings or as could not reasonably be expected to have a Material Adverse Effect on the condition, business, or properties of the Bank. The Registrar shall be notified by the Bank within 30 days from the date of the receipt of written notice of the resolution of such proceedings;

- (b) preserve and maintain its corporate existence or, in the case of a merger, consolidation, reorganization, reconstruction or amalgamation, ensure that the surviving corporation or the corporation formed thereby effectively assumes without qualification or condition, the entire obligations of the Bank under the Bonds and for such corporation to preserve and maintain its corporate existence;
- (c) maintain adequate financial records and prepare all financial statements in accordance with PFRS, consistently applied and in compliance with the regulations of the government body having jurisdiction over it;
- (d) comply with all the requirements, terms, covenants, conditions, orders, writs, judgments, indentures, mortgages, deeds of trust, agreements, and other instruments, arrangements, obligations, and duties to which it, its business or its assets may be subject, or by which it, its business, or its assets are legally bound where non-compliance would have a Material Adverse Effect on the business, assets, condition, or operations of the Bank, or would materially and adversely affect the Bank's ability to duly perform and observe its obligations and duties under the Bonds;
- (e) satisfactorily comply with all BSP directives, orders, issuances, and letters, including those regarding its capital, licenses, risk management, and operations; and satisfactorily take all corrective measures that may be required under BSP audit reports on its operations;
- (f) promptly and satisfactorily pay all indebtedness and other liabilities and perform all contractual obligations pursuant to all agreements to which it is a party to or by which it or any of its properties may be bound, except those being contested in good faith and by proper proceedings or as could not reasonably be regarded to have a Material Adverse Effect on its business, assets, condition, or operations;
- (g) pay all amounts due under the Bonds at the times and in the manner specified herein, and perform all its obligations, undertakings, and covenants under the Bonds;
- (h) exert its best efforts to obtain at its sole expense the withdrawal of any order delaying, suspending or otherwise materially and adversely affecting the transactions with respect to the Bonds at the earliest time possible;
- (i) ensure that any documents related to the Bonds will, at all times, comply in all material respects with the applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars;
- (j) make available to the Bondholders financial and other information regarding the Bank by filing with the SEC, PDEx and/or the PSE at the time required or within any allowed extension, the reports required by the SEC, PDEx and/or PSE, as the case may be, from listed companies in particular and from corporations in general;

- (k) maintain the services of its current external auditor and where the current external auditor of the Bank shall cease to be the external auditor of the Bank for any reason, the Bank shall appoint another reputable, responsible and internationally accredited external auditor;
- (l) not permit any creditor with indebtedness which shall be or purport to be unsecured and unsubordinated obligations of the Bank to receive any priority or preference arising under Article 2244(14)(a) of the Civil Code of the Philippines over the claims of the Bondholders hereunder, which claims shall at all times rank *pari passu* in all respects with all other unsecured unsubordinated obligations of the Bank; provided, this paragraph shall not apply to liens, pledges, mortgages, or encumbrances in existence on the date hereof;
- (m) not engage in any business except as may be allowed or permitted or authorized by its articles of incorporation;
- (n) except with the consent of the Majority Bondholders, or if the Bank is the surviving entity and provided that such event will have no Material Adverse Effect on the financial condition of the Bank, not effect any merger, consolidation, or other material change in its ownership, or character of business;
- (o) not sell, transfer, convey, lend, or otherwise dispose of all or substantially all of its assets except in the ordinary course of business;
- (p) except as may be allowed under existing Bank policies and practices pursuant to benefits, compensation, reimbursements, and allowances and BSP Rules and regulations, not extend any loan or advances to its directors and officers;
- (q) not assign, transfer, or otherwise convey or encumber any right to receive any of its income or revenues unless in its ordinary course of business;
- (r) not declare or pay any dividends (other than stock dividends) during an Event of Default or if declaration or payment of such dividends would result to an Event of Default;
- (s) not voluntarily suspend all or substantially all of its business operations;
- (t) not enter into any management contracts, profit-sharing, or any similar contracts or arrangements whereby its business or operations are managed by, or its income or profits are, or might be shared with, another person, firm or company, which management contracts, profit-sharing or any similar contracts or arrangements will materially and adversely affect the Bank's ability to perform its material obligations under the Bonds;
- (u) not amend its articles of incorporation or by-laws if such amendments have the effect of changing the general character of its business from that being carried on at the date hereof;
- (v) not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the

Bonds or other transaction(s) contemplated by these Terms and Conditions and the Contracts to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party, or (ii) in any other manner that would reasonably be expected to result in the Bank being in breach of any Sanctions (if and to the extent applicable to it) or becoming a Restricted Party;

- (w) as long as any obligations under the Bonds remain outstanding, not create, issue, assume, guarantee, or otherwise incur any bond, note, debenture, or similar security which shall be or purport to be unsecured and unsubordinated obligations of the Bank, unless such obligations rank *pari passu* with, or junior to, the Bank's obligations under the Bonds in any proceedings in respect of the Bank for insolvency, winding up, liquidation, receivership, or other similar proceedings; and
- (x) The Bank shall not permit any indebtedness to be secured by or to benefit from any lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Bank or the right of the Bank to receive income; Provided, however that this shall not prohibit the following:
 - (i) any liens, encumbrances, restrictions, pledges, mortgages or security over the properties of the Bank existing as of the date of the Offering Circular;
 - (ii) any netting or set-off arrangement entered into by the Bank in the ordinary course of its banking business for the purpose of netting debit and credit balances;
 - (iii) any payment or close out netting or set-off arrangement pursuant to any hedging transactions (including credit support agreements) entered into by the Bank;
 - (iv) any lien which secures foreign currency and swap transactions and derivative transactions undertaken by the Bank in the ordinary course of its business;
 - (v) any lien over those properties which are acquired by the Bank through any legal action or proceedings or which are conveyed to the Issuer via dacion en pago or other similar arrangement in the course of the ordinary business of the Bank;
 - (vi) any lien arising by operation of law, such as carrier's, warehousemen's and mechanic's liens, liens arising from workmen's compensation laws, pensions, social security legislations and redemption rights;
 - (vii) any lien arising in the ordinary course of trading or business; Easements, rights of way, reservations, restrictions, covenants, agreements for joint or common use, land owner's right of dstraint and other similar encumbrances affecting any property of the Bank, granted in the ordinary course of business;
 - (viii) any lien for taxes, assessments or governmental charges on properties or assets of the Bank if the same shall not at the time be delinquent or thereafter can be paid without penalty or which, in any case or in the aggregate, will not

materially and adversely affect the Bank's ability to discharge its obligations under the Bonds;

- (ix) any purchase-money liens on any property acquired by the Bank;
- (x) any lien arising under any retention of title, repurchase agreements, hire purchase, asset leasing agreements, or conditional sale arrangement or arrangements having similar effect in respect of assets or goods supplied to the Bank;
- (xi) any lien arising from sale, refinancing, discounting or rediscounting of receivables or other assets on a with recourse basis, repurchase agreements or other similar arrangements;
- (xii) any lien arising from a debt factoring on a with recourse basis;
- (xiii) any lien arising from secured lending transactions between members of the Group on an arm's length basis in respect of which securities are provided by the borrowing entity to the lending entity as collateral to comply with internal credit policy and/or applicable rules and regulations on related party transactions;
- (xiv) any lien required by the BSP for liquidity purposes;
- (xv) all cash, property, other types of bonds and other security provided as part of the proceedings of a court, administrative body, stock exchange or other regulatory body;
- (xvi) any liens arising from any securitization arrangement such as asset-backed securities;
- (xvii) any lien similar to those enumerated above entered into in the ordinary course of business; and
- (xviii) any extension, renewal or replenishment in whole or in part of the foregoing liens.

The covenants of the Bank shall survive the issuance of the Bonds and shall be performed fully and faithfully by the Bank at all times while the Bonds or any portion thereof remain outstanding.

22 EVENTS OF DEFAULT

The Bank shall be considered in default under the Bonds in case any of the following events shall occur:

- (a) The Bank fails to pay any principal and/or interest due on the Bonds within ten (10) calendar days of the due date of payment;
 - (b) Any representation and warranty of the Bank or any certificate or opinion submitted by the Bank in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect and the same is irremediable or, if remediable, is not
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remedied within a period of thirty (30) calendar days from notice to the Bank;

- (c) The Bank fails to perform or violates its covenants under these Terms and Conditions (other than the payment obligation under paragraph (a) above) or the Contracts, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of thirty (30) calendar days from notice to the Bank;
 - (d) The Bank (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract (other than the Bonds) executed by the Bank with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; or (ii) violates any other term or condition of a contract, law, or regulation, which is irremediable or, if remediable, (x) is not remedied by the Bank within 30 days or is otherwise not contested by the Bank, and (y) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity;
 - (e) Any governmental consent, license, approval, authorization, declaration, filing or registration which is granted or required in connection with the Bonds expires or is terminated, revoked or modified and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder, and if the same is remediable, is not remedied by the Bank within thirty (30) calendar days from notice to the Bank;
 - (f) It becomes unlawful for the Bank to perform any of its material obligations under the Bonds;
 - (g) The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, nationalizes or expropriates (with or without compensation) the Bank or any material portion of its properties or assets and the same is not discharged or dismissed within a period of sixty (60) calendar days from notice to the Bank;
 - (h) The Bank becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, including: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors of all or substantially all of its properties; (iv) admission in writing of its inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Bank or a substantial portion of its property or assets (each, an **Insolvency Default**);
 - (i) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty is entered against
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the Bank and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement and such final judgment, decree or award shall have a Material Adverse Effect on the Bank's ability to perform its obligations under the Bonds;

- (j) Any writ, warrant of attachment or execution, or similar process shall be issued or levied against more than half of the Bank's assets, singly or in the aggregate, and such writ, warrant, execution or similar process shall not be released, vacated, or fully bonded within thirty (30) calendar days after its issue or levy; and
- (k) The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, and, provided that, in any such event, there is no Material Adverse Effect.

23 EFFECTS OF EVENTS OF DEFAULT

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as defined under the Events of Default in the Terms and Conditions of the Bonds, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days (at the expense of the Bank), further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

If any one or more of the Events of Default (other than an Insolvency Default, the effects of which are set forth in Condition 22 hereof) shall have occurred and be continuing after any applicable cure period shall have lapsed, the Trustee, upon the written direction of the Majority Bondholders whose written instruction/consent/letter shall be verified by the Registrar and by written notice to the Bank, may declare the Bank in default in respect of the Bonds held by such Bondholders, stating the Event of Default relied upon, and require the principal amount of the Bonds held by such Bondholders, and all accrued interests (including any default interest) and other charges due thereon, to be immediately due and payable, and forthwith collect said outstanding principal, accrued interests (including any default interest) and other charges, without prejudice to any other remedies which such Bondholder or the other holders of the Bonds may be entitled.

	In case of an Event of Default under Condition 22 (a), the Bank shall, in addition to the payment of the unpaid amount of principal and accrued interest, pay default interest at the rate of twelve percent (12%) per annum, which shall accrue after the lapse of the curing period. Any money delivered to the Paying Agent by the Bank pursuant to an Event of Default shall be applied by the Paying Agent in the order of preference as follows: <i>first</i>, to the pro-rata payment to the Registrar and Paying Agent and to the Trustee of the costs, expenses, fees, and other charges of collection incurred by them respectively without gross negligence or bad faith; to the payment to the Registrar and Paying Agent and to the Trustee of their respective fees, and other outstanding charges due to them; <i>second</i>, to the pro-rata payment of all outstanding interest owing to the Bondholders, including any default interest as specified in this Condition 23, in the order of maturity of such interest; and <i>third</i>, to the pro-rata payment of the whole amount then due and unpaid on the Bonds for principal owing to the Bondholders.
24 REMEDY FOR NON-PAYMENT IN AN INSOLVENCY DEFAULT	The payment of principal on the Bonds may be accelerated only in the event of insolvency of the Bank. Recovery of amounts owing in respect of the Bonds against the Bank is available to any Bondholder only through the institution of proceedings for the insolvency of the Bank.
25 WAIVER OF DEFAULT BY THE BONDHOLDERS	The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders waive any past default, except the events of default defined as a payment default, Insolvency Default, or closure default, and its consequences. In case of any such waiver, the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.
26 TAXATION	Interest on the Bonds is subject to final withholding tax at a rate between 20% to 25%, or such other rates as may be required by law or regulations. Payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes, duties or charges imposed by or on behalf of Republic of the Philippines. If such taxes, duties or charges are imposed, the same shall be for the account of the Bank. <i>Provided, however</i>, that the Bank shall not be liable for: (a) any withholding tax on interest earned on the Bonds as prescribed under Tax Code. A corporate and institutional investor who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents; (b) Gross Receipts Tax under Section 121 and 122 of the Tax Code;

- (c) taxes on the overall income of any securities Selling Agent or Bondholder, whether or not subject to withholding; and
- (d) Value Added Tax (VAT) under Sections 106 to 108 of the Tax Code.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Contracts, if any, shall be for the Bank's account.

27 CLAIM OF TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE

Bondholders who are exempt from or not subject to final withholding tax, or who are entitled to preferential tax rate may avail of such exemption or preferential tax rate by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Bank, to the Registrar or to the Selling Agent (together with their completed Application to Purchase) who shall then forward the same to the Registrar:

(a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates

- (i) For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
 - (ii) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;
 - (iii) For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;
 - (iv) With respect to tax treaty relief, as required under RMO No. 14-2021, prior to the payment of the interest due, (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries; (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's
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owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; (4) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; 5) an original or certified true copy of the Certificate of Entitlement (COE) issued by the BIR International Tax Affairs Division (**ITAD**) certifying the Bondholder's entitlement to tax treaty relief in connection with the Bonds'

The Bondholder shall be responsible for filing a tax treaty relief application (**TTRA**) with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate (**TRC**), together with their Application to Purchase, to the Sole Selling Agent. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline.

- (v) Any other document that the Bank or PDTC may require from time to time.

Only the originals should be submitted to the Joint Lead Arrangers, Sole Selling Agent, the Bank or the Registrar.

- (b) A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Bank and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

- (c) Such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Transfers taking place in the Register of Bondholders after the Bonds are listed on the PDEx may be allowed between taxable and tax-exempt entities and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTTC.

A selling or purchasing Bondholder claiming tax-exempt status is required to submit to the Registrar the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar.

Income arising from gains on the sale or disposition of the Bonds will form part of the relevant Bondholders' income and may be subject to tax. Bondholders should consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability of any state, local or foreign tax laws.

The BIR's tax treatment of the fixed rate bonds may vary from the tax treatment described herein. Any adverse tax consequences upon the Bondholder arising from any variance in tax treatment shall be for such Bondholder's sole risk and account.

Moreover, the tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any state, local or foreign tax laws.

**28 REDEMPTION FOR
CHANGES IN TAX OR
INCREASE IN
REGULATORY RESERVES**

If after the Issue Date, (a) payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date, or (b) the Bank becomes subject to increased reserve requirements against Peso denominated obligations that include the Bonds, each as a result of changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax or reserve requirement by Law or by regulation of the BSP cannot be avoided by use of reasonable measures available to the Bank, the Bank may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.

**29 REPLACEMENT
REGISTRY
CONFIRMATIONS**

In case any Registry Confirmation shall be mutilated, destroyed, lost or stolen, the Registrar upon receipt of a written request in the form specified by the Registrar, shall cause the reprinting and delivery of the Registry Confirmation to the relevant Bondholder, subject to applicable fees.

**30 CHANGE OF TRUSTEE BY
THE BONDHOLDERS**

- (a) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Bank of the required evidence under the provisions on Evidence
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Supporting the Action of the Bondholders in the Terms and Conditions of the Bonds.

- (b) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any provisions of the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Indenture; provided however that, until such successor trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor trustee promptly upon the appointment thereof by the Bank; provided finally that, such successor trustee possesses all the qualifications as required by pertinent laws.

**31 REPORTS TO THE
BONDHOLDERS**

- (a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:
 - (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and
 - (ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.
- (b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10.00%) of the aggregate outstanding principal amount of the Bonds at such time.
- (c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:
 - (i) Program Agreement
 - (ii) Trust Indenture
 - (iii) Master Registry and Paying Agency Agreement
 - (iv) Articles of Incorporation and By-Laws of the Bank
 - (v) Copies of the Bank's most recent audited financial statements;
 - (vi) A copy of the Offering Circular;

- (vii) The relevant Pricing Supplement;
- (viii) The relevant Issue Management and Placement Agreement; and
- (ix) any other supplement to the Offering Circular.

32 MEETINGS OF THE BONDHOLDERS

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Bank and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Bank within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Bank, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Bank or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

- (i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Bank or by the Bondholders, in which case the Bank or the Bondholders calling the meeting, as the case may

be, shall in like manner move for the election of the chairman and secretary of the meeting.

- (ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Right

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 34 (Amendments), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Bank as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

**33 EVIDENCE SUPPORTING
THE ACTION OF THE
BONDHOLDERS**

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in

accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

34 AMENDMENTS

The Bank and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

- (a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on the Bonds;
- (c) reduce the principal of or extend the Maturity Date;
- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (e) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which the Bonds may be redeemed;
- (f) make the Bonds payable in money other than that stated in the Bonds;
- (g) subordinate the Bonds to any other obligation of the Bank;
- (h) amend or modify the Payment, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or
- (i) make any change or waiver of this Condition.

Moreover, the Bank and the Trustee may amend or waive any provisions of the Contracts if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified after such amendment or waiver.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Bondholders.

Any amendment of these Terms and Conditions is subject to the Governing Regulations.

35 NOTICES

Any communication shall be given by letter, fax, electronic mail (e-mail) or telephone, and shall be given, in the case of notices to the Bank, to it at:

BANK OF THE PHILIPPINE ISLANDS

16th Floor Ayala North Exchange Tower One
6796 Ayala Avenue corner Salcedo Street
Makati City 1229, Philippines
Telephone no.: (632) 8845 5944
Fax no.: (632) 8816 9109
E-mail: investorrelations@bpi.com.ph
Attention: Maria Consuelo A. Lukban
Head of Corporate Strategy, Investor Relations
and Sustainability

in the case of notices to the Registrar and Paying Agent, to it at:

PHILIPPINE DEPOSITORY & TRUST CORP.

29th Floor, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City,
Metro Manila, Philippines
Telephone no.: (632) 8884 4425
Fax no.: (63) 8757 6025
E-mail: josephine.delacruz@pds.com.ph
Attention: Josephine F. Dela Cruz
Director, Securities Services

in the case of notices to the Trustee, to it at:

**DEVELOPMENT BANK OF THE PHILIPPINES –
TRUST BANKING GROUP**

4/F, DBP Head Office Building,
Sen. Gil J. Puyat Ave. corner Makati Ave.
Makati City, Metro Manila
Telephone no.: (632) 8818 9511 local 3408
E-mail: mfsmagtibay@dbp.ph
Attention : Ma. Felicia S. Magtibay
SAVP & Head, Trust Marketing Department

and in the case of notices to the Joint Lead Arranger, to them at:

BPI CAPITAL CORPORATION

11/F Ayala North Exchange Building
6796 Ayala Avenue corner Salcedo Street
Makati City, Philippines 1229
Telephone no.: (632) 8246 5141
Fax no.: (632) 8246 6012
E-mail: fljardeleza@bpi.com.ph
Attention: Francis L. Jardeleza
COO, Director

And in the case of notices to the Bondholders, through publication in two (2) newspapers of general circulation in Metro Manila (one of which shall be the Philippine Daily Inquirer) once a week for two (2) consecutive weeks; or any other address to or mode of service by

	which written notice has been given to the parties in accordance with this Condition. Such communications will take effect, in the case of a letter, when delivered or, in the case of fax, when dispatched, provided that any communication by fax shall not take effect until 10:00 a.m. on the immediately succeeding Business Day in the place of the recipient, if such communication is received after 5:00 p.m. on a Business Day or is otherwise received on a day which is not a Business Day. Communications not by letter shall be confirmed by letter but failure to send or receive the letter of confirmation shall not invalidate the original communication.
36 GOVERNING LAW	These Terms and Conditions shall be governed by and construed in accordance with the laws of the Republic of the Philippines.
37 JURISDICTION	The courts of Makati City are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and these Terms and Conditions and accordingly, any legal action or proceedings arising out of or in connection with the Bonds or these Terms and Conditions (Proceedings) may be brought only in such courts. The Bank irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
38 NON-WAIVER	The failure of any party at any time or times to require the performance by the other of any provision of the Bonds or these Terms and Conditions shall not affect the right of such party to require the performance of that or any other provisions and the waiver by any party of a breach under these Terms and Conditions shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself or a waiver of any right under these Terms and Conditions. The remedies herein provided are cumulative in nature and not exclusive of any remedies provided by law.
39 ABILITY TO FILE SUIT	Nothing herein shall be deemed to create a partnership or collective venture between the Bondholders. Each Bondholder shall be entitled, at its option, to take independent measures with respect to its obligations and rights and privileges under these Terms and Conditions, and it shall not be necessary for the other Bondholders to be joined as a party in any judicial or other proceeding for such purpose.
40 SEVERABILITY	If any provision hereunder becomes invalid, illegal or unenforceable under any law, the validity, legality and enforceability of the remaining provisions of these Terms and Conditions shall not be affected or impaired. The parties agree to replace any invalid provision which most closely approximate the intent and effect of the illegal, invalid or enforceable provision.
41 PRESCRIPTION	Any action upon the Bonds shall prescribe in ten (10) years from the time the right of action accrues.

**42 WAIVER OF
PREFERENCE OR
PRIORITY**

In the event that a primary obligation for payment shall arise out of the Contracts, such as to constitute any of the Contracts as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under such Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Bank. Accordingly, whatever priorities or preferences that such Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as at 30 September 2022. This table should be read in conjunction with the Bank's reviewed condensed consolidated financial statements as of 30 September 2022 and the notes presented elsewhere herein.

	As of 30 September 2022 Actual (₱ millions)
Short-term liabilities	
Deposit liabilities	1,210,200
Derivative liabilities	9,649
Bills payable	37,413
Due to BSP and other banks	4,375
Manager's checks and demand drafts outstanding	7,517
Accrued taxes, interest and other expenses	9,174
Liabilities attributable to insurance operations	8,848
Deferred credits and other liabilities	43,879
Total short-term liabilities	1,331,055
Long-term liabilities	
Deposit liabilities	823,734
Derivative liabilities	-
Bills payable	46,742
Liabilities attributable to insurance operations	4,377
Deferred credits and other liabilities	6,926
Total long-term liabilities	881,779
Total liabilities	2,212,834
Capitalisation	
Capital stock	49,193
Paid-in surplus	104,074
Treasury Shares	(33,043)
Reserves	663
Surplus	206,789
Accumulated other comprehensive loss	(14,303)
Non-controlling interests	2,016
Total capital funds	315,389
Total capitalisation and indebtedness	2,528,223
 Capital Ratios⁽¹⁾	
Common Equity Tier 1 ratio	15.89%
Tier 1 capital ratio	15.89%
Total capital ratio	16.78%

Note:

(1) Calculated based on BSP Circular No. 781—Basel III Implementing Guidelines on Minimum Capital Requirements.

SELECTED STATISTICAL DATA

The following reviewed information should be read together with the Bank's consolidated financial statements included in this Offering Circular as well as the section on "Risk Management". All amounts presented in this section except for Average Daily Balance and Average Yield/Cost have been prepared in accordance with PFRS/PAS/PSRE.

Average Statements of Condition and Related Interest

The tables below present the average statements of condition together with the related interest revenue and expense amounts for interest-bearing assets and interest-bearing liabilities, resulting in the presentation of the average yields and costs for each period. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	For the years ended 31 December								
	2019			2020			2021		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(P millions, except percentages)								
Due from other banks	225,001	544	0.24	258,057	450	0.17	270,746	1,572	0.58
Interbank loans receivables and securities purchased under agreements to resell	29,057	1,178	4.05	28,600	1,494	5.22	37,643	384	1.02
Financial investments	369,862	12,709	3.44	386,489	12,052	3.12	430,739	10,436	2.42
Loans and advances	1,333,541	86,056	6.45	1,397,170	82,312	5.89	1,366,920	72,225	5.28
Total interest-earning assets	1,957,461	100,487	5.13	2,070,316	96,308	4.65	2,106,049	84,617	4.02
Deposit liabilities	1,608,167	28,874	1.80	1,696,994	18,986	1.13	1,733,232	10,168	0.59
Derivative instruments: Subordinated debt, bills payable, and other borrowings	125,590	6,038	4.81	132,398	5,058	3.82	121,622	4,866	4.00
Total interest-bearing liabilities	1,733,756	34,912	2.01	1,829,392	24,044	1.32	1,854,854	15,034	0.81

	For the nine months ended 30 September					
	2021			2022		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(P millions, except percentages)					
Due from other banks	253,352	984	0.52	264,384	497	0.25
Interbank loans receivables and securities purchased under agreements to resell	37,183	278	1.00	28,485	435	2.04
Financial investments	419,624	7,505	2.39	533,667	12,203	3.06
Loans and advances	1,359,509	53,836	5.29	1,507,166	60,069	5.33
Total interest-earning assets	2,069,668	62,603	4.04	2,333,702	73,204	4.19
Deposit liabilities	1,686,781	7,494	0.59	1,977,966	8,980	0.61
Derivative instruments: Subordinated debt, bills payable, and other borrowings	131,744	3,941	4.00	89,919	2,578	3.83
Total interest-bearing liabilities	1,818,525	11,435	0.84	2,067,885	11,558	0.75

Analysis of Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The following tables provides an analysis of changes in interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the year ended 31 December 2020 compared to the year ended 31 December 2010, for the year ended 31 December 2021 compared to the year ended 31 December 2020 and for the nine months ended 30 September 2022 compared to the nine months ended 30 September 2021. Volume and rate variances have been calculated on the movement in average daily balances and the change in the interest rates on average interest earning assets and average interest-bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended 31 December 2019 compared to the year ended 31 December 2020			For the year ended 31 December 2020 compared to the year ended 31 December 2021		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	(P millions)					
Interest income on:						
Financial investments	(657)	16,628	(0.32)	(1,616)	44,250	(0.70)
Loans and advances	(3,744)	63,629	(0.56)	(10,087)	(30,249)	(0.61)
Deposits with BSP and other banks	222	32,598	0.00	12	21,732	(0.04)
Interest expense on:						
Deposits	(9,888)	78,614	(0.67)	(8,818)	46,451	(0.54)
Bills payable and other borrowings	(980)	6,808	(0.99)	(192)	(10,775)	0.18
Net interest income	6,689	27,432	0.21	(2,681)	57	(0.12)

	For the nine months ended 30 September 2021 compared to the nine months ended 30 September 2022		
	Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate
	(P millions)		
Interest income on:			
Financial investments	4,698	114,043	0.67
Loans and advances	6,233	147,657	0.03
Deposits with BSP and other banks	(330)	2,334	(0.16)
Interest expense on:			
Deposits	1,486	291,185	20.01
Bills payable and other borrowings	(1,363)	(41,825)	(0.17)
Net interest income	10,478	14,675	0.24

DESCRIPTION OF THE BANK

Overview

The Bank is a Philippine-based universal bank with an expanded banking license. Together with its subsidiaries, the Bank offers a wide range of financial services that include corporate banking, consumer banking, consumer lending, investment banking, asset management, securities distribution, insurance services and leasing. Such services are offered to a wide range of customers, including multinationals, government entities, large corporates, small-and-medium-sized enterprises (SMEs) and individuals.

According to data available from the *Bangko Sentral ng Pilipinas* (BSP, the central bank of the Philippines), the Bank is the third largest universal bank in the country in terms of total assets which stood at ₱2.53 trillion as of 30 September 2022. The Bank also holds a significant market share in the deposit, lending, and asset management markets. According to industry data on Philippine publicly listed banks, the Bank is the Philippines' second largest in terms of gross customer loans and assets under management, with market shares of 14.6% and 18.0%, respectively, and third largest in terms of deposits at 12.2% as of 30 September 2022. The Bank also enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution and foreign exchange business. It is also a market leader in electronic banking where it has been a first mover and innovator in the use of automated teller machines (ATMs), cash acceptance machines (CAMs), point-of-sale debit systems, kiosk banking, phone banking, internet banking and mobile banking.

As of 31 December 2019, 2020 and 2021 and 30 September 2022, the Bank had a network of 1,170, 1,176, 1,179 and 1,181 branches (which include full-service branches, express banking centres (EBCs) and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,181 branches, as of 30 September 2022, 1,178 branches were located in the Philippines, of which 869 were BPI branches and 309 were BPI Direct BanKo branches and branch-lite units. In terms of geographic distribution (excluding BPI Direct BanKo), 458 of the branches were located in Metro Manila, 242 were in Luzon (excluding Metro Manila), 101 were in Visayas, and 68 were in Mindanao. The Bank also provides 24-hour banking services through its call centre and network of 1,741 ATMs and 336 CAMs as of 30 September 2022, the second largest network owned by a single bank in the Philippines, with such ATMs and CAMs being located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's overseas network includes one banking location in Hong Kong and two in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. The Bank has three remittance centres in Hong Kong and maintains over 140 remittance tie-ups and correspondent relationships with over 60 accounts with 30 banks and financial institutions globally.

Over the past three years, the Bank has enjoyed recognition from various prestigious award-giving bodies. In 2020, the Bank was named "Best Bank in the Philippines" by Euromoney, "Best Sustainable Bank in the Philippines" by FinanceAsia, and "Best Trade Finance Bank" by as many as three publications—Global Finance, Global Business Outlook, and Alpha Southeast Asia. In 2021, it garnered the award for "Best SME Bank in the Philippines" from Alpha Southeast Asia and Global Finance. In both 2021 and 2022, BPI was again named the "Best Sustainable Bank in the Philippines" by FinanceAsia, and in those back-to-back years was also recognized as the Philippines' Best Bank for Corporate Social Responsibility by Asiamoney. In 2022, Asiamoney also honored the Bank as the "Philippines' Best Domestic Bank" while Euromoney ranked BPI as a "Market Leader" in the Philippines for Corporate Banking, CSR, ESG (Environmental, Social, and Governance), Investment Banking, and SME Banking.

The Bank's consolidated common equity tier 1 (CET1) ratio stood at 15.89% while capital adequacy ratio (CAR) stood at 16.78%, as of 30 September 2022. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 30 September 2022, the Bank had a market capitalisation on the Philippine Stock Exchange (PSE) of ₱403.9 billion (based on the closing price on the PSE of ₱89.50 per share on 30 September 2022). The Bank's significant shareholders include Ayala Corporation (Ayala), one of the Philippines' oldest and largest conglomerates, Liontide Holdings, Inc., and the Roman Catholic Archbishop of Manila.

History

The Bank was established in 1851 in the Philippines (then a Spanish colony) as *Banco Español Filipino de Isabel II*, by decree of the Governor General of the Philippines. The Bank was the first bank to be formed in the Philippines and fulfilled many functions of a central bank, including providing credit to the treasury and issuing currency under its own name. Following the Spanish-American War of 1898, the Bank reorganised pursuant to

Description of the Bank

the National Bank Act of the United States, officially adopting its current name in January 1912. As part of this reorganisation, the Government privatised the Bank, renouncing its rights to appoint the Bank's management or receive credit lines, but preserved the Bank's authority to issue the Philippine currency.

The Bank's founding shareholders were mainly various charities and endowments associated with the Catholic Church. Its directors were government officials and prominent businesspersons, including Antonio de Ayala, a partner of a predecessor firm of today's Ayala. In 1969, Ayala became the Bank's largest shareholder. In 1974, People's Bank and Trust Company, a bank in which Ayala also had a significant interest, merged with the Bank. As part of the merger, Morgan Guaranty Trust Company of New York acquired a 20% stake in the Bank, which it sold to DBS Group Holdings Limited of Singapore (**DBS**) in 1999. In 2013, Liontide Holdings completed its acquisition of DBS's 20% stake in the Bank. The Bank's capital raise in May 2018 was its third equity capital raising exercise since 2010 and was supported by Ayala Corp

The Bank was for many years the only domestic commercial bank in the Philippines. Originally, its business was largely focused on deposit taking and extending credit to exporters and local traders of raw materials and commodities, such as sugar, tobacco, coffee, and indigo, as well as funding public infrastructure projects. Its business developed throughout the late 1800's as the economy and the prominence of the Philippines as an exporter developed.

In keeping with the regulatory model set by the United States Glass Steagall Act of 1932 (separating commercial banking and investment banking), the Bank operated for many years as a private commercial bank. In the early 1980s, the Monetary Board of the Central Bank of the Philippines (now the BSP) allowed the Bank to evolve into a fully diversified universal bank, with activities encompassing traditional commercial banking, investment and consumer banking. This transformation into a universal bank was accomplished through both organic growth and mergers and acquisitions, with BPI acquiring an investment house, a stock brokerage company, a leasing company, a savings bank, a retail finance company and bancassurance joint ventures.

Recent Developments

In May 2022, the Bank announced the shift to a dividend policy based on a dividend payout ratio of 35% to 50% of previous year's earnings and the distribution of ₱1.06 dividend per share for the first semester of 2022, up ₱0.16 or 17.8% from the same period last year. This dividend policy replaces the fixed ₱0.90 dividend per share per semester paid by the Bank in prior years.

On 18 May 2022, the Board of Directors of the Bank approved the issuance of up to ₱100.0 billion in peso-denominated bank bonds and commercial papers under a new PHP Bond and Commercial Paper Program following full utilization of the Bank's Bank Bond program previously established in 2019. Actual issuance of bonds and commercial papers under the Program shall be subject to market conditions and shall be determined by requirements of the Bank's business.

The objective of the Program is to diversify the Bank's funding sources and support, when possible, the Bank's sustainability strategy.

On 16 March 2022, the Bank disclosed that the Board of Directors approved the amendment of Article Seventh of the Bank's Articles of Incorporation to decrease its authorized capital stock by retiring 406,179,276 common shares previously issued and recorded as treasury shares pursuant to the Bank's merger with BFSB. On 28 April 2022, the Bank disclosed that stockholders representing at least two-thirds of the outstanding shares of the Bank approved said amendment of Article Seventh, subject to regulatory approvals. On 29 September 2022, the Bank was informed that its request for approval was not favorably endorsed by the BSP in view of their opinion that retirement of treasury shares cannot be considered as sale or disposition of shares in accordance with Section 10 of Republic Act No.8791 (**The General Banking Law of 2000**). In this regard, the proposed decrease of authorized capital stock by retirement of the 406,179,276 treasury shares will no longer be pursued by the Bank.

During its special meeting held on 30 September 2022, the Board of Directors of the Bank approved the proposed merger between BPI and RBC with BPI as the surviving bank, and the amendments to the Bank's Articles of Incorporation, both matters being subject to shareholders and regulatory approvals, and, in connection thereto, the Board likewise approved the following:

Description of the Bank

- a. The execution of a merger agreement of BPI and RBC, among BPI, RBC and JG Summit Capital Services Corp. and Robinsons Retail Holdings, Inc. as the RBC Shareholders (the **Merger Agreement**);
- b. The execution of the Plan of Merger and Articles of Merger by and between BPI and RBC, with BPI as the surviving bank;
- c. Designation of certain authorized signatories and representatives to give effect to the aforementioned resolutions; and
- d. Calling for a special stockholders' meeting.

The proposed merger is a statutory merger pursuant to Title IX of the Revised Corporation Code and Section 40(C)(2) of the National Internal Revenue Code, i.e. merger with the issuance of primary shares. Upon the effectivity of the proposed merger after receipt of all necessary corporate and regulatory approvals, BPI shall issue to the shareholders of RBC such number of primary BPI common shares equivalent to approximately 6% of the resulting outstanding capital stock of BPI and in exchange, BPI will absorb the net assets of RBC. The merger is subject to conditions precedent including obtaining the approvals of the shareholders' and regulatory approvals.

In addition to the foregoing, the Board likewise approved the amendment to Article SEVENTH of the Articles of Incorporation of BPI to:

- a. Increase BPI's Authorized Capital Stock in the amount of Four Billion Pesos (₱4,000,000,000.00) or from Fifty Billion Six Hundred Million Pesos (₱50,600,000,000.00) to Fifty Four Billion Six Hundred Million Pesos (₱54,600,000,000.00) divided into Common Stock consisting of Five Billion Four Hundred Million (5,400,000,000) shares with a par value of Ten Pesos (₱10.00) per share and Preferred Stock consisting of Sixty Million (60,000,000) Preferred "A" shares with a par value of Ten Pesos (₱10.00) per share;
- b. Combine the allocation of authorized common shares for Executive Stock Option Plan and Stock Purchase Plan into a 3% allocation for all employee stock incentive plans; and
- c. Deny the pre-emptive rights over the Four Hundred Six Million One Hundred Seventy-Nine Thousand Two Hundred Seventy-Six (406,179,276) treasury shares which shall be disposed of by BPI in accordance with Republic Act No. 8791, otherwise known as the General Banking Law of 2000.

On the same day, the Bank entered into the Merger Agreement with RBC and the RBC Shareholders.

The Board of Directors of the Bank in its meeting on 14 December 2022 approved the issuance to the shareholders of RBC of such number of the Bank common shares, but in no case more than 318,912,309, as would result to the RBC shareholders collectively holding approximately 6% of the resulting outstanding common stock of the Bank as of the closing date, pursuant to the merger.

On 04 January 2023, it was reported that some CAM deposits and ATM, POS, and e-commerce debit transactions concerning BPI, performed from December 30 to 31, 2022, were erroneously posted twice. BPI has taken measures to resolve the issue and assure its clients that their accounts are safe and secure. Within the day of such reports, BPI's systems had corrected the duplicate transactions. The Bank's web and mobile app platforms have since been fully operational and accessible. These developments have caused no material impact on the Bank's business, financial condition, and operations. BPI has advised the BSP of successful resolution of the issue. As of the date of this Offering Circular, BPI has received no further instruction regarding the issue from the BSP.

Mergers, Acquisitions, Offers and Recent Milestones

Recent History

For many years after its founding, BPI was the only domestic commercial bank in the Philippines. BPI's business was largely focused on deposit taking and extending credit to exporters and local traders of raw materials and commodities, such as sugar, tobacco, coffee, and indigo, as well as funding public infrastructure. In keeping with the regulatory model set by the Glass Steagall Act of 1932, the Bank operated for many years as a private commercial bank. In the early 1980s, the Monetary Board of the Central Bank of the Philippines (now the **Bangko Sentral ng Pilipinas, or BSP**) allowed BPI to evolve into a fully diversified universal bank, with activities encompassing traditional commercial banking as well as investment and consumer banking. This transformation into a universal bank was accomplished through both organic growth and mergers and acquisitions, with BPI absorbing an investment house, a stock brokerage, a leasing company, a savings bank, a retail finance company, and bancassurance platforms.

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BPI consummated three bank mergers since the late 1990s. In 1996, it merged with City Trust Banking Corp., the retail banking arm of Citibank in the Philippines, which enhanced its franchise in consumer banking. In 2000, BPI acquired Far East Bank & Trust Company (**FEBTC**), then the largest banking merger in the Philippines. This merger established BPI's dominance in asset management and trust services and branch banking; furthermore, it enhanced the Bank's penetration of middle market clients. In 2000, BPI also formalized its acquisition of major insurance companies in the life, non-life and reinsurance fields. In 2005, BPI acquired and merged with Prudential Bank, a medium sized bank with a clientele of middle market entrepreneurs.

In 2011, BPI became the first bank in the Philippines to acquire the trust business of a foreign bank when it purchased the trust and investment management business of ING Bank N.V. Manila.

In 2014, BPI completed a strategic partnership with Century Tokyo Leasing Corp., one of the largest leasing companies in Japan, to form BPI Century Tokyo Lease & Finance Corp., with BPI retaining 51% of ownership. This strategic partnership is expected to help BPI innovate in asset financing products and enhance the service experience of an expanding base of Philippine consumers and corporations seeking asset leasing and rental solutions.

In 2015, BPI completed another strategic partnership with Global Payments (**GPN**), an Atlanta-based, NYSE-listed provider of international payment services. By combining its merchant acquiring network with that of GPN, BPI stands to provide enhanced services to its card customers, as well as to its merchant clients. The partnership with GPN remained 49% owned by BPI. In August 2016, BPI acquired a 10% minority stake in Rizal Bank Inc. (**RBI**), a member institution of Center for Agriculture and Rural Development Mutually Reinforcing Institutions (**CARD MRI**), a group of social development organizations that specialize in microfinance.

Effective 20 September 2016, BPI has taken full control over BPI Globe BanKO, Inc. after acquiring the 20% and 40% stake of Ayala Corporation and Globe Telecom, respectively. On 29 December 2016, the Securities and Exchange Commission approved change of the corporate name to BPI Direct BanKo, Inc., A Savings Bank, after BPI Direct absorbed the entire assets and liabilities of BanKO.

Also on 29 December 2016, BPI successfully spun off its BPI Asset Management and Trust Group (**BPI AMTG**) to a Stand-Alone Trust Corporation (**SATC**) named BPI Asset Management and Trust Corp. (**BPI AMTC**). BPI AMTC officially commenced its operations on 01 February 2017.

BPI evolved to its present position as a leader in Philippine banking through a continuous process of improving its array of products and services, while maintaining a balanced and diversified risk profile that helped reinforce the stability of its earnings.

Business Milestones (2019-2021)

On 20 November 2019, BPI Investment Management Inc. (**BIMI**), a wholly owned subsidiary of BPI, and PhilAm Asset Management, Inc. (**PAMI**) first announced the agreement to transfer the management of funds. Effective 29 January 2020, BIMI assumed the management and distribution of nine mutual funds previously managed by PAMI.

Also, in November 2020, the Bank announced that Tokyo Century Corporation (**TCC**) has decided to acquire an additional 2% of the issued shares of BPI Century Tokyo Lease & Finance Corp (**BPI CTL**), which will increase their equity stake to 51%.

In December 2021, the Securities and Exchange Commission approved the merger of BPI and its wholly-owned subsidiary BPI Family Savings Bank, Inc. with BPI as surviving entity effective 01 January 2022

During its special meeting held on 30 September 2022, the Board of Directors of the Bank approved the proposed merger between BPI and RBC with BPI as the surviving bank, and the amendments to the Bank's Articles of Incorporation, both matters being subject to shareholders and regulatory approvals. The merger, which the parties hope to complete before the end of 2023, will increase shareholder value by:

- Growing the asset, deposit and client base
- Leveraging on RBC's strong loan and deposit growth which exceed industry averages

- Expanding the synergies across products and services platforms

Competitive Strengths

Over the course of its long history, BPI believes it has established a preeminent franchise that embodies financial strength and prudent risk management. The Bank believes that it is one of the best-equipped banks to deal with any downturn, be it in the financial sector or in the domestic or global economies. The Bank's well-established reputation is anchored on the following key strengths:

Preeminent banking brand in the Philippines

With over 170 years of operations, the Bank has a deep-rooted history and has succeeded to be one of the Philippines' most trusted and widely-recognised brands in the financial services industry. Established on 1 August 1851 as "El Banco Español Filipino de Isabel II", the Bank is the oldest operating Bank in the Philippines. The Bank's shareholder base includes some of the most prominent companies domestically and internationally such as the Ayala Group, one of the oldest and largest conglomerates in the Philippines, Liontide Holdings, Inc., and the Roman Catholic Archbishop of Manila, Inc.

Through the years, the Bank has maintained long-standing relationships with the largest domestic and multinational corporates in the country, providing comprehensive financial services from traditional lending, payroll services, cash management, and foreign exchange, to financial advisory, capital markets, and insurance.

The strength of the Bank's brand is validated by its growing client base, which grew 67% in 10 years to 8.46 million as of end-December 2021. As further testament to the Bank's brand, various Industry agencies have awarded and affirmed the Bank's best-in-class financial and operating metrics. The Bank has maintained industry-leading profitability and price-to-book that is the highest among listed banks during the COVID-19 pandemic.

In 2022, all three major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In May 2022, Fitch affirmed its Long-term Issuer Default Rating of "BBB-" (investment grade). In July 2022, Moody's affirmed its Baseline Credit Assessment of "Baa2" which is one notch above investment grade. Most recently, in September 2022, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" which is two notches above investment grade (same as the agency's rating for the Philippine Sovereign).

In addition, BPI garnered among the highest scores between Philippine banks in the 2022 Environmental, Social, and Governance Ratings (**ESG Ratings**) of MSCI, S&P Global, and Sustainalytics. ESG Ratings generally measure a company's performance in initiatives and risk management practices related to environmental protection, social responsibility, and good governance. As of November 2022, MSCI gave the Bank a rating of BB (best possible rating: AAA) while S&P Global gave the Bank a rating of 47 (best possible rating: 100). Following an inverted rating scale, Sustainalytics gave the Bank a rating of 29.3 (best possible rating: 0).

Strong track record of profitability and cost management

Historically, the Bank has been known as one of the most cost-efficient banks with the lowest operating leverage in the industry. As of 30 September 2022, its cost-to-income ratio stood at 45.8% and its cost-to-assets ratio at 2.2%, one of the lowest among Philippine banks based on publicly available financial data. The Bank's cost discipline coupled with its investments in its digital platforms have allowed it to maintain its cost leadership, remain resilient through downturns, and continuously improve productivity and cost-efficiency through the years.

Coupled with its strong income generating capabilities and deposit franchise, the Bank's cost-leadership has allowed it to produce industry leading returns for its equity holders. As of 30 September 2022, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 13.7% and 1.7% respectively, one of the highest in the Philippine Banking industry according to BSP data.

Moreover, the Bank has maintained a strong track record of profitability and has consistently created shareholder value by consistently generating earnings for its shareholders, annually, for the past 20 years.

Well-capitalised with sufficient liquidity

Description of the Bank

As of 30 September 2022, the Bank's Common Equity Tier 1 Ratio (**CET1**) of 15.89% and Capital Adequacy Ratio (**CAR**) of 16.78%, were both well above regulatory requirements. The Bank believes these ratios are ahead of most banks in the Philippines and comfortably above the BSP's minimum CET1 ratio and CAR of 6% and 10%, respectively.

The Bank believes that its strong capital base, which primarily consists of common equity, provides sufficient protection to the Bank's current and prospective creditors. The Bank's strong capital base, coupled with its deposit franchise, have also allowed it to limit reliance on debt funding and to maintain comparatively low leverage levels as compared to other banks with its debt/total liabilities, as of 30 September 2022, at 3.8% (calculated as bonds issuances and bills payable over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 203.14% and leverage ratio at 10.98% as of 30 September 2022, which are well above the minimum prescribed ratios of 100% and 5%, respectively, set by the BSP.

Through the years, the Bank has proven its ability to weather economic downturns and benefit from investors' flight to quality.

High quality and diversified asset base driven by prudent risk management

As of 30 September 2022, 77% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From 2017-2021, the Bank's loan growth has primarily been driven by large corporate loans, which grew at a compound annual growth rate (**CAGR**) of 9.0% for that period, as compared to the Bank's retail loans, which grew by 6.4% over the same period. The Bank likewise registered a loan growth of 15.2% year-on-year as of 30 September 2022.

The Bank's strong risk management framework coupled with its prudent approach to growth has allowed it to significantly improve its asset quality metrics, with gross 90-day non-performing loan (**NPL**) ratios declining from 3.11% as of 31 December 2010 to 1.7% as of 31 December 2019, and NPL coverage increasing from 82.3% as of 31 December 2010 to 102.1% as of 31 December 2019. The ratios, however significantly increased in 2020 to 2.68% and 115.2%, respectively due to a challenging economic environment brought about by the COVID-19 pandemic. In 2021, asset quality remained resilient. The Bank's NPL level turned out better than initially expected, and better than industry average. As of 31 December 2021, NPL ratio slowed down to 2.5% vs system-wide average of 4.12%, with NPL coverage ratio at 136.1%. Asset quality continued to improve with NPL ratio at 1.9% and NPL coverage ratio at 176.4% as of 30 September 2022.

BPI was the first Philippine Bank to receive an Asia Risk Award in 2014, being awarded the "House of the Year – Philippines' Risk Management Award", which the Bank was awarded again in 2018. In 2019, BPI was recognized as the 2019 ASEAN Risk Champion by the Enterprise Risk Management Academy (**ERMA**), becoming the first Philippine bank to win the said award. With the Bank's comprehensive risk management framework and continuous efforts to enhance its risk management activities, BPI was recognized in the 2020 Asia Risk Awards by Risk.Net, winning "House of the Year- Philippines" (for the third time) and "Bank Risk Manager of the Year" for the Bank's CRO in recognition of sound risk management leadership.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, wholesale and retail, utilities and financial intermediaries, among others. BPI extends loans to several sectors in the Philippines. As of 30 September 2022, BPI's exposure to the real estate sector accounted for 23.7% of the Bank's total loan portfolio, whereas manufacturing accounted for 16.2%, wholesale and retail trade for 10.4%, consumer for 9.1%, financial institutions for 9.0%, and agriculture for 1.9%.

As of 30 September 2022, the Bank's top 20 clients comprised 38% of the Bank's loan book. Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3% of the Bank's loan book as of 30 September 2022.

Stable and diversified revenue sources

Despite the challenging environment brought by the COVID-19 pandemic, the Bank's Net Interest Income grew 10.2% to ₱72.26 billion in 2020 versus ₱65.58 billion in 2019. It declined however in 2021, ending at ₱69.58 billion as lower rate environment resulted in lower yields across most loan portfolios and treasury assets. This resulted in contraction in Net Interest Margin (**NIM**) by 19 bps from 3.49% to 3.30%.

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For January to September 2022, the Bank's Net Interest Income grew by 20.5% year-on-year to ₱61.6 billion on the back of continued loan growth and sustained expansion in average NIM for the year by 23 bps to 3.53%.

Over and above its core lending business, the Bank generates (i) trading income from securities and foreign exchange and (ii) fees and commission income from diversified businesses.

Over the years, the Bank's fee-based income, has remained as a stable source of income for the Bank. The Bank's fee generation is backed by strong performance of its largest businesses (i) asset management and trust business, which has assets under management at ₱997 billion as of 30 September 2022, (ii) credit card business, with 1.848 million credit cards in circulation as of 30 September 2022 based on data from the Credit Cards Association of the Philippines, and (iii) insurance joint ventures with Mitsumi Sumitomo Insurance Group for non-life insurance (BPI/MS Insurance Corporation), and BPI AIA Life Assurance Corporation (formerly BPI Philam Life Assurance, Corporation) for life insurance.

The Bank believes its sources of fee income are diversified and these sources will continue to provide a stable source of income that will complement income from its core deposit taking and lending businesses.

Stable funding base supported by its extensive physical and digital distribution network

The Bank's primary source of funding has been and is expected to always be its depositors. Deposits' share on the Bank's funding base averaged above 90% over the past five years.

The Bank has been successful in maintaining long-term relationships with its client base, with customer retention rate of 94.6% as of 30 September 2022.

While the cost of deposits is largely driven by interest rate movements, the Bank has kept its average cost of deposits relatively low by improving its CASA (i.e., demand and savings accounts) to deposits ratio over the past five years. As of end September 2022, CASA Ratio stood at 76.1%, a 14.9% improvement from its 31 December 2012 level of 61.2%. The Bank also believes that its CASA to deposit ratio is one of the highest in the Philippines. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity.

In 2020, the Bank tapped the debt capital markets three times, aggregating to ₱70.7 billion. All three issuances have been oversubscribed, reflecting investors' confidence in the Bank's credit strength. This includes the Bank's successful issuance of the BPI COVID-19 Action Response Bonds (**BPI CARE Bonds**) due 2022, the country's first peso-denominated bonds to be issued as a direct response to the COVID-19 pandemic. The proceeds of the CARE Bonds were used to finance and refinance eligible micro, small and medium enterprises under the Bank's Sustainable Finance Framework. The Philippine Securities and Exchange Commission has confirmed that the CARE Bonds qualify as Social Bonds under the ASEAN Social Bonds Standards of the country. In the third quarter of 2021, borrowings declined to bond maturities (maturity of ₱34 billion BPI bonds), thus, improving the Bank's funding cost. This was replaced by ₱27 billion in BPI bonds issued in January 2022.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,178 branch licences (which include full-service branches, express banking centres (**EBCs**), and branch-lite units (**BLUs**), as of 30 September 2022. The Bank's overseas network includes one banking location in Hong Kong and two in London, two representative offices and three remittance centres in Hong Kong. The Bank also maintains over 140 remittance tie-ups and correspondent relationships with over 60 accounts with 30 banks and financial institutions globally.

Increased digitalization allowed BPI to serve more clients and process more transactions with less branch footprint and a much leaner organization, with headcount declining by 14.4% from pre-pandemic level. Moreover, the merger with subsidiary BPI Family Savings Bank, Inc. (**BFSB**) with BPI as the surviving entity was approved by the regulators and took effect on 01 January 2022. This has allowed the Bank to optimize its branch footprint. As of 30 September 2022, the Bank co-located 109 branches and consolidated seven branches bringing the Bank's physical branch count to 753. More branches are scheduled for co-location and closure in 2022 as clients increasingly migrate their transactions to the Bank's digital platforms.

The Bank's branch network is supported by a network of 1,741 ATMs and 336 CAMs as of 30 September 2022, which together provide cash-related banking services to customers 24/7. The Bank's interconnection with Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also

Description of the Bank

gives the Bank's cardholders access to over 24,300 ATMs across the Philippines as of 30 September 2022. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank recently partnered with Euronet (Euronet Technology Services, Inc. (**ETSI**) in the Philippines) to manage end-to-end operations of 500 of its offsite machines, of which, 200 will continue to operate under the BPI brand. While the remaining 300 ATMs are integrated with Euronet's existing independent ATM network in the Philippines, BPI customers may continue to use these ATMs free of charge. The Bank will continue to own and operate the 2,077 ATMs and CAMs across the country. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

In December 2021, the merger with subsidiary BFSB with BPI as the surviving entity was approved by the regulators to take effect on 01 January 2022, allowing the Bank to seize and further optimize opportunities to enhance the quality of its customers' overall banking experience.

Over the next few years, the reinvention of the branch experience will play a crucial role in transforming its customer service.

Digital Transformation

The Bank's many years of investment in technology, and digitalization in particular, became readily apparent to BPI customers and the market in 2020-2021, as the lockdowns forced customers to transact via their mobile phones or their laptops/computers. Prior to the lockdowns, transactions executed via the Bank's electronic channels (mobile, laptop/computer, ATM, CAM) accounted for 85.2% of all transactions. At the height of the lockdowns, this percentage grew to 95.1%. As of 31 December 2021, with the lockdowns eased, this percentage was at 91.3%. While branch transactions still account for the bulk of the value of all of the Bank's transactions, it is believed that the percentage of branch transactions to total transactions will not return to pre-COVID levels. In fact, during the lockdowns, the Bank saw thousands of customers enrolling in its digital channels every week.

Moving to customers' digital propensity-growth in enrolled accounts and active users continue to be strong. As of 30 September 2022, out of BPI's 9.10 million client base, 5.6 million or 61% are enrolled in digital platforms while 3.8 million are active users, up 22% from the same period last year. As of 30 September 2022, active users' penetration rate stood at 42%, up from 38% in December 2021, and from 17% in 2016.

The Bank's objective is to make banking easier and more convenient for clients through its seven digital banking platforms. Each of these platforms is designed with a particular client segment in mind: the individuals; the affluent; self-employed micro entrepreneurs (**SEMEs**); Corporate; the broad market; High Net Worth (**HNW**), and small-and-medium-sized enterprises (**SMEs**). These platforms will allow clients to manage their finances from their smartphone or other online channels – from payments, loans, insurance, investment products and investment advisory for retail clients, to payroll management, collection and invoicing, and link to business communities for small/medium enterprises and corporate accounts.

The Bank's digital platforms that serve as robust support systems include **BizLink**, BPI's one-stop shop for the digital needs of the Bank's business and corporate clients, and **BizKo**, the Bank's all-on-one, subscription-based platform available via app and web that enables MSMEs to manage their business finances while also providing an integrated online system for invoicing and collection.

The designs aim to provide useful, easy to navigate and intuitive user-experience on aesthetically appealing platforms to maximize user interface, customer loyalty, and revenue generation.

The Bank has committed a significant amount of capital to deliver these seven platforms to address the changing customer needs and behaviors. The Bank's six platforms are already live, with the final platform currently undergoing development.

BPI's early investments in technology paved the way for it to be the most API-ready Bank. As of 31 December 2021, the Bank has a growing list of over 80 API-partners, which includes various e-wallets, utility providers, remittance centers, e-commerce platforms, and even government agencies.

GCash remains the Bank's top partner in open banking and the Bank continuously collaborates with GCash in providing various financial products and services such as:

- Mutual funds managed by BPI Investment Management Inc with the GInvest platform

Description of the Bank

- Auto Insurance of BPI/MS with the GInsure platform
- Partnership on client acquisition for our credit card and personal loan products
- Deposits products
- Loan products to be launched soon

Experienced Management and Strong Performance Culture

The qualification, diversity and independence of the Bank's Board of Directors is one of the important factors accounting for BPI's long-term growth and success. The Bank underscores diversity at the Board level in terms of skills and experience, age, gender, and the Bank places value in ESG (environment, social, governance) experience as an essential element of sound corporate governance, risk management, sustainable and balanced development, and effective business strategy.

The Bank believes it has a highly qualified and experienced management team, with significant experience and proven track records in the banking industry. The Bank's senior management (comprising of officers from the vice-president level) have an average tenure with the Bank of over 19 years. In addition, the Bank's executives and officers have a broad range of experience in their respective areas of banking and finance, with certain executives and officers acquiring international banking experience with some of the leading global financial institutions. The Bank has a succession plan to avoid significant disruptions caused by the loss of any members of senior management.

The Bank also fosters a strong performance culture by providing performance-based incentives such as employee stock option and stock purchase plans, and competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programs and activities from which employees benefit throughout the course of their careers with the Bank. These programs range from workshops for new hires to advanced leadership programs for officers as well as courses on financial advisory.

STRATEGIES

The pandemic heightened the rapidly changing banking environment, fundamentals, and economics, with shifts in consumer behavior and rise of new competitors and tech disruptors.

With this, BPI has set big strategic aspirations, founded on its analysis of the macro-outlook, competitive environment, regulatory landscape, stakeholder concerns, and other relevant factors, which will serve as guide in capturing new opportunities and managing risks.

These bold moves, supported by meaningful investment commitments to future proof competitive position and gain market share, are expected to cement the Bank as a choice investment, attractive to both domestic and offshore investors.

The Bank has set out the following strategies over the medium-term:

1. *Establish BPI as the undisputed digital leader in banking*

The Bank has embarked on digital transformation as early as 2016, via the BPI Digital 1.0, where it established a technology foundation for its digital aspirations – setting up a 24/7 cyber security operations center, upgrading core banking systems, and rebuilding digital infrastructure, including delayering of architecture.

In the near term, the Bank's immediate objective is to make banking easier and more convenient for clients through seven digital banking platforms.

1. BPI Online for retail clients
2. BPI Trade
3. BPI BanKo App for Self-Employed Micro-Entrepreneurs (SEMEs)
4. BPI BizKo for Small and Medium Enterprises (SMEs)
5. BPI BizLink for corporate clients

6. BPI Wallet Vybe for broader market
7. Platform for High Net Worth clients

Each platform is designed with a particular client segment in mind. These platforms will allow clients to manage their finances from their smartphone or other online channels – from payments, loans, insurance, investment products and investment advisory for retail clients, to payroll management, collection and invoicing, and link to business communities for small/medium enterprises and corporate accounts. The design aims to provide useful, easy to navigate and intuitive user-experience on aesthetically appealing platforms to maximize user interface, customer loyalty, and revenue generation.

Six platforms are already live, with the final platform currently undergoing development.

With its Application Programming Interface (**API**) components in place, BPI aims to be a pace setter for open banking in the Philippines, actively forming various fintech partnerships with groups ranging from e-wallets, utility providers, remittance centers, e-commerce platforms, and government agencies. It also has agile off-app capabilities, such as local remittance, quick pay, eGov, insurance, and electronic Auto-Debit Arrangements.

With the full support of its Board of Directors, BPI continues to commit a significant amount of capital to its digital transformation journey. These investments in technology not only sustain platform growth and modernize capabilities, but also allow broadening of the digital ecosystem and deepening of client relationships.

2. *Increase the share of SME and consumer loans in the loan book*

The Bank remains focused on re-balancing its loan mix by prudently accelerating growth in the higher-margin SME and consumer lending businesses. As the pandemic revealed the vulnerability of these sectors, BPI has taken an active role in supporting this segment's economic resurgence by continuing to lend to emerging winners and those with a clear path to recovery. This is in tandem with its objective to preserve a high-quality loan book while supporting customer needs.

The current environment also requires continued emphasis on managing risks by enhancing the credit process in the aspects of underwriting, monitoring, and collections, in consideration of the COVID-19 impact. BPI also monitors SMEs which need stronger financing support from banks due to the effects of COVID-19, at the same time, seeking to identify opportunities in other industries and sectors as a result of the change in economic behaviors post-crisis.

To date, the labor market has improved substantially since the onset of the pandemic and mobility restrictions have also been relaxed. The country's Unemployment Rate as of September 2022 improved to 5.0% compared to 8.9% as of September 2021. The economic recovery in 2021 through the present has been reflected in business volumes, clients' activities, and the Bank's profitability. Mortgage, credit cards, and microfinance loans have rebounded to pre-pandemic levels. These promising results have put BPI back on track in repositioning its loan portfolio mix in favor of SME and consumer loans.

The Bank also recognizes its integral role in the corporate space by helping Philippine conglomerates, large corporates, and multinational companies, as their main operating bank in the new normal. BPI strives to strengthen relationships with those bounce-back industries and companies, while evaluating what assistance can be provided to clients in pandemic-affected sectors.

3. *Close the gap in funding leadership*

The Bank's deposit base remains robust and, similar to previous crisis situations, the overall current account and savings account (**CASA**) has grown rather than diminished, as BPI has been generally considered a safe haven in times of crisis. The Bank proceeds with an invigorated focus on CASA deposit growth in the near-term, with the digitalization of platforms playing a big part in capturing new customers and deepening relationships with existing ones.

BPI's core banking system upgrade now allows for real-time versus batch processing of deposits, which increased efficiency of back-office operations that ensured smooth processing of client transactions.

Description of the Bank

The enhanced version of the BizLink platform empowers corporates with self-service solutions for cash management and bills payment, allowing the Bank to tap their financial ecosystem.

Meanwhile, the BPI online/mobile platform new-to-product (**NTP**) and new-to-bank (**NTB**) features allow clients an all-digital account opening experience, providing simplicity in sign-ups, and dispensing with the need for paper applications, in-person signatures, and visits to the branches. The unique onboarding process is able to detect potentially fraudulent IDs and customer identity, ensuring good quality customers. Even in the absence of promotion or a formal launch, 33,000 applications for NTB have already been processed so far. Since the launch of the NTB and NTP features, BPI has acquired around 120,000 new-to-bank clients and around 160,000 new-to-product accounts with the Bank's seamless, safe and fully digital onboarding process.

The Bank's microfinance arm, BPI Direct BanKo, also has its own mobile app, where self-employed micro-entrepreneur customers can avail of tailor-made deposit products. In May 2022, a digital deposit product in the BanKo app was launched, called TODO Savings, the Bank's answers to the high-yielding deposit products offered by digital banks. In addition to sending money to other banks, paying bills and buying load, clients can now open a digital savings account paying 4% per annum for up to ₱50,000.00 through the BanKo app.

The other part of the Bank's funding leadership also comes from optimizing its funding costs. The Bank continues to rationalize its deposit products and explore alternative sources of funding for its capital market maturities. Efficient balance sheet management also ensures prudent position taking, so that the Bank is poised to optimize opportunities in the market.

4. *Redefine the new role of branches*

BPI's digitalization journey provides opportunity to reassess its branches and operate with a leaner organization. With various mobility restrictions during the pandemic, the drop in branch foot traffic also provided an opportunity to fine-tune operations.

The Bank is redesigning and reinventing its branches to transform them from being places for transaction chores, such as withdrawals and deposits, to avenues for more high-value interactions that satisfy customers' more complex financial needs.

The aspiration is to transform them into "stores" where clients go to "buy" financial products and services, complemented by trusted advice. With varying customer preferences and needs, physical changes in the branches will also be customized depending on the unique preferences of the customers within certain clusters. There will be formats designed for high-net-worth corporate, retail, and a hybrid of clients.

The branch rationalization process is ongoing, with the co-location, consolidation, or relocation of select branches, following the merger of BPI and BFSB.

Upskilling and retraining of branch personnel is also underway as they are either redeployed elsewhere in the organization, or their branch role transitions from transactional processing to high-value activities, such as sales advisory. This is a step forward in the Bank's mission to deliver excellent customer service.

5. *Continue leading in sustainable banking*

Sustainability is an essential part of what the Bank stands for. Through the implementation of its Board-approved Sustainability Agenda, BPI has integrated ESG to its core business strategy, as supported by the pillars of Responsible Banking and Responsible Operations.

As of date, BPI continues to lead in financing projects on renewable energy, energy efficiency, green buildings, and sustainable agriculture through its Sustainable Development Finance (**SDF**) Program. Through the program, BPI has disbursed a total of ₱230 billion through 371 cumulative projects as of March 2022. BPI SDF Program is the new name of the BPI Sustainable Energy Finance (**SEF**) Program, the first formal financing initiative for sustainability projects in the Philippines.

From 2021 to 2022, BPI has continued to pioneer sustainable banking initiatives in the Philippines:

- First Philippine bank to give a time-bound coal commitment, as follows:
 - c. The Bank shall have no additional commitments to finance greenfield coal power generation projects; and

Description of the Bank

- d. Outstanding loans of the Bank to coal power generation shall be zeroed-out by 2032.
- First Philippine bank to finance the early decommissioning of coal power plants, via an Energy Transition Financing Facility (**ETFF**)
- First Philippine bank to sign up as a supporter of the Task Force on Climate Related Financial Disclosures (**TCFD**)
- First bank to perform a bank-wide Environmental Risk Assessment, where client assets, client collaterals, employee residences, bank branches, and bank machines are mapped vis-à-vis natural hazards such as earthquakes, flooding / typhoons, and volcanic eruptions
- BPI Iloilo Solis as the first EDGE-certified green bank branch in the Philippines
- Shift to renewable energy of BPI Buendia Center
- First to mandate sustainability training for all employees
- First to mandate sustainability to be part of all employees' key result areas

In addition, BPI has continued innovating on products and services targeting financial inclusion:

- NegosyoKo Lite: business loan with a ₱10,000.00 minimum loan, making financing more accessible for Self-Employed Micro-Entrepreneurs (**SEMEs**)
- MyBahay: housing loan with minimum downpayment and flexible loan terms, making home ownership more accessible for Filipinos

Following BPI's unique formula ESG + E₂, the Bank emphasizes how project success, profitability, and economic benefits (E₂) in ESG initiatives are key for true sustainability.

As a result of such various initiatives, BPI has reaped nine (9) sustainability-related awards in 2022 alone – the highest number among Philippine banks.

1. Best Sustainable Bank (Philippines), FinanceAsia Country Awards 2022
2. Financial Leadership in Sustaining Communities (Asia-Pacific), Global Finance Sustainable Finance Awards 2022
3. Best Bank for Sustainable Finance (Philippines), Global Finance Sustainable Finance Awards 2022
4. House Awards Service Providers APAC: ESG Solution, Corporate Treasurer Awards 2022
5. Market Leader in Environmental, Social, and Governance (**ESG**), Euromoney Market Leaders
6. Most Sustainable Bank (Philippines), International Business Magazine Awards 2022
7. Top Sustainability Advocates in Asia, Asia Corporate Excellence and Sustainability (**ACES**) Awards 2022
8. Sustainability Company the Year Circle of Excellence, Asia CEO Awards 2022
9. Sustainability Award for BPI's Sustainable Development Finance Program, Manila Bulletin

6. Customer Excellence

All the above imperatives center around the Bank's passion for the customer, as the Bank realizes there is still so much more it can do to improve customer service excellence.

In 2021, BPI rolled out simple action statements based on its core values, to emphasize the shift in mindset to one that revolves around customers, to keep them top-of-mind, and to look at things from their perspective. In 2022, the Bank has rolled out a concise version of its core values, one of which is to cultivate a culture of customer obsession to its over 18,300-strong workforce.

To drive this initiative on customer excellence, a Chief Customer Experience Officer has been appointed, with a dedicated team focused on improving customer experience, reviewing customer-related policies and processes and pushing the Bank's service culture. Various other platforms, such as social media chatbots and a 24/7 Help and Support portal to address customer concerns, were also introduced.

Recent Developments

In May 2022, the Bank announced a dividend policy based on a dividend payout ratio of 35% to 50% of previous year's earnings and the distribution of ₱1.06 dividend per share for the first semester of 2022, up ₱0.16 or 17.8% from the same period last year. This dividend policy replaces the fixed ₱0.90 dividend per share per semester paid by the Bank in prior years.

On 18 May 2022, the Board of Directors of the Bank approved the issuance of up to ₱100.0 billion in peso-denominated bank bonds and commercial papers under a new Peso Bond and Commercial Paper Program following full utilization of the Bank's Bond program previously established in 2019. Actual issuance of bonds

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and commercial papers under the Program shall be subject to market conditions and shall be determined by requirements of the Bank's business.

The objective of the Program is to diversify the Bank's funding sources and support, when possible, the Bank's sustainability strategy.

On 16 March 2022, the Bank disclosed that the Board of Directors approved the amendment of Article Seventh of the Bank's Articles of Incorporation to decrease its authorized capital stock by retiring 406,179,276 common shares previously issued and recorded as treasury shares pursuant to the Bank's merger with BFSB. On 28 April 2022, the Bank disclosed that stockholders representing at least two-thirds of the outstanding shares of the Bank approved said amendment of Article Seventh, subject to regulatory approvals. On 29 September 2022, the Bank was informed that its request for approval was not favorably endorsed by the BSP in view of their opinion that retirement of treasury shares cannot be considered as sale or disposition of shares in accordance with Section 10 of The General Banking Law. In this regard, the proposed decrease of authorized capital stock by retirement of the 406,179,276 treasury shares will no longer be pursued by the Bank.

During its special meeting held on 30 September 2022, the Board of Directors of the Bank approved the proposed merger between BPI and Robinsons Bank Corporation (**RBC**) with BPI as the surviving bank, and the amendments to the Bank's Articles of Incorporation, both matters being subject to shareholders' and regulatory approvals, and, in connection thereto, the Board likewise approved the following:

- a. The execution of a merger agreement of BPI and RBC, among BPI, RBC and JG Summit Capital Services Corp. and Robinsons Retail Holdings, Inc. as the RBC Shareholders (the **Merger Agreement**);
- b. The execution of the Plan of Merger and Articles of Merger by and between BPI and RBC, with BPI as the surviving bank;
- c. Designation of certain authorized signatories and representatives to give effect to the aforementioned resolutions; and
- d. Calling for a special stockholders' meeting.

The proposed merger is a statutory merger pursuant to Title IX of the Revised Corporation Code and Section 40(C)(2) of the National Internal Revenue Code, i.e. merger with the issuance of primary shares. Upon the effectivity of the proposed merger after receipt of all necessary corporate and regulatory approvals, BPI shall issue to the shareholders of RBC such number of primary BPI common shares equivalent to approximately 6% of the resulting outstanding capital stock of BPI and in exchange, BPI will absorb the net assets of RBC. The merger is subject to conditions precedent including obtaining the approvals of the shareholders' and regulatory approvals.

In addition to the foregoing, the Board likewise approved the amendment to Article SEVENTH of the Articles of Incorporation of BPI to:

- a. Increase BPI's Authorized Capital Stock in the amount of Four Billion Pesos (₱4,000,000,000.00) or from Fifty Billion Six Hundred Million Pesos (₱50,600,000,000.00) to Fifty Four Billion Six Hundred Million Pesos (₱54,600,000,000.00) divided into Common Stock consisting of Five Billion Four Hundred Million (5,400,000,000) shares with a par value of Ten Pesos (₱10.00) per share and Preferred Stock consisting of Sixty Million (60,000,000) Preferred "A" shares with a par value of Ten Pesos (₱10.00) per share;
- b. Combine the allocation of authorized common shares for Executive Stock Option Plan and Stock Purchase Plan into a 3% allocation for all employee stock incentive plans; and
- c. Deny the pre-emptive rights over the Four Hundred Six Million One Hundred Seventy-Nine Thousand Two Hundred Seventy-Six (406,179,276) treasury shares which shall be disposed of by BPI in accordance with the General Banking Law.

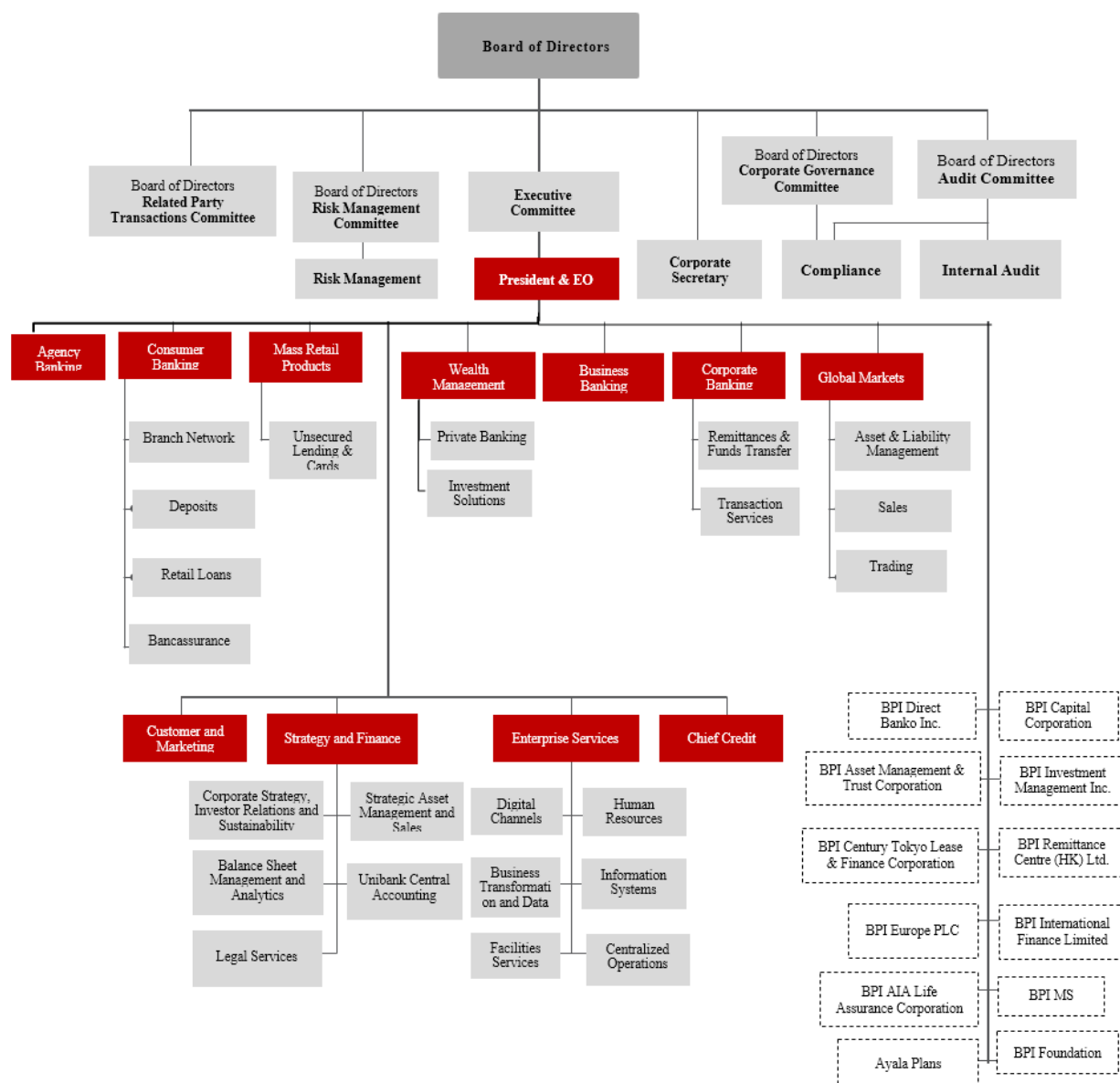
On the same day, the Bank entered into the Merger Agreement with RBC and the RBC Shareholders.

The Board of Directors of the Bank in its meeting on 14 December 2022 approved the issuance to the shareholders of RBC of such number of the Bank common shares, but in no case more than 318,912,309, as would result to the RBC shareholders collectively holding approximately 6% of the resulting outstanding common stock of the Bank as of the closing date, pursuant to the merger.

On 04 January 2023, it was reported that some CAM deposits and ATM, POS, and e-commerce debit transactions concerning BPI, performed from December 30 to 31, 2022, were erroneously posted twice. BPI has taken measures to resolve the issue and assure its clients that their accounts are safe and secure. Within the day of such reports, BPI's systems had corrected the duplicate transactions. The Bank's web and mobile app platforms have since been fully operational and accessible. These developments have caused no material impact on the Bank's business, financial condition, and operations. BPI has advised the BSP of successful resolution of the issue. As of the date of this Offering Circular, BPI has received no further instruction regarding the issue from the BSP.

Organisational and Corporate Structure of the Bank

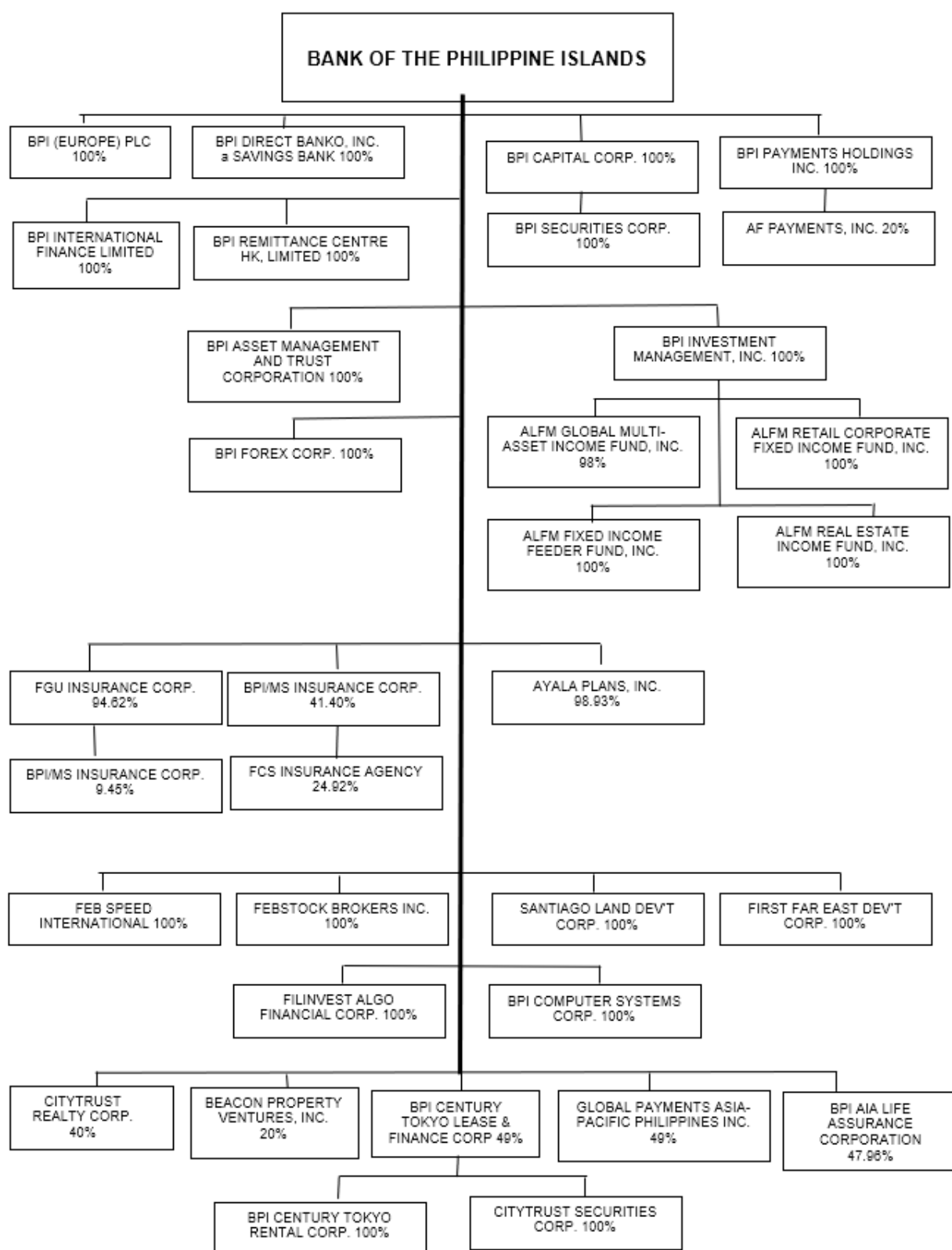
The following chart sets forth an overview of the functional organisational structure of the Bank and its principal activities.



Note: The following Board Level Committees also exist: Retirement & Pension Committee, Personnel & Compensation Committee, and Nomination Committee
The organizational structure of the Bank is as of 30 September 2022.

Description of the Bank

The following chart sets forth an overview of the corporate structure of the Bank as of 30 September 2022.



Client Management Groups of the Bank

The Bank's primary client management groups are composed of the (i) retail banking group, (ii) corporate banking group, and (iii) SMEs business banking group. These client management groups work with the other groups in the Bank to provide each of these client segments a focused set of products and services tailored to their needs.

(i) *Retail Banking Group*

The retail banking group manages the Bank's relationships with its retail clients and it is responsible for the Bank's physical branch network. The group also develops optimal deposit origination and product distribution strategies for the Bank's retail operations.

The Bank classifies individual retail clients into various retail client segments based on the amount of funds deposited and invested with the Bank and their specific need for financial solutions. The retail client segments are: (i) private banking for its high net-worth customers, (ii) preferred banking for its mass affluent customers, (iii) personal banking for its regular customers, (iv) overseas Filipinos for its overseas Filipino customers, and (v) self-employed micro entrepreneurs (**SEMEs**). This system of classification allows the Bank to help its customers achieve their financial goals through specific financial advice, access to appropriate products and solutions, and other services. The Bank's retail clients accounted for 78% of the Bank's total deposit base as of 30 September 2022.

BPI Direct BanKo, the Bank's microfinance subsidiary, provides the financing for productive and business purposes of SEMEs. BPI Direct BanKo offers quick access to credit facilities through its 309 branches and branch-lite units across the Philippines as of 30 September 2022. The Bank intends to open additional 30 BPI Direct BanKo branches in 2023. The bank also recently made application easier through its mobile banking app.

(ii) *Corporate Banking Group*

The Corporate Banking Segment of BPI is a diversified unit that covers specific client segments as well as manages certain products and services of the Unibank. The Relationship Management (**RM**) Groups include (1) the Top Corporates/Multi-national Corporations (**MNCs**)/Sectors RM Group (which will be renamed Corporate Banking RM Group), and (2) the Large Corporates RM Group (which will be renamed Commercial Banking RM Group). The Products that fall under this Segment of the bank include (1) Corporate and Commercial Credit, (2) Transaction Banking, (3) Remittance & Fund Transfer, and (4) Investment Banking (which includes Cash Equity Brokerage).

(iii) *Business Banking Group*

The business banking group focuses on the needs of the small-and-medium-sized enterprises (SME) segment. The group provides comprehensive coverage to SMEs through convenient business loans that can help finance and actualize their plans, versatile digital banking tools that make cash management more accessible for small businesses, and programs that provide continuous learning, capacity building and customer support. The Bank has implemented a tailored set of credit processes and credit-scoring models in order to offer quick and efficient access to capital to SME clients. Beyond business financing solutions, products and services offered to SME clients include digital banking platforms "BizLink" and "BizKo" with convenient and affordable availment options. SME clients are primarily depositors accounting for 9% of total deposits as of 30 September 2022, of which 9% are borrowing from the Bank.

Principal Products and Services

The Bank offers a wide range of corporate, commercial and retail banking products. The Bank has two major categories for its products and services. The first category covers its deposit taking, lending and investment activities. Revenue from this category is reflected as net interest income in the Bank's financial statements and it accounts for a majority of the Bank's revenues. The second category covers services other than those related to its core deposit taking, lending, and investing business and from which the Bank derives commissions, service charges and other fees. These include investment banking and corporate finance fees, asset management and trust fees, foreign exchange, securities distribution fees, securities trading gains, credit card membership fees, rental on bank assets, income from insurance subsidiaries and service charges/commissions earned on international trade

transactions, drafts, fund transfers and various deposit related services. Commissions, service charges and other fees, when combined with trading gains and losses arising from the Bank's fixed income and foreign exchange operations, constitute non-interest income. As of 30 September 2022, net interest income accounted for 70% of net revenues while other income accounted for the remaining 30% of net revenues.

The Bank's principal products and services consist of corporate lending, consumer lending, unsecured lending and cards, deposits, remittance, corporate finance and investment banking, asset management and trust, insurance, and foreign exchange services. Throughout its products and services offering, the Bank aims to create a unique customer experience while focusing on cost optimisation, process control, innovation and excellent after-sales engagement with the Bank's clients.

The following is a description of the Bank's principal products and services.

Corporate Lending

The two RM Groups of this segment are responsible for delivering all of the relevant services of the Unibank to their clients. For this purpose, these Groups are the main touch points of the Unibank's corporate client relationships. While the RM Groups rely on other product teams such as transaction banking (cash management and trade), investment banking, remittance, asset management, and credit card services among others, the Corporate Banking RM Groups are the main originating and structuring units for corporate lending.

(a) Other Lending Products

(i) *Specialized Lending*

Corporate Banking's Corporate Credit Products Group carries the ff. specialized products:

The **Structured Finance** product team is primarily responsible for the credit assessment, underwriting, and monitoring of the Bank's large energy and infrastructure project financing loans, cross-border credit exposures (investments and tradeable loans), and other structured credits.

BPI **Agribusiness** supports the sustainable growth of the agribusiness sector through programs that aid in the modernization of farm facilities, improving both production and cost efficiencies. Notable offers include poultry enterprise packages for broiler house construction, financing of piggery and other livestock farms with controlled climate systems, and sugar crop loans to provide working capital to agrarian reform beneficiaries under a cooperative setup.

Lastly, **Sustainable Development Finance** is an expansion of the long-running Sustainable Energy Finance program that focuses on energy efficiency, renewable energy and climate resilience projects.

(b) Transaction Banking

Cash Management services are handled by BPI Corporate Banking. BPI's main digital cash management platform, **BizLink**, enables corporate clients to conveniently pay BPI and other bank accounts, pay bills, fulfill government payments, manage employees' payroll, collect payments from clients via Automatic Debit Arrangement and Bills Collection, and more. And, BPI's new digital banking platform **BizKo, a mobile and web application** helps micro, small and medium enterprises manage their day-to-day business needs and finances.

Trade and Supply Chain products include letters of credit, documents against payment or acceptance, trust receipt financing, shipping and bank guarantees, export bills purchase, outward bills for collection, and telegraphic transfers. Receivables financing is also offered to support the supply chains of top corporates and MNCs.

BPI was awarded as Best Trade Finance Bank in the Philippines in the Alpha Southeast Asia 16th Annual Best Financial Institution Awards 2022. The Corporate QR product was also recognized as an Outstanding Innovation in Payments by The Innovators – Global Finance.

(c) Remittance and Fund Transfers (RFT)

RFT develops, manages, and markets the following products and services: **Inward, Outward, and Domestic Remittance** including InstaPay and PESONet.

International remittances are made possible by strong tie-ups with global remittance players and correspondent banks. Meanwhile, local remittances and transfers are delivered not only through the Bank's wide branch network and digital channels, but also through local pay-out partners such as pawnshops, extending the availability of services beyond banking hours and on holidays. RFT also offers customized solutions such as door-to-door services, direct credit to debit card account, and gift remittances.

BPI was the Best Remittances Service Provider in the Philippines in the 16th Annual Best Financial Institutions Awards 2022 – Alpha Southeast Asia.

(d) SME Lending

Small Business Loans

To address the financing needs of the SME segment, the Bank provides term loans and credit lines under its **Ka-Negosyo** brand. Small business loans range on average from a principal amount of ₱300,000.00 to ₱15 million and may be collateralised by real estate mortgages, deposits or investments. The Bank's Ka-Negosyo loans are simple, relevant and convenient solutions that address the SME's needs in every stage of their business.

Consumer Lending

The Bank offers a wide range of consumer lending products, including home mortgages and automobile and small business loans.

(a) Home Mortgage Loans

The Bank offers loans to property buyers in the Philippines who intend to use the premises as their primary residence. The Bank's home mortgage loans have funded horizontal developments by reputable developers. The Bank also lends primarily in the middle to high-end market segment, and has started to offer a housing loan product, **MyBahay**, for the C-market. Home mortgage loans are secured by a first mortgage on the property being purchased. In addition, the Bank generally requires residential mortgage borrowers to have an equity interest of at least 20% of the value of the property. Home mortgage loans are typically payable in monthly amortising payments based on market-linked interest rates with terms of one to five years. The Bank may lend up to 80.0% of the developer selling price or the Bank's appraised value of houses and lots. The Bank requires home mortgage borrowers to obtain both fire insurance and mortgage redemption insurance.

As of 30 September 2022, home mortgage loans to individuals on average amount to ₱4.0 million. Interest rates on the Bank's home mortgage loans range from 6.75% to 10.75% over the same period. In accordance with industry practice in the Philippines, interest rates on the Bank's home mortgage loan portfolio are set at a fixed rate applicable for an initial period of between one and 15 years, depending on the maturity of the loan, which ranges from one to 30 years. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods.

(b) Auto Loans

The Bank offers loans primarily for the acquisition of new cars and only for accredited brands for which a consistent track record of after-sales service has been established. The Bank focuses its lending efforts on those brands that it believes will be able to best retain their resale value. The Bank also works with local dealers to supply financing solutions and easier access to auto loans to their customers. As of 30 September 2022, the Bank's auto loans on average amount to ₱1.0 million in principal amount and have average terms of between 12 and 60 months. The applicable interest rate is generally fixed with an amortising repayment schedule over the term of the loan. The Bank also typically lends up to 80% of the value of a new car. The maximum amount varies depending on the model and year of the car and is based on the Bank's internal assessments of the resale value.

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All of the Bank's auto loans are secured by a first mortgage or legal charge over the cars being purchased. As of 30 September 2022, the prevailing effective interest rates of the Bank's auto loans range from 9.0% to 11.0%, depending on the loan tenor.

Unsecured Lending and Cards

The Bank offers access to unsecured loans for individuals in the form of personal loans and credit cards. BPI Personal Loans is a multi-purpose cash loan with low interest rates, flexible terms, easy payment schemes and no required collateral. Clients can avail of a loan up to three times their monthly income, quickly and safely, available through a client's BPI account. The Bank's credit cards offer a line of credit to cardholders to purchase goods and services with a promise to repay the Bank on the due date or via deferred and instalment plans. BPI gives its customers wise spending options and the best value for money via low foreign exchange conversion, exclusive retail promos and Special Installment Plan (**SIP**) deals with the BPI Credit Card.

The Bank also issues other card-based products, such as debit cards and prepaid cards. As the companion card to BPI deposit accounts, the BPI Debit Mastercard gives clients a secure and convenient way to withdraw at the ATM, pay for goods and services at point-of-sale terminals, and do online purchases at e-commerce websites and apps. BPI Prepaid Card is an easy-to-get product for BPI's clients used by majority for online spending and as a substitute product for getting a deposit account. In 2021, BPI launched the Virtual BPI ePay Mastercard as a companion card to BPI #SaveUp accounts and is offered as part of the fully digital account opening process.

As of 30 September 2022, the Bank had approximately 1.85 million credit cards issued, 449 thousand named prepaid cards, about 6.6 million active debit cards and 108 thousand Personal Loans customers. The total value of transactions executed with the Bank's credit, debit and prepaid cards was approximately ₱249 billion in billings.

Deposits

The Bank's deposit products include current accounts (non-interest and interest bearing demand deposits) and savings and passbook accounts, collectively referred to as **CASA**, which represent the Bank's low-cost funding base. The Bank also offers time deposits with the longest tenor at five years. The Bank's CASA and time deposit products are offered primarily in Peso and U.S. dollars. In some cases, these products are also offered in other foreign currencies, depending on client requirements.

Remittance

The Bank's remittance services involve fueling both corporate funds management and household income and consumption especially OFWs and their families. With the evolving remittance market, BPI is an industry leader in providing service beyond traditional remittance.

(a) Inward Cross-Border Remittance (ICBR)

Allows transfer of funds from anywhere in the world to BPI. BPI has been catering to the needs of Overseas Filipinos and corporate organizations through remittance products and solutions so funds can be sent to beneficiaries in the Philippines. Settlement modes include credit to account, cash pick-up, gift remittance (e.g. Jollibee Padala), bills payment, door-to-door delivery, and credit to other bank's account. BPI's remittance network has locations in key areas worldwide so OFs can remit to the Philippines, in almost real-time. Overseas, there are remittance centers in Hong Kong, representative offices in Tokyo, Japan and Dubai, United Arab Emirates; and around 140 remittance Tie-Ups and Global Partners.

(b) Outward Cross-Border Remittance (OCBR)

Allows transfer of funds from BPI to anywhere in the world. It enables retail and corporate customers to make payments and send money from their BPI accounts in the Philippines to the receiver's bank account overseas. Payment instructions are directed into SWIFT network, a secured platform used by international institutions worldwide to transfer funds between individual accounts across banks in different countries. Multiple currencies are accepted including USD and various major third currencies.

(c) Domestic Remittance

Allows local transfer of funds to and from BPI, with a major initiative called Interbank Funds Transfer (IBFT). National Retail Payment System (NRPS) is an initiative of BSP that allows customers to send & receive funds to/from other local banks/ financial institutions (via Instapay and Pesonet) through the various bank channels (ie. online & mobile banking, BizLink and branch network). Other products being offered under Domestic Remittance are manning allotment system and distribution, Philippine Domestic Dollar Transfer (PDDTS) and Real-Time Gross Settlement (RTGS).

BPI's key initiatives and programs, especially the focus on digital, has enabled our growth to outpace the industry and meet the important needs of our clients in the Philippines and abroad. BPI earned the award for the Best Remittances Service Provider in the Philippines at the 16th Annual Best Financial Institution Awards by the Alpha Southeast Asia.

Corporate Finance & Investment Banking

The Bank's investment banking activities are undertaken by BPI Capital, a wholly-owned subsidiary of the Bank. The Bank's investment banking team is responsible for generating fee-based financial advisory and capital markets transactions. BPI Capital generates financial advisory fees from mergers and acquisitions, restructurings, and balance sheet advisory assignments and generates capital markets fees from debt and equity underwriting, loan syndication, and project finance. Investment banking activities also encompass distribution and market-making of securities to institutional and retail customers. BPI Capital also offers stock brokering services through its wholly-owned subsidiary, BPI Securities Corporation.

BPI Capital's underwriting and distribution activities cover debt, equity, and hybrid securities. BPI Capital has been involved in major fund-raising exercises for the Government (through Philippine Retail Treasury Bond Issues) and on behalf of major corporations in the Philippines. In 2021, BPI Capital received numerous awards including Best Investment Bank in the Philippines by leading award giving bodies such as FinanceAsia, Alpha Southeast Asia, and Finance Derivative, and also recognized as Best Equity House by IHAP and Best Bond House in the Philippines by Global Banking & Finance. In 2022, BPI Capital was recognized as a Top Ranked Market Leader in Investment Banking by Euromoney Benchmark Research, as well as Best Investment Bank (Philippines), Best DCM House and Best ECM House by FinanceAsia, and Best Investment Bank in the Philippines by Alpha Southeast Asia and Finance Derivative.

Through collaboration with the Bank, BPI Capital harnesses the placement power of the Bank's institutional, corporate, high net worth, and retail customers and create value for its clients by tailoring and executing financial solutions to meet their increasingly complex needs.

Asset Management & Trust

The Bank operates its asset management and trust business through BPI Asset Management and Trust Corporation, a wholly owned subsidiary of the Bank.

The Bank's asset management and trust business is one of the largest in the Philippine investment management community, with total assets under management of ₱997 billion as of 30 September 2022. The Bank has a long track record of managing assets for institutional and individual investors through innovative investment products and solutions. It also distributes the products of BPI-accredited global investment funds to its clients. With both equity and fixed income-oriented fund products, a comprehensive array of institutional fund management solutions and the ability to deal in different currencies, including Pesos, U.S. dollar or Euro, the Bank's product offering is among the most complete in the Philippine banking industry.

BPI Asset Management is a multi-awarded fund house consistently recognized by numerous prestigious institutions in the local and global investment management community. In 2022, it won Best Overall Asset & Fund Manager by the Alpha Southeast Asia's Fund Management Awards 2022 and Best Asset Manager - Philippines in the International Finance Awards for the 6th straight year since becoming a standalone trust corporation in 2017.

Insurance

The Bank offers new and innovative insurance products through BPLAC and BPI/MS to meet the varied life and non-life insurance needs of the Bank's customers.

BPI AIA is the Bank's life insurance joint venture with AIA Philippines Life and General Insurance Company, Inc. (**AIA Philippines**) formed in 2009. The Bank holds a 48% equity stake of the company.

Listed as a separate business entity, BPI AIA follows a bancassurance model catering to the clients of the Bank. It offers pure protection and investment-linked insurance products sold through the Bancassurance Sales Executives assigned inside the Bank's branches and other distribution channels (e.g. Telemarketing, Corporate/Business Banking BSEs)

BPI AIA continuously grow alongside BPI's aspirations. From an Annualised New Premium (**ANP**) of ₱659 million in 2010, it grew to ₱5.7 billion in 2019. Based on Philippine Insurance Commission's 2021 data, BPI AIA recorded a 4.8% market share in the overall insurance industry. As of Oct 2022, the company has generated ₱2.9 billion ANP and is continuously working on plans and initiatives to go back to pre-pandemic level of production.

BPI AIA's strategy remain to be aligned with BPI to becoming PhyGital in delivering personalized and meaningful Customer Experience.

Treasury

Treasury manages the Bank's liquidity position and investment portfolio, trades foreign exchange, fixed income securities, and derivatives, and provides treasury products to the Bank's clients, particularly foreign exchange and hedging products. As the Bank's asset and liability manager, treasury takes advantage of opportunities to generate interest differential by managing liquidity and interest rate gaps; and maximises returns by tapping efficient funding sources. Treasury also generates income for the Bank through its trading and market-making activities.

Distribution Network

As of 31 December 2019, 2020 and 2021 and 30 September 2022, the Bank had a network of 1,170, 1,176, 1,179 and 1,181 branches (which include full-service branches, express banking centres (**EBCs**) and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,181 branches, as of 30 September 2022, 1,178 branches were located in the Philippines, of which 869 were BPI branches and 309 were BPI Direct BanKo branches and branch-lite units. In terms of geographic distribution (excluding BPI Direct BanKo), 458 of the branches were located in Metro Manila, 242 of the branches in Luzon (excluding Metro Manila), 101 of the branches in Visayas and 68 of the branches in Mindanao. The Bank also provides 24-hour banking services through its call centre and network of 1,741 ATMs and 336 CAMs as of 30 September 2022, the second largest network owned by a single bank in the Philippines, with such ATMs and CAMs being located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's overseas network includes one banking location in Hong Kong and two in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. The Bank has three remittance centres in Hong Kong and maintains over 140 remittance tie-ups and correspondent relationships with over 60 accounts with 30 banks and financial institutions globally.

The Bank's branch network is supported by a network of 1,741 ATMs and 336 CAMs as of 30 September 2022, which together provide cash-related banking services to customers 24/7. The Bank's interconnection with Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 24,300 ATMs across the Philippines as of 30 September 2022. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank recently partnered with Euronet (Euronet Technology Services, Inc. (**ETSI**) in the Philippines) to manage end-to-end operations of 500 of its offsite machines, of which, 200 will continue to operate under the BPI brand. While the remaining 300 ATMs are integrated with Euronet's existing independent ATM network in the Philippines, BPI customers may continue to use these ATMs free of charge. The Bank will continue to own and operate the 2,077 ATMs and CAMs across the country. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

Description of the Bank

The Bank is a market leader in electronic banking where it has been a first mover and innovator in the use of ATMs, CAMs, point-of-sale debit systems, kiosk banking, phone banking, internet and mobile banking. The Bank has an electronic channels team that leads the Bank's initiatives to improve customer experience through digitalisation in order to provide an omni-channel experience and raise the level of convenience for the Bank's customers. The Bank uses its fast-growing web and mobile application offerings as its digital channels to deliver convenient 24/7 facilities for payments, fund transfers, inquiries, prepaid phone reloading, wealth management and fund transfers via QR Code or even to unenrolled accounts of the Bank. The Bank's mobile banking services app is available on Android and iOS devices. In addition, through the Bank's online banking services, access to basic banking services such as ordering of checkbooks for branch pick up and setting an appointment at any branch through "BPI Express Assist" can be done online. For business clients, the Bank's electronic cash management platform *BizLink* (formerly branded as *ExpressLink*), allows its business clients to perform financial transactions electronically securely. Through *BizLink*, businesses can manage their deposit accounts, access cash management and payroll services and make payments to suppliers and government agencies.

The Bank's phone banking continues to service customer inquiries and transactions through its self-service facility. Clients can inquire about their account balances and latest transactions, transfer funds to other accounts of the Bank in real time, pay for their various bills (e.g. credit cards, utilities, condominium dues and insurance premiums) and reload prepaid phones. Customer concerns and queries received via phone banking as well as through SMS, e-mail, social media and Viber, a mobile application, are addressed by the Bank's 24-hour contact centre. The Bank also conducts telemarketing activities through its call centre service. The Bank has direct control of its call centre and telemarketing staff to ensure client confidentiality and to maintain a high standard of client service.

Human Resources

The Bank's human resources team strengthens the Bank's desired culture of cohesion and performance through key talent acquisition, continuous talent development, holistic performance measurement and competitive compensation systems. To support this goal, the Bank operates a training centre at a satellite location in the Makati area, delivers an in-house, six-month curriculum for training its officers and provides continuing-education programs for all its employees.

Information Technology Systems

The Bank's information systems team (**ISG**) leads the Bank's transformation into a digital bank. It develops and maintains proprietary applications, network and data centres, enterprise-wide computer systems, and telecommunications facilities. In August 2013, the Bank announced a partnership with IBM on its non-customer-facing technology infrastructure to prepare a more efficient technology platform to deliver increasingly sophisticated services to the Bank's customer base. ISG is governed by the IT Steering Committee (**ITSC**) which was formed to provide direction on IT strategies that are aligned with the business objectives of the Bank. The IT strategy is reviewed yearly and is aligned with the overall goals of the Bank. The focus of the Bank's current IT strategy is on digital transformation.

Credit Rating and Credit Approval

The Bank applies a multi-level centralised credit approval process for corporate and commercial loans requiring approvals at various levels depending on the size of the proposed loan. The process has four main levels, which requires applications for credit exceeding specified limits to be approved at higher levels of authority. The Bank has established a credit group that was separated from the marketing function of the Bank, including the relationship managers. The credit group was established in order to help ensure a more objective approach with respect to credit approval. The Bank believes this is an important step for managing credit risk while increasing growth in its loan book.

Competition

With 45 universal and commercial banks operating in the Philippines as of 30 September 2022, the banking industry in the Philippines is characterised by high levels of regulation and highly competitive pricing and service offerings. The Bank competes against domestic and foreign banks that offer similar products and services as the Bank. Since the further liberalisation of the Philippine banking industry in 2014, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to

Description of the Bank

benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks.

According to industry data on Philippine publicly listed banks, the Bank is the Philippines' second largest in terms of gross customer loans and assets under management with market shares of 14.6% and 18.0%, respectively, and third largest in terms of deposits at 12.2% as of 30 September 2022. The Bank believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Employees and Labour Relations

As of 30 September 2022, the Bank had 18,340 employees. Excluding employees of Ayala Plans, Inc., BPI Century Tokyo Lease & Finance Corp., and BPI/MS Insurance Corp., approximately 46% of the Bank's remaining employees are covered by existing collective bargaining agreements (CBA), which contain economic and non-economic provisions. Economic provisions cover, among others, salaries, allowances, benefits, and work conditions. Non-economic provisions cover union leaves, rights and responsibilities of parties, rules of engagement on strikes and lock-outs, check-off and grievance procedures. CBAs have a term of a five years with regards to non-economic provisions. Economic provisions are generally renegotiated within 60 days prior to the expiry of the third anniversary of an existing CBA. The latest CBA was executed in 2021. New CBAs are scheduled to be negotiated in 2024. The Bank's management believes it has a good relationship with its staff.

The Bank believes that it has amicable labour relations with its employees. The Bank has 24 unions, 20 of which are under one trade union federation. The Bank has not been involved in any material disputes or employee related lawsuits that may adversely affect the Bank and its operations.

The following table presents the number of employees by category as of the dates indicated:

	As of 31 December			As of 30 September
	2019	2020	2021	2022
Staff.....	12,745	13,004	12,504	11,668
Officers.....	7,031	6,948	6,677	6,672
Total	19,776	19,952	19,181	18,340

Consistent with the Bank's goal of being one of the Philippines' preferred employers, the Bank has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talent. Tied to this is a performance management system that calls for the alignment of individual key results, competencies, and development plans with the Bank's overall business targets and strategy. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives.

The Bank has a seven-year executive stock option plan (ESOP) and executive stock purchase plan (ESPP) in place, expired in 2019, pursuant to which qualified beneficiaries and participants are granted options to purchase the Bank's common shares pursuant to the terms of the stock option plans. The ESOP has a three-year vesting period with one-third of the option being vested at the end of each year from grant date while the ESPP has a five-year payment period.

Corporate Social Responsibility

BPI Foundation, the social development arm of BPI, envisions a financially-inclusive Philippines, where every Filipino is empowered to live a better life. Through its partnerships with like-minded organizations, it creates a culture of financial wellness for underserved Filipino communities. Its programs focus on 3 advocacies: Financial Wellness, Sustainable Positive Change and Bayanihan. Programs include Sinag for the social enterprise ecosystem, TechVoc for the unemployed and underemployed, SEAL for small and micro-enterprises, Farm to Table for farmers and fisherfolk, Balik-Kalikasan for reforestation, FinEd Unboxed, which teaches the fundamentals of personal finance management to various sectors, and BPI Bayan, a volunteerism program that encourages BPI employees to be changemakers in their communities.

Description of the Bank

Insurance

Procurement of insurance policies is a risk-mitigating measure of the Bank under its operational risk framework, in response to major economic, industry, and regulatory events. Closing the gaps in operating risk is a constant exercise as BPI reinvents itself in the advent of new technology, an evolving regulatory landscape, and ever changing customer needs. Thus, an interplay of various insurance policies guards the Bank against multi-faceted risks. This consists of, but not limited to, general lines policies (which cover areas of property, equipment, operations, and third-party liabilities), policies for directors' and officers' liability, cyber incidents, and crime incidents. The Bank pursues an optimum risk transfer strategy through these complementary insurance policies which supplement customary exclusions typical for each type.

The Bank believes its insurance policies are in line with industry standards in the Philippines.

Properties

As of 30 September 2022, the Bank (excluding BPI Direct BanKo) owned 242 branch locations and leased an additional 511 with 109 co-located and 7 branches consolidated. The following table provides the geographic breakdown of the Bank's Philippine branch network as of 30 September 2022:

Location*	Number of Branches				
	Owned	Leased	Co-Located	Consolidated	Total
Metro Manila.....	105	279	70	5	459
Provincial.....	137	232	39	2	410
Total.....	242	511	109	7	869

Note:

* Excluding BPI Direct BanKo branches.

Intellectual Property

The Bank has registered a number of trademarks and trade names, including the logo of the Bank and the trademark "Bank of the Philippine Islands". The Bank has not been subject to any disputes relating to its intellectual property rights.

Legal Proceedings and Permits

The Bank is a party to various legal proceedings, claims and tax assessments which arise in the ordinary course of its operations. None of such legal proceedings, claims and tax assessments either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial condition. None of the Bank, its subsidiaries, associates or properties is currently involved in any material litigation, arbitration or similar proceedings, and the Bank is not aware of any such proceedings pending or threatened against it, any of its subsidiaries or associates or its properties, which are or might be material in the context of the Program or an issuance of Bonds thereunder.

The Bank believes it has all material permits and licenses necessary for its business and that these are valid and subsisting as of the date of this Offering Circular.

Principal Subsidiaries and Associates

The following table sets out summary information in respect of the Bank's principal subsidiaries and affiliates as of and for the nine months ended 30 September 2022:

	Effective Ownership ⁽¹⁾	Activity
Subsidiaries		
BPI Capital Corporation	100%	Investment House
BPI Direct BanKo, Inc., A Savings Bank	100%	Microfinance
BPI International Finance Limited	100%	Financing
BPI Europe, Plc	100%	Banking (deposit)

Description of the Bank

	Effective Ownership ⁽¹⁾	Activity
BPI Securities Corporation	100%	Stock brokerage
BPI/MS Insurance Corporation	50.9%	Non-life insurance
BPI Asset Management and Trust Corporation	100%	Trust services
BPI Investment Management, Inc.	100%	Investment Management
Associates		
BPI Philam Assurance Corporation	47.96%	Life insurance
BPI Century Tokyo Lease and Finance Corporation	49%	Leasing
BPI Century Tokyo Rental Corp	49%	Rental
AF Payments, Inc.	20%	Financing
Global Payments Asia-Pacific Philippines Inc. .	49%	Financing

Notes:

* in millions

(1) As of the date of this Offering Circular.

(2) % share of subsidiaries net income.

Subsidiaries

BPI Capital Corporation is an investment house focused on corporate finance and the securities distribution business. It began operations as an investment house in December 1994. It merged with FEB Investments Inc. on 27 December 2002. It wholly owns BPI Securities Corporation, a stock brokerage company.

BPI Direct BanKo, Inc., A Savings Bank (BPI Direct BanKo) serves microfinance customers through branch, electronic, and partnership channels. Founded in February 2000, BPI Globe BanKO is now wholly-owned by the Bank, following a purchase in September 2016 of stakes owned by Ayala (20%) and Globe Telecom, Inc. (40%) and a December 2016 merger with BPI Direct Savings Bank, Inc.

BPI International Finance Limited, Hong Kong is a deposit taking company in Hong Kong. It was originally established in August 1974 and provides deposit services as well as client-directed sourcing services for international investments.

BPI Europe Plc was granted a U.K. banking license by the Financial Services Authority (FSA) on 26 April 2007. It was officially opened to the public on 01 October 2007.

BPI Securities Corporation is the full-service stock brokerage house of the Bank. It is a wholly-owned subsidiary of BPI Capital Corporation and is primarily involved in the purchase and sale of shares of publicly-listed companies on the PSE for its domestic institutional and retail clients.

BPI/MS Insurance Corporation is a non-life insurance company formed through the merger of FGU Insurance Corporation (FGU) and FEB Mitsui Marine Insurance Company (FEB Mitsui) on 07 January 2002. FGU and FEB Mitsui were acquired by the Bank through its merger with AIHC and FEBTC in April 2000.

BPI Asset Management and Trust Corporation is a newly-established stand-alone trust corporation, authorised to operate by the BSP on 29 December 2016. BPI Asset Management and Trust Corporation took over the asset management and trust business of the Bank and started operations on 01 February 2017.

BPI Investment Management, Inc., is a wholly owned subsidiary of the Bank and serves as the Bank's manager, and investment advisor to the ALFM Mutual Funds (group open-end investment companies registered with, and regulated by, the PSEC) and is responsible for formulating and executing the funds' investment strategy.

Associates

BPI Philam Assurance Corporation is the life insurance company formed in 2009 through a joint venture with Philam Life Assurance Corporation. In 2021, the name was changed to BPI AIA Life Assurance Corporation where the Bank has current holding of 47.98%.

BPI Century Tokyo Lease & Finance Corp., 49%-owned by the Bank and 51% owned by Tokyo Century Corporation, is a non-bank financial institution that provides financing services pursuant to the Financing

Description of the Bank

Company Act. BPI Century Tokyo Lease & Finance Corp. wholly owns BPI Century Tokyo Rental Corp., which offers operating leases.

AF Payments, Inc. was established as a joint undertaking by Ayala and Metro Pacific Investments Inc. In 2013, AF Payments, Inc. was selected by the Government in a competitive process to provide financing for the automatic fare collection system project, which aims to enable an electronic and integrated ticketing scheme for metro and light rail systems in Metro Manila. The Bank's equity stake in AF Payments, Inc. is 20%.

Global Payments Asia-Pacific Philippines Inc. is a joint venture between the Bank and Global Payments, Asia Pacific Private Limited, in which the Bank holds a 49% equity stake. The joint venture company manages the Bank's payments acquiring business.

RISK MANAGEMENT

The Bank is exposed to risks that are particular to its lending, investment and trading businesses and the environment within which it operates. The Bank's goal in risk management is to ensure that it understands, measures and monitors the various financial and non-financial risks that arise from its business activities, and that it adheres strictly to its policies, standards, procedures and related guidelines which are established to address these risks.

Risk Management

The Bank employs a disciplined, structured and integrated approach to managing all the risks pertaining to its businesses to create, protect and optimise shareholder value. The Bank's risk management infrastructure covers all identified risk areas. Risk management is an integral part of the Bank's day-to-day business management and each operating unit identifies, measures, manages and monitors the risks pertaining to its business. Functional support on policy-making and risk compliance at the enterprise level is likewise provided for the major risk categories: credit; market and liquidity; and operational and information technology (IT) risks. Finally, independent reviews are regularly conducted by the Bank's Internal Audit group, regulatory examiners and external auditors to ensure that controls and risk mitigants are in place and functioning effectively as intended.

Credit risk continues to be the largest single risk the Bank faces. Credit risk management involves the thorough evaluation, appropriate approval, management and continuous monitoring of counterparty risk, product risk and industry concentration risks relating to each loan account and/or portfolio. The credit risk management process of the Bank is anchored on the strict implementation of credit risk management policies, procedures and practices, control of delegated credit approval authorities and limits, evaluation of portfolio risk profile and the approval of new loan products taking into consideration any potential risk. For consumer loans, credit risk management is additionally supported by established portfolio and credit risk scoring models.

Market and liquidity risk management involves a common structure and process but uses separate conceptual and measurement frameworks that are compatible with each other when it comes to dealing with price, interest rate risk in the banking book and liquidity risks. Price risk management involves measuring the probable losses arising from changes in the values of financial instruments and major asset and liability components as a result of changes in market rates, prices and volatility. Liquidity risk management involves the matching of asset and liability tenors to limit the Bank's vulnerability to abnormal outflows of funds, and ensures that the Bank will be able to meet its payment obligations associated with its financial liabilities when they fall due.

Operational and IT risk management involves creating and maintaining an operating environment that ensures and protects the integrity of the Bank's assets, transactions, records and data, systems and technologies, the enforceability of its claims, and compliance with all pertinent legal and regulatory parameters.

Risk Organisation

The Board directs the Bank's overall risk management strategy and performs an oversight function on the implementation of its risk policies and practices through the various committees that it has created, as follows:

- the Executive Committee, which approves credit risk limit for large exposures; except for DOSRI loans (including loans to BPI subsidiaries and affiliates) regardless of amount, credit exposures beyond the Executive Committee limit, which are approved by the Board, as well as other transactions that may be required by the BSP;
- the Risk Management Committee (RMC), which reviews, approves, and ensures effective implementation of the Bank's enterprise risk management framework. The RMC approves risk-related policies, oversees limits to discretionary authority that the Board delegates to management, and evaluates the magnitude, distribution, and direction of risks in the Bank; and
- the Audit Committee through Internal Audit, which provides the independent assessment of the over-all adequacy and effectiveness of, and compliance with, the Bank's risk management policies and processes.

In addition to the committees indicated above, the Bank's organisational structure likewise includes the Risk Management Office (RMO), responsible for driving the company's risk management processes, i.e.,

- independent identification, measurement, controlling, monitoring and reporting of the Bank's risk taking activities; and
- formulation, review, and recommendation of risk management policies and methodologies.

Nevertheless, the Bank's enterprise risk management framework adopts the basic tenet that risks are owned and primarily managed by the respective businesses and process owners. Everyone in the organisation is therefore expected to ethically, prudently, and proactively manage the risks inherent to their respective areas by complying with the Bank's enterprise risk management framework, policies and standards.

Credit Risk

Credit risk is the risk of loss due to a borrower's non-payment of a loan or other lines of credit, either principal, interest, or both. It arises whenever the Bank's loanable funds are granted, renewed extended, committed, invested or otherwise exposed through actual or implied contractual agreements. Non-payment by borrower, counterparties, or issuers, failed settlement of transactions and default on contracts may occur resulting in some assets of the Bank declining in value.

The Bank drives credit risk management fundamentally via its suite of well-established credit policies, process, and standards (collectively, credit policy manuals), the provisions of which are regularly reviewed and updated to reflect changing risk conditions. CPM defines the principles and parameters governing credit activities, ensuring that each account's credit worthiness is thoroughly understood and regularly reviewed. Relationship managers assume overall responsibility for management of the credit exposures while middle and back office functions are clearly defined to provide independent checks and balance to credit risk taking activities. A system of approving and signing limits ensures adequate senior management involvement for bigger and more complex transactions. This risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets (**NPA**). The Bank fully-implemented PFRS 9-based policies, models and Expected Credit Loss (**ECL**) methodologies for its credit portfolios and impairment provisions calculation, rendering it compliant to both the BSP and accounting standards on PFRS 9 implementation.

In compliance with BSP requirements per Circulars 439 and 855, the Bank has developed and continues to review and calibrate its internal risk rating system aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master-netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Bank's credit exposures.

The Bank is able to manage overall credit risk and maintain asset quality, evidenced by generally acceptable NPL ratios relative to the Bank's total loan portfolio, diversified portfolio across key industries, adequate loan loss provisioning, and general compliance to BSP guidelines and regulatory ceilings on credit risk.

Market, Interest Rate in the Banking Book & Liquidity Risks

The value of the Bank's investments is subject to uncertainty in the future. Market risk pertains to losses in the Bank's on-balance sheet and off-balance sheet trading positions arising from potential adverse movements in market prices, in particular, changes in interest rates, foreign exchange rates, credit spreads and equity prices, as well as their correlations and implied volatilities that affect the value of instruments, products, and transactions in the Bank's trading portfolio.

The Bank's market risk exposure arises largely from market-making, dealing and position-taking in fixed-income securities, currencies, equities and derivatives. The Bank employs risk metrics such as the historical simulation Value-at-Risk (**HSVaR**), stop loss and DV01 to monitor the market risk exposures of Treasury and other risk taking units of the Bank. Risk limits are continuously reviewed and updated to align with the Bank's goals, objectives, strategies and overall risk appetite. Forward-looking scenario analysis, simulations and stress tests are also conducted to complement the risk metrics and provide a broader and holistic risk perspective to the Bank's management and RMC. In addition, the volatile nature of the foreign exchange rates may present huge risk on the financial condition of the Bank. The Bank's exposures on net foreign exchange position are monitored and controlled through the existing HSVaR metric that measures potential losses arising from these exposures. The Bank performs daily monitoring against RMC-approved risk limits.

Interest rate risk is a fundamental component of the banking business. Movements in interest rates can expose the Bank to adverse shifts in the level of net interest income and can impair the underlying values of its assets and liabilities. The Bank is exposed to interest rate risk on unfavourable changes in the interest rate curves which would have adverse effects on the Bank's earnings and its economic value of equity. Interest rate risk in the banking book (**IRRBB**) arises from the Bank's core banking activities. The main source of this type of interest rate risk is re-pricing risk, which reflects the fact that the Bank's assets and liabilities are re-priced as they mature or at contractual periods. Moreover, the mismatch in repricing maturities of assets and liabilities produces periodic gap patterns that create volatility in earnings.

IRRBB is directly affected by the volume, maturity and repricing balance sheet structures and rate sensitivities of the Bank's assets and liabilities. Measurement techniques used to determine the potential impact of interest rate risk can take a number of forms. The technique used depends on whether the focus is on earnings or economic value of the banking book. As such, there are two major approaches to measure IRRBB: (i) one that focuses on analysis of interest rate movements on net interest income and (ii) one that focuses on the economic value, or market value of the banking book. The earnings-based approach focuses on the short to medium-term variability in net interest income, thus linking to profitability. The economic value approach offers a long-term perspective on interest rate risk taking into account all future cash flows generated from the balance sheet.

The first class of techniques measures the potential deterioration in the Bank's net interest income due to changes in interest rates over a specified period of time (e.g, one to three years). The Bank's earnings are affected when movements in borrowing and lending rates are not perfectly synchronised, which creates a gap problem due such mismatch. The repricing gaps, or the difference between the amounts of rate-sensitive assets and the amounts of rate-sensitive liabilities, are the foundation of the IRRBB analysis. An asset or liability, including contingent or off-balance sheet accounts, is considered to be rate-sensitive, or subject to re-pricing within a time interval, if: (1) it matures, (2) it represents an interim or partial principal payment, (3) the interest rate applied to the outstanding principal balance changes (either contractually or because of a change in a reference rate) during the interval. The Bank employs the Earnings-at-Risk (**EaR**) metric to assess the potential deterioration in net interest income due to changes in interest rates.

The second class of techniques measures the impact on the economic or market value of equity (market value of assets less market value of liabilities) due to adverse changes in interest rates. This class of techniques computes for the present value of future principal and interest payments due and relating to the banking book. The discount rates however are uncertain and in fact are volatile. As such this class of techniques essentially computes the Net Asset Value-at-Risk (**VaR**) of the banking book. This risk metric is called the Balance Sheet VaR (**BSVaR**). The BSVaR is founded on re-pricing gaps. However, unlike the previous metric which focusses on the earnings volatility in the next 12 to 36 months, BSVaR provides a long term perspective as all cash flows of the entire balance sheet through maturity of all accounts is considered.

The RMC performs annual review of the BSVaR and EaR limits and breaches with explanations and action plans are reported to the committee. The Bank stress tests its banking book and these stress test results are likewise reported to the RMC.

Liquidity Risk is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its financial obligations to a client or to the market in any location and at any time when they come due without incurring unacceptable losses or costs. It is also the inability to manage unplanned decreases or changes in funding sources.

The Bank's liquidity profile is measured and monitored through its internal metric, the Minimum Cumulative Liquidity Gap (**MCLG**) supplemented by liquidity risk monitoring tools, as well as through regulatory metrics, Liquidity Coverage Ratio (**LCR**) and Net Stable Funding Ratio (**NSFR**). The MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months. The LCR promotes the short-term resilience of the Bank's liquidity risk profile and requires the Bank to hold adequate level of high-quality liquid assets (**HQLA**) to cover net cash outflows in the next 30 days. The NSFR, on the other hand, promotes resilience over a longer time horizon by requiring the Bank to maintain a stable funding profile on an on-going basis. Moreover, both the LCR and NSFR are designed to strengthen the resilience of the Bank against liquidity shocks. The Bank also regularly conducts liquidity stress tests which have consistently revealed ample liquidity to meet its obligations under both name-specific and systemic crisis scenarios.

Market, IRRBB, and liquidity risk management is incumbent on the Board of Directors through the RMC. At the management level, the Bank's market risk exposure is managed by the RMO, headed by the Bank's Chief Risk Officer (**CRO**) and reports directly to the RMC. The RMO is responsible for recommending risk management policies and methodologies and for promoting enterprise-wide risk appreciation and education. The RMC defines the risk tolerance, provides guidance on risk strategies and approves risk policies and methodologies. The Bank's risk tolerance is continuously discussed at RMC meetings. With this, the Bank is able to ensure risks taken are adequate and within the Bank's appetite and limits.

Operational & IT Risks

Operational risk is the probability of loss arising from fraud, unauthorised activities, errors, omissions, system failures, or from external events. On the other hand, IT risk is the risk of any potential adverse outcome arising from the use of or reliance on IT. This includes, but is not limited to, information security, service availability, and reliability and availability of IT operations. Operational and IT Risks is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

The Bank has a reliable internal control framework that is constantly reviewed for applicability and effectiveness by the following divisions within the organisation:

- RMO, which formulates, reviews, and revises operational risk management policies and framework, and spearheads implementation of key operational risk activities such as the risk and control self-assessment (**RCSA**), key risk indicators (**KRI**) and monitoring and incident management processes to ensure alignment of processes to applicable industry best practices. The RMO also supports the implementation of risk awareness and appreciation programs conducted through human resources training programs;
- internal audit, which ensures compliance with regulatory and internal policies and provides an independent assessment of current operational risk management practices and controls;
- compliance office, which oversees the implementation of the Bank's compliance system manual and acts as the repository for external regulations;
- legal services division, which ensures that the Bank's contracts and documentation adequately protect its interest;
- strategic and corporate planning and centralised accounting, which ensures implementation of financial policies to reflect a true and fair picture of the Bank, and ensures prompt disclosure or relevant information on the Bank to external stakeholders;
- central security office, which is responsible for the security of the Bank's facilities and the overall safety of the Bank's clients and employees;
- information systems group, which ensures that existing systems and functionalities are constantly improved to promote operational efficiency, adequate controls, and consistent service delivery; and
- human resources management group, which ensures succession plans are in place, and competency building and assessment programs are implemented, and that employees of the Bank undergo appropriate training programs to address competency gaps as well as for continuous improvement of both technical and behavioural skills required to deliver the job following the Bank's service and control standards.

The Bank has a Crisis Resiliency Committee providing oversight on incident management and leadership during a crisis with guidance from the approved crisis resiliency plan of the Bank, as well as business continuity plans and IT disaster recovery plans that are tested on an annual basis. Furthermore, the Bank has an established cyber security operations centre that provides threat intelligence, detection capabilities and proactive responses through monitoring, analytics and prompt detection.

Given all the operational risk controls, methods and tools, and processes fully in place, the Bank is able to manage operational and IT losses within the Bank's acceptable standards.

The Bank aims to continuously promote a culture of proactive and prudent risk management with the goal of becoming a risk-intelligent organisation, with the CRO and the RMO continuously engaging the RMC, management, and business units, communicating the risk awareness culture to the rest of the Bank through various internal channels, facilitating learning programs and awareness campaigns on risk management, and promoting best enterprise-wide practices.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

The tables below and accompanying discussions provide selected financial highlights regarding the Bank's assets and liabilities. The following reviewed information should be read together with the Bank's financial statements included in this Offering Circular as well as "Selected Statistical Data", "Risk Management" and "Description of the Bank".

Funding

Overview

The Bank's funding is primarily provided by time, savings and demand deposits. Of the total amount of deposits of ₱2.03 trillion as of 30 September 2022, 23.9% thereof pertain to time deposits, 57.6% pertain to savings deposits, and 18.5% pertain to demand deposits. The Bank also sources part of its funding requirements from the interbank market and occasionally from the BSP rediscount facility, which generally results in lower overall funding cost.

Sources of Funding

The Bank's principal source of deposits is private individuals. As of 30 September 2022, these accounted for 64% of total deposit liabilities.

The Bank has been successful in attracting and retaining its low-cost deposit base. While the cost of deposits is largely driven by interest rate movements, the average cost of deposits is also bolstered by the continued increase in the share of CASA to total deposits. The Bank intends to continue to grow its CASA through the launching of CASA products bundled with the Bank's other product and service offerings and enhanced digital banking platforms. The maturities of the Bank's funding portfolio enable it to achieve funding stability and liquidity while achieving its desired profile of loan and deposit maturities. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a base of core liquidity.

The following tables set out an analysis of the Bank's principal sources of funding as of the periods indicated:

	For the year ended 31 December 2019		2020		2021	
	Volume	Average Cost of Funding ⁽¹⁾	Volume	Average Cost of Funding ⁽¹⁾	Volume	Average Cost of Funding ⁽¹⁾
	(₱ millions, except percentages)					
Deposits by type:						
Demand	272,020	0.2%	314,853	0.2%	369,079	0.1%
Savings	899,181	0.8%	1,051,069	0.6%	1,137,124	0.3%
Time	524,142	4.5%	350,255	2.8%	448,944	2.0%
Total	1,695,343	1.8%	1,716,177	1.1%	1,955,147	0.6%
Deposits by currency:						
Peso	1,459,701	1.6%	1,469,851	1.0%	1,691,618	0.6%
Foreign	235,642	1.0%	246,326	0.4%	263,529	0.1%
Total	1,695,343	1.8%	1,716,177	1.1%	1,955,147	0.6%
Deposits by classification:						
Low Cost	1,171,201		1,365,922		1,506,203	
Term	524,142		350,255		448,944	
Total	1,695,343		1,716,177		1,955,147	
Bills Payable:						
Peso	64,371		83,753		46,375	
Foreign	86,466		68,194		48,664	
Total	150,837	4.8%	151,947	3.8%	95,039	4.0%
Acceptances Payable:						
Peso	30		20		202	
Foreign	3,825		914		2,640	
Total	3,855		934		2,842	

Note:

- (1) Average cost of funding represents total interest expense for the year divided by the simple average liability for the respective period, expressed as a percentage.

Description of the Bank's Assets and Liabilities

	For the nine months ended 30 September			
	2021		2022	
	Volume	Average Cost of Funding ⁽¹⁾ (P millions, except percentages)	Volume	Average Cost of Funding ⁽¹⁾
Deposits by type:				
Demand	354,226	0.1%	376,173	0.1%
Savings	1,085,997	0.3%	1,171,541	0.2%
Time	356,743	2.0%	486,220	2.3%
Total	1,796,966	0.6%	2,033,934	0.6%
Deposits by currency:				
Peso	1,527,480	0.7%	1,721,486	0.7%
Foreign	269,486	0.1%	312,448	0.1%
Total	1,796,966	0.6%	2,033,934	0.6%
	For the nine months ended 30 September			
	2021		2022	
	Volume	Average Cost of Funding ⁽¹⁾ (P millions, except percentages)	Volume	Average Cost of Funding ⁽¹⁾
Deposits by classification:				
Low Cost	1,440,223		1,547,714	
Term	356,743		486,220	
Total	1,796,966	0.6%	2,033,934	0.6%
Bills Payable:				
Peso	46,319		27,126	
Foreign	47,421		57,029	
Total	93,740	4.0%	84,155	3.8%
Acceptances Payable:				
Peso	213		142	
Foreign	2,659		7,602	
Total	2,872		7,744	

Note:

- (1) Average cost of funding represents total interest expense for the year divided by the simple average liability for the respective period, expressed as a percentage.

As of 30 September 2022, 76.1% of the Bank's outstanding deposits were demand and savings deposits, both of which can be withdrawn on demand without any prior notice from the customer. The following table sets out an analysis of the maturities of the deposit base of the Bank as of the dates indicated:

	2019	As of 31 December 2020	2021	As of 30 September 2022
			(P millions)	
Demand	272,020	314,853	369,079	376,173
Savings	899,181	1,051,069	1,137,124	1,171,541
Time	524,142	350,255	448,944	486,220
Up to 1 year	424,455	262,885	363,451	389,405
> 1 year to 5 years	99,687	87,370	85,493	96,815
Total	1,695,343	1,716,177	1,955,147	2,033,934

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market, mainly for treasury management purposes. Interbank borrowings are mostly short-term in duration and have historically accounted for a minor portion of the Bank's total funding requirements.

The Bank is a member of the Philippine Deposit Insurance Corporation (the **PDIC**), which insures all deposits up to a maximum of ₱0.5 million per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

Liquidity

As of the date of this Offering Circular, Peso deposits and deposit substitutes of universal and commercial banks are subject to a 12% reserve requirement. Required reserves must be kept in the form of deposits placed in the Bank's demand deposit account (**DDA**) with the BSP. Sufficient asset cover is likewise provided for foreign-denominated liabilities. The Bank follows BSP regulations that require depository banks under the foreign

Description of the Bank's Assets and Liabilities

currency deposit system to maintain at all times a 100% asset cover for their foreign currency liabilities, of which at least 30% must be in the form of liquid assets.

As of 30 September 2022, the Bank's liquid assets amounted to ₱998.6 million or 39.5% of the Bank's total assets. The Bank's liquid assets consisted largely of government securities and cash and other liquid assets to cover primary reserves requirement for deposits as well as to maintain a significant level of secondary reserves to fund any potential increase in loan demand. The following table sets forth information with respect to the Bank's liquidity position as of the dates indicated:

	As of 31 December			As of 30 September
	2019	2020	2021	2022
	(₱ millions, except percentages)			
Liquid Assets⁽¹⁾	897,122	980,715	976,962	998,555
Cash and Other Cash Items	47,256	37,176	35,143	29,399
Due from BSP	207,845	223,989	268,827	187,115
Due from Other Banks.....	22,356	40,155	34,572	50,541
Interbank Loans Receivable and Securities	22,509	30,167	30,789	2,295
Purchased Under Agreements to Resell	2,933	4,788	3,553	10,611
Derivative Assets	21,172	32,422	17,781	39,846
Financial Assets at Fair Value through Profit or Loss .				
Investment Securities at amortized cost, net	3,105	42,777	34,060	8,464
Financial Assets at Fair Value through OCI	15,165	46,389	29,061	61,855
Financial Assets at Amortised Cost	552,190	520,304	520,838	605,705
Loan and Advances, Gross	2,591	2,548	2,338	2,724
Other Financial Assets.....				
Total Assets	2,205,030	2,233,443	2,421,915	2,528,223
Total Deposits	1,695,343	1,716,177	1,955,147	2,033,934
Net Loans⁽²⁾	1,475,336	1,407,413	1,476,527	1,600,386
Financial Ratios				
Liquid Assets to Total Assets	40.7%	43.9%	40.3%	39.5%
Liquid Assets to Total Deposits	52.9%	57.1%	50.0%	49.1%
Net Loans to Total Deposits	87.0%	82.0%	75.5%	78.7%

Notes:

(1) Liquid assets include all financial assets due within one year.

(2) Receivable from customers, net of allowance for credit losses and unearned discounts.

Liquidity Management

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investments in securities, trade financing and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines and the maintenance of repurchase facilities.

Liquidity risk on funding mainly comes from mismatches in asset, liability and exchange contract maturities. The Bank manages liquidity risk by setting and maintaining a minimum cumulative liquidity gap (**MCLG**, which is the smallest net cumulative cash inflow or the largest net cumulative cash outflow), conducting internal and regulatory stress tests and testing the Bank's contingency funding plan. The Bank's market and liquidity risk exposures are generally well within the Board-approved value-at-risk (**Var**), stop loss and other risk limits set by the Bank and its subsidiaries.

The Bank's asset and liability committee (**ALCO**) is directly responsible for liquidity risk exposure. ALCO regularly monitors the Bank's positions and sets appropriate fund transfer prices to effectively manage movement of funds across business activities.

Securities Portfolio

The Bank classifies its securities in the following three categories: financial assets at fair value through profit and loss (**FVPL**), financial assets at amortised cost investments and financial assets at fair value through other comprehensive income (**FVOCI**) investments. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Securities are classified as FVOCI

Description of the Bank's Assets and Liabilities

investments when purchased and held indefinitely, but which the Bank expects to sell in response to liquidity requirements or changes in market conditions. Financial assets at FVPL include debt and equity securities that have been acquired principally for the purpose of selling or repurchasing in the near term. Amortised Cost investments are quoted, non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the intention and ability to hold to maturity.

As of 30 September 2022, the Bank's investments (exclusive of derivatives) comprised 22.5% of its total assets. The table below shows the balances of the Bank's securities as of the dates indicated:

	2019		As of 31 December 2020		2021		As of 30 September 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
				(P millions)				
Financial Assets at FVTPL	21,172	21,172	32,422	32,422	17,781	17,781	39,846	39,846
Investment Securities, net								
Financial Assets at FVOCI	53,905	53,905	130,186	130,186	134,741	134,741	81,715	81,715
Financial Assets at Amortised Cost	275,105	276,454	244,653	253,097	338,672	339,189	446,750	415,914
Total	350,182	351,531	407,261	415,705	491,194	491,711	568,311	537,475

Loan Portfolio

As of 30 September 2022, the Bank's total loan portfolio amounted to ₱1.66 trillion, representing 66% of total assets. Large corporate loans, SME loans and consumer loans make up 77.0%, 3.8% and 19.2% of the Bank's total loan portfolio as of 30 September 2022.

The following table sets out the distribution of the total loan portfolio held by the Bank among its principal lending units as of the dates indicated:

	As of 31 December			As of 30 September 2022
	2019	2020	2021	
		(P millions)		
Corporate Entities				
Large Corporate Customers	1,147,643	1,112,069	1,169,551	1,275,813
Small-and-Medium-Sized Enterprise	73,357	66,869	66,594	62,167
Retail Customers				
Credit Cards	75,100	68,057	76,048	90,961
Real Estate Mortgages	137,380	140,552	153,303	157,145
Auto Loans	53,789	51,045	51,182	55,968
Others	11,421	11,616	11,952	14,688
Total	1,498,690	1,450,208	1,528,630	1,656,742
Accrued interest receivable	9,660	8,976	7,819	9,108
Unearned discount/income	(7,040)	(5,013)	(6,158)	(6,812)
	1,501,310	1,454,171	1,530,291	1,659,038
Allowance for impairment	(25,974)	(46,758)	(53,764)	(58,652)
Loans and Advances, net	1,475,336	1,407,413	1,476,527	1,600,386

Industry concentration

The real estate, manufacturing, utilities, wholesale and retail trade, and consumer sectors have in general represented the largest sectors of the Bank's loan portfolio, 23.7%, 16.2%, 12.4%, 10.4% and 9.1%, respectively, of the Bank's loan portfolio as of 30 September 2022.

Under guidelines established by the BSP, loan concentration is considered to exist when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. BSP regulations require banks to allocate 25% of their loanable funds for agricultural credit in general, of which at least 10% is to be made available for agrarian reform credit. Alternatively, a bank may temporarily meet all or a portion of its agrarian reform and agricultural lending requirements by investing in eligible government securities under certain conditions. Failure to comply with required credit to the agrarian reform and agricultural sectors may result in sanctions, including an annual penalty of 0.5% of the amount of non-compliance/under-compliance. For the years ended December 31, 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, the Bank was fined ₱589.0 million, ₱822.0 million, ₱797.9 million, ₱590.1 million and ₱702.8 million, respectively, for its failure to fully comply with Agri-Agra mandated lending. The amount of loans to be extended by the Bank under Agri-Agra amounts to approximately ₱299.7 billion as of 30 September 2022.

Description of the Bank's Assets and Liabilities

The following table sets forth an analysis of the Bank's loan portfolio by economic activity as of the dates indicated, as defined and categorised by the BSP:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	130,648	8.8%	121,593	8.4%	123,035	8.1%	149,608	9.1%
Manufacturing	228,697	15.3%	216,884	15.0%	238,369	15.7%	267,154	16.2%
Real estate, renting and other related activities	366,077	24.5%	367,527	25.4%	389,874	25.6%	390,892	23.7%
Wholesale and retail	169,828	11.4%	159,144	11.0%	163,205	10.7%	171,646	10.4%
Agriculture, fishing and forestry	42,852	2.9%	36,502	2.5%	29,614	1.9%	32,172	1.9%
Electricity, gas and water	149,566	10.0%	169,824	11.8%	174,679	11.5%	203,875	12.4%
Transport and storage	28,319	1.9%	28,234	2.0%	35,751	2.3%	39,336	2.4%
Information and communication...	73,798	5.0%	73,428	5.1%	100,571	6.6%	143,660	8.7%
Construction	27,347	1.8%	32,752	2.3%	39,378	2.6%	36,703	2.2%
Financial intermediaries	161,568	10.8%	128,683	8.9%	123,369	8.1%	149,135	9.0%
Others	112,950	7.6%	110,624	7.6%	104,628	6.9%	65,750	4.0%
Total	1,491,650	100.0%	1,445,195	100.0%	1,522,472	100.0%	1,649,930	100.0%

Loan Maturity Profile

As of 30 September 2022, 36.6% of the Bank's loan portfolio had a maturity of one year or less. The following table sets forth an analysis of the Bank's loan portfolio by maturity as of the dates indicated:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Within one year ⁽¹⁾	548,837	36.8%	517,224	35.8%	519,047	34.1%	603,317	36.6%
More than one year	942,813	63.2%	927,971	64.2%	1,003,425	65.9%	1,046,613	63.4%
Total	1,491,650	100.0%	1,445,195	100.0%	1,522,472	100.0%	1,649,930	100.0%

Note:

(1) Includes past due loans.

Foreign Currency Denominated Loans

As of 30 September 2022, 90.6% of the Bank's loan portfolio was denominated in Pesos while 9.4% was denominated in a foreign currency, 95.3% of which was comprised of U.S. dollars.

The following table sets forth an analysis of the Bank's loans by currency as of the dates indicated:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Philippine Peso	1,335,017	89.5%	1,314,080	90.9%	1,402,793	92.1%	1,494,075	90.6%
Foreign Currency	156,633	10.5%	131,115	9.1%	119,679	7.9%	155,855	9.4%
U.S. Dollars	149,012	95.1%	120,709	92.1%	113,229	94.6%	148,560	95.3%
Others	7,621	4.9%	10,406	7.9%	6,450	5.4%	7,295	4.7%
Total	1,491,650	100.0%	1,445,195	100.0%	1,522,472	100.0%	1,649,930	100.0%

Interest Rates

As of 30 September 2022, 89.2% of the Bank's total loan portfolio are subject to repricing. The Bank sets interest rates for floating rate Peso-denominated loans based on market rates for Philippine government securities and for

Description of the Bank's Assets and Liabilities

U.S. dollar-denominated loans based on U.S. dollar LIBOR. The floating rate loans are repriced for interest periods of typically 30 to 90 days.

The following table sets forth the total amount of the Bank's loan exposure to interest rate risk, on a consolidated basis, categorised by the earlier of contractual repricing or maturity dates:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₹ millions, except percentages)							
Repricing	1,332,760	89.3%	1,293,264	89.5%	1,360,526	89.4%	1,471,786	89.2%
Up to one year	887,474	66.6%	489,033	37.8%	484,920	35.6%	875,212	59.5%
Over 1 up to 3 years.....	136,081	10.2%	223,545	17.3%	310,278	22.8%	290,023	19.7%
Over 3 years	309,205	23.2%	580,686	44.9%	565,328	41.6%	306,551	20.8%
Non-repricing.....	158,890	10.7%	151,931	10.5%	161,946	10.6%	178,144	10.8%
Total Loans.....	1,491,650	100.0%	1,445,195	100.0%	1,522,472	100.0%	1,649,930	100.0%

(a) Sizes and concentration of loans

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's net worth, or unimpaired capital and surplus, which includes combined capital accounts, paid-in-capital and surplus, but excludes unbooked reserves for valuation purposes, liabilities and deferred income tax. As of 30 September 2022, the Bank is in compliance with this borrower's limit with all of its loans.

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 30 September 2022, the Bank's ten largest individual borrowers accounted for 13% of the Bank's total outstanding loan portfolio. As of 30 September 2022, the Bank's ten largest borrower groups in the aggregate accounted for 26% of its outstanding loan portfolio. There are no NPLs in the top ten loan accounts.

Secured and Unsecured Loans

The following table sets forth the Bank's secured and unsecured loans, and the type of collateral as of the dates indicated:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₹ millions, except percentages)							
Secured	483,521	32.4%	512,761	35.5%	443,248	29.1%	492,888	29.9%
Real estate mortgage.....	278,099	57.5%	257,311	50.2%	268,427	60.6%	271,089	55.0%
Chattel mortgage.....	57,037	11.8%	51,821	10.1%	51,878	11.7%	56,719	11.5%
Others	148,385	30.7%	203,629	39.7%	122,943	27.7%	165,080	33.5%
Unsecured	1,008,129	67.6%	932,434	64.5%	1,079,224	70.9%	1,157,042	70.1%
Total.....	1,491,650	100.0%	1,445,195	100.0%	1,522,472	100.0%	1,649,930	100.0%

As of 30 September 2022, 70.1% of the Bank's total loans are unsecured.

(a) Loans to Directors, Officers, Shareholders and their Related Interests

The Bank extends loans to its directors, officers, shareholders and their related interests (collectively referred to as **DOSRI**) in the normal course of business and on equal terms with those offered to unrelated third parties. The BSP imposes an aggregate ceiling of 15% of the bank's loan portfolio for these types of loans or 100% of net worth, whichever is lower with the unsecured portion limited to 30% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. As of 30 September 2022, DOSRI loans amounted to 1.2% of the Bank's total loans and advances.

Loan Classification and Loan Loss Provisioning

In measuring credit risk of loans and advances at a counterparty level, the Bank considers three components: (i) the probability of default by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development; and (iii) the likely recovery ratio on the defaulted obligations. In

Description of the Bank's Assets and Liabilities

the evaluation process, the Bank also considers the conditions of the industry/sector to which the counterparty is exposed, other existing exposures to the industry/sector to which the counterparty may be related as well as the client and the Bank's security or fallback position assuming the worst-case scenario. Outstanding and potential credit exposures are reviewed to likewise ensure that they conform to existing internal credit policies.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various counterparty categories. The Bank has internal credit risk rating systems that are designed for corporate, SMEs and retail accounts, that measure the borrower's credit risk based on quantitative and qualitative factors. The ratings of individual borrowers may subsequently fluctuate between classes as the assessment of the borrower's probability of default changes. For retail, the consumer credit scoring system is a formula-based model for evaluating each credit application against a set of characteristics that are considered relevant and reliable in predicting repayment. The Bank regularly validates the performance of the rating systems and their predictive power with regard to default events and enhances them if necessary.

The Bank's internal ratings are created in line with general BSP guidelines in administering and classifying loans and are classified as follows:

- **Unclassified Loans** – these are loans that do not have a greater-than-normal risk and do not possess the characteristics of loans classified below. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated;
- **Loans especially mentioned** – these are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase the credit risk of the Bank;
- **Substandard Loans** – these are loans which appear to involve a substantial degree of risk to the Bank because of unfavourable records or unsatisfactory characteristics. Further, these are loans with well-defined weaknesses which may include adverse trends or development of a financial, managerial, economic or political nature, or a significant deterioration in collateral;
- **Doubtful Loans** – these are loans which have weaknesses similar to those of the substandard classification with additional facts, conditions and values that make collection or liquidation in full highly improbable and substantial loss is probable; and
- **Loss Loans** – these are loans which are considered uncollectible and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

The table below sets forth a summary of the risk classification of the Bank's aggregate loan portfolio as a percentage of outstanding loans as of the dates indicated:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
(P millions, except percentages)								
Classified	25,376	1.69%	61,706	4.24%	58,532	3.82%	52,581	3.17%
Especially mentioned.....	8,721	0.58%	15,468	1.06%	18,346	1.20%	4,169	0.25%
Substandard secured	2,145	0.14%	21,812	1.50%	12,440	0.81%	21,550	1.30%
Substandard unsecured.....	6,811	0.45%	14,019	0.96%	13,712	0.90%	11,290	0.68%
Doubtful.....	3,124	0.21%	4,605	0.32%	9,830	0.64%	10,907	0.66%
Loss	4,575	0.30%	5,802	0.40%	4,204	0.27%	4,665	0.28%
Unclassified.....	1,475,934	98.31%	1,392,465	95.76%	1,471,759	96.18%	1,606,457	96.83%
Total	1,501,310	100.00%	1,454,171	100.00%	1,530,291	100.00%	1,659,038	100.00%

Description of the Bank's Assets and Liabilities

(a) Non-Performing Assets

The table below sets forth details of the NPAs (as defined in the table below), non-accruing loans, ROPA (as defined in the table below), restructured loans and write-offs for loan losses as of the dates indicated:

	As of December 31			As of 30 September 2022
	2019	2020	2021	
	(₱ millions, except percentages)			
Total Loans (gross).....	1,491,650	1,445,195	1,522,472	1,649,930
Non-performing loans (NPLs), gross ⁽¹⁾	24,835	38,753	37,956	32,046
Non-performing loans (NPLs), net ⁽¹⁾	9,531	24,270	20,384	15,069
ROPA, Gross.....	6,010	5,788	6,197	6,789
ROPA, Net	3,155	2,971	3,282	3,807
Total non-performing assets (NPAs), net.....	12,686	27,241	23,666	18,876
Total assets	2,205,030	2,233,443	2,421,915	2,528,223
NPAs to total assets	0.58%	1.22%	0.98%	0.75%
Allowance for impairment and credit losses (total)	28,220	47,465	54,577	59,511
Allowance for credit losses (loans).....	25,366	44,648	51,663	56,530
Allowance for impairment losses (ROPA)	2,854	2,817	2,914	2,981
Allowance for credit losses (loans) to total non-performing loans, gross	102.1%	115.2%	136.11%	176.40%
Allowance for impairment and credit losses (total) to total non-performing assets.....	91.5%	106.6%	123.6%	153.2%
Total restructured loans	440.2	15,875	28,441	29,187
Restructured loans to total loans (gross).....	0.03%	1.10%	1.87%	1.77%
Loans – written off	2,645	5,243	5,263	2,145

Note:

(1) NPLs are based on BSP circular 941.

(b) Sectoral analysis of non-performing loans

The following table sets forth, as at the dates indicated, the Bank's gross NPLs by the respective borrowers' industry or economic activity and as a percentage of the Bank's gross NPLs as of the dates indicated:

	As of 31 December						As of 30 September	
	2019		2020		2021		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	6,361	25.6%	9,905	25.6%	7,778	20.5%	7,586	23.7%
Manufacturing (various).....	2,876	11.6%	3,040	7.8%	3,055	8.0%	2,013	6.3%
Real estate, renting and other related activities..	6,894	27.8%	12,823	33.1%	11,342	29.9%	9,537	29.8%
Wholesale and retail.....	2,619	10.5%	3,632	9.4%	3,856	10.2%	3,615	11.3%
Agriculture, fishing and Forestry.....	746	3.0%	939	2.4%	1,108	2.9%	772	2.4%
Electricity, gas and water	349	1.4%	341	0.9%	310	0.8%	322	1.0%
Transport and storage.....	336	1.4%	258	0.7%	327	0.9%	305	1.0%
Information and communication.....	609	2.5%	666	1.7%	465	1.2%	629	1.9%
Construction.....	918	3.7%	1,038	2.6%	5,803	15.3%	4,443	13.9%
Financial intermediaries	329	1.3%	300	0.8%	144	0.4%	150	0.5%
Others.....	2,798	11.2%	5,811	15.0%	3,768	9.9%	2,674	8.2%
Total	24,835	100.0%	38,753	100.0%	37,956	100.0%	32,046	100.0%

(c) Credit Approval Levels

The Bank adopts a multi-level credit approval process for corporate and commercial loans requiring approvals at various levels depending on the size of the proposed loan. The process has four main levels, which requires applications for credit exceeding specified limits to be approved at higher levels of authority. It follows credit approval authority limits approved by the BPI Board of Directors based on credit risk appetite and strategy.

Credit Management Policies and Procedures

The credit management process involves all levels of the organisation, from line personnel up to the Board of Directors. This section discusses the broad responsibilities of the various functions in the credit management process.

(a) *Board of Directors*

The Board of Directors represents the shareholders and provides overall guidance in the execution of the Bank's vision. It is responsible for:

- approving and periodically reviewing the credit strategy of the Bank;
- ratifying significant credit policies;
- approving the Bank's overall strategy for selecting risks and maximising profits;
- reviewing the financial results of the Bank and determining action plans;
- approving write-off of past due loans and ratifying restructured loans;
- approving the minimum amount of valuation reserves to be set up for bank-wide assets;
- determining the adequacy of capital levels vis-a-vis the risks assumed; and
- approving DOSRI loans.

(b) *Executive Committee*

The Executive Committee (**EXCOM**) is, after the Board, the highest credit decision-making body in the Bank. As mandated by the Board of Directors, its main purpose is to review and approve credit proposals that may pose material risks to the Bank's business strategy or reputation and to work closely with the Risk Management Committee (**RMC**) in managing the overall credit risk of the Bank through its membership in the RMC. In addition, the EXCOM is responsible for approving the sale of investment properties as recommended by management.

(c) *Risk Management Committee*

The RMC of the Board has been tasked to articulate and convey the risk management expectations of the Board to Management. The Board has also delegated the development, implementation, and oversight of the Bank's risk management framework to the RMC. The following are the duties and responsibilities of the RMC:

- provide guidance on and oversight over the implementation of risk management strategies for managing and controlling the Bank's major financial and non-financial risks, preventing losses, and minimising the impact of losses when they occur;
- establish the Bank's overall risk capacity, risk appetite, metrics, and limits system;
- approve credit, market, liquidity, operational and IT risk policies and implementing guidelines as may be recommended for risk management purposes;
- identify and evaluate credit, market, and operational risk exposures, assessing the probability of each risk becoming a reality and estimating its possible effects and costs;
- oversee the system of credit, market, and operational risk limits to discretionary authority that the Board delegates to management, ensuring that the risk limits are observed and immediate escalation and corrective actions are undertaken whenever limits are breached;

- regularly report to the Board the Bank's over-all risk exposure, actions taken to reduce the risks and recommend further actions and plans whenever necessary;
- ensure the proper implementation of the Bank's risk and capital management plan;
- review and reverse the Bank's risk and capital management plan as needed;
- set strategic targets, portfolio composition and limits; and
- oversee the management, methods, and processes of the Bank's Chief Risk Officer and the Risk Management Office.

(d) *Credit Committee*

The Credit Committee at the management level is responsible for executing and managing the credit strategy of the Bank as defined by the Board and the EXCOM, by:

- maintaining a sound and effective credit risk management system;
- participating in Bank-wide portfolio planning and strategy;
- reviewing and approving exceptions to standard credit policies up to its authority limit;
- keeping aggregate credit risk levels within established risk appetite and limits;
- reviewing the effectiveness of credit training policies across the Bank and communicating the same across the key business and operational levels of the organisation;
- ensuring the completeness and validity of information contained in all credit media presented to the EXCOM for approval, notation, and/or ratification;
- approving and reviewing credit proposals within its authority as established by the Board of Directors; and
- reviewing large or complex credit risk exposures and potential transactions, and advising on matters of policy.

Special Accounts Management

The Bank has a special accounts management division (**SAMD**) that manages and administers problem loan accounts. The Bank's relationship officers identify and transfer accounts that, in their assessment, exhibit early warning signals of a deteriorating credit or have been classified as substandard or worse.

SAMD seeks to maximise the recovery of the loan through continued payments, rehabilitation of the problem account, or through alternative means of payment. In cases of accounts involving a consortium of banks, the SAMD strives to take a lead role in the recovery efforts to protect the Bank's interest.

In cases where the remedial action implemented provides for payment via *dación en pago* (handing the keys back to a lender and signing a deed before a notary public whereby a borrower relinquishes ownership in exchange for being fully discharged of his mortgage liability) or other actions such as foreclosure, management of the resulting investment property is handled by the Bank's property sale and leasing division (**PSLD**). The legal affairs and dispute resolution division provides PSLD with any legal assistance that may be required for investment property management. SAMD also provides case-to-case assistance to the PSLD in cases where investment property management may require account management approaches and solutions.

SHAREHOLDERS, DIRECTORS, AND MANAGEMENT

Shareholders

The following table shows the principal shareholders of the Bank and the corresponding number of shares held as at 30 September 2022:

Name of Shareholder	Number of Shares	% of Total Shares
Ayala Corporation	1,390,531,096	30.81%
Liontide Holdings, Inc.	904,194,682	20.04%

Board of Directors

The overall management and supervision of the Bank is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. The articles of incorporation of the Bank, as amended (the **Articles of Incorporation**) currently provide for a Board of Directors of not more than 15 Directors, at least nine of whom must be citizens of the Philippines. Directors are elected at the annual meeting of shareholders which is, in accordance with the Bank's by-laws, as amended (**By-Laws**), held on 15 April of every year. The 15 candidates receiving the highest number of votes through cumulative voting will be declared elected. Each elected Director has a term of office of one year and is eligible for re-election the following year. Currently, the Board consists of 14 Directors as of end-September 2022.

The table below sets out the members of the Board of Directors:

Name	Position	Date First Elected to the Board	Citizenship	Age
Jaime Augusto Zobel de Ayala	Chairman	13 March 1990	Filipino	63
Cezar P. Consing	Vice-Chairman	15 April 2010	Filipino	62
Jose Teodoro K. Limcaoco	President and CEO	20 February 2019	Filipino	60
Janet Guat Har Ang	Independent Director	19 May 2021	Singaporean	63
René G. Bañez	Director	18 August 2021	Filipino	67
Romeo L. Bernardo	Director	21 August 2002	Filipino	68
Ignacio R. Bunye.....	Independent Director	14 April 2016	Filipino	77
Emmanuel S. de Dios	Director	28 April 2022	Filipino	68
Ramon R. Del Rosario, Jr.	Director	23 April 2020	Filipino	77
Octavio V. Espiritu	Independent Director	7 April 2000	Filipino	78
Aurelio R. Montinola III	Director	14 January 2004	Filipino	70
Cesar V. Purisima	Independent Director	20 January 2021	Filipino	62
Jaime Z. Urquijo	Chairman	21 September 2022	Filipino	34
María Dolores B. Yuvienco	Vice-Chairman	10 April 2014	Filipino	74

The following is a brief description of the business experience of each of the Directors:

JAIME AUGUSTO ZOBEL DE AYALA, Filipino, 63, has been a member of the board of directors (non-executive director) of BPI since March 1990 and chairman since March 2004. He is currently the chairman of the Bank's Executive Committee, Personnel and Compensation Committee and a member of the Nomination Committee. Mr. Zobel served as vice chairman from 1995 to March 2004.

Mr. Zobel also serves as a director of Ayala Corporation since May 1987. He is the chairman of the board of Ayala Corporation since 2006. He was its CEO from 2006 to 2021. He holds the following positions in publicly listed companies: chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.); and vice chairman of Ayala Land, Inc. He is also the chairman of AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of AC Ventures Holding Corp., Alabang Commercial Corporation, AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Limited.

Outside the Ayala group, he is a director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University

of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council and Asia Center Advisory Committee, HBS Board of Dean's Advisors, and HBS Asia Advisory Committee. He sits on the board of Singapore Management University (SMU) and is the chairman of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, ASEAN Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and World Wildlife Philippines National Advisory Council. He is the co-vice chairman of the Makati Business Club, the chairman of Endeavor Philippines, and a trustee emeritus of Eisenhower Fellowships.

He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the president of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business.

Mr. Zobel graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

JOSE TEODORO K. LIMCAOCO, Filipino, 60 years old, was elected as President and Chief Executive Officer of Bank of the Philippine Islands (BPI) in April 2021.

He serves as chairman of BPI Capital Corporation, BPI Asset Management and Trust Corporation, BPI/MS Insurance Corporation, BPI AIA Life Assurance Corporation and BPI Europe Plc; president and vice chairman of The Bank of the Philippine Islands Foundation, Inc.; vice chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation, and director of Bankers Association of the Philippines, BAP Data Exchange, Inc., and Philippine Dealing System Holdings Corp. Previously, he served as president of BPI Family Savings Bank from 2010-2015 and president of BPI Capital Corporation from 2007-2010. He was also director/treasurer of Ayala Life Assurance, Inc. in 2009, director/chairman of Ayala Plans, Inc. in 2010-2015, and director of Globe Fintech Innovations, Inc. in 2017-2022 and AC Energy International Inc. in 2019-2022. He also worked at BPI from 1989 to 1992 and at BPI Capital from 1995 to 1997.

From 2015 to 2021, he was a Senior Managing Director and the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He served as a director of publicly listed companies Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and as a director of SSI Group, Inc. He also served as a director of a number of Ayala group companies including those involved in healthcare, infrastructure, education, energy, and industrial technologies.

Mr. Limcaoco joined Ayala Corporation as a managing director in 1998. His responsibilities prior to his secondment to BPI in 2007 included assistant treasurer of Ayala Corporation, trustee and treasurer of Ayala Foundation, Inc., president of myAyala.com, and director/treasurer of Azalea Technology Investments, Inc. from 2001-2006.

He served as the president of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia.

He is a director and treasurer of Just For Kids, Inc., a family-owned company.

He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

JANET GUAT HAR ANG, Singaporean, 63 years old, was elected as an independent director of BPI in May 2021. She is a member of the Bank's Risk Management Committee.

Ms. Ang is currently the chairman of SISTIC.com Pte Ltd and an independent director of the board of the SPH Limited. She also serves as the chairman of the NUS Institute of Systems Science, the Singapore Polytechnic and the Caritas Singapore Agape Fund Board of Trustees. Ms. Ang is also the deputy chairman of the Singapore Business Federation Foundation as well as member of the Board of The Esplanade Company Ltd, the Home Team Science & Technology Agency.

Ms. Ang serves on the Council for Board Diversity and the Singapore Business Federation, and is a Senior Advisor of the RGE Group and independent director of the Tanoto Foundation. She is a Fellow of the Singapore Computer Society, a Fellow of Singapore Institute of Directors and a member and past president of the International Women's Forum (Singapore). She is a nominated MP of the Parliament of Singapore and Singapore's Non-Resident Ambassador to the Holy See.

Ms. Ang had a thirty-seven year career in the information technology industry and had lived and worked in Japan and China over a span of eleven years. She was a managing director of IBM Singapore from 2001 to 2003 and again from 2011-2015. Ms. Ang was a member of the IBM Industry Academy. Her last executive role was as IBM Vice President, Industry Solutions, IBM Asia Pacific.

Ms. Ang was awarded The Public Service Medal in 2019. She was also awarded the Singapore Computer Society IT Leaders Award – Hall of Fame in 2018, the NUS Distinguished Alumni Service Award in 2015 and the NUS Business School Eminent Alumni Award in 2014.

Ms. Ang graduated with a Bachelor of Business Administration (Honours) from the National University of Singapore.

RENÉ G. BAÑEZ, Filipino, 67 years old, was elected as director of BPI in August 2021. He is a member of the Bank's Executive, Related Party Transaction, and Retirement/Pension Committees. Mr. Bañez also serves as a board director of BPI Asset Management and Trust Corporation and BPI Capital Corporation.

Mr. Bañez served as the commissioner of the Bureau of Internal Revenue (BIR) from February 2001 to August 2002 and as deputy commissioner from June 1993 to November 1995.

In the private sector, he held several senior-level positions in PLDT until his retirement in 2016. He was senior vice president and head of the Supply Chain, Asset Protection and Management Group, from 2008 to 2016; senior vice president and chief governance officer from 2004 to 2007; corporate governance advisor from 2003 to 2004; senior vice president, Support Services and Tax Management from 2000 to 2001; and first vice president, Support Services and Tax Management from 1998 to 2000. Prior to joining PLDT, he was Group Tax Director of Metro Pacific Investment Corporation until 1998.

Before his appointment to the BIR in 1993, he spent more than 11 years at accounting firm Isla Lipana & Co./PwC (formerly Joaquin Cunanan & Co.), starting as a tax consultant in 1982 until he became tax principal (Partner) from 1990 to 1993. He was a faculty member at the Ateneo de Manila University College of Law, handling Taxation, from 1990 to 2007.

He is affiliated with the Equestrian Order of the Holy Sepulchre, and is a member of the Finance Board of the Archdiocese of Manila and Diocese of Pasig, a board member/trustee of Radio Veritas Corporation, Pope Pius Foundation, Catholic Travel Inc., Mirador Jesuit Villa & Retreat House Corporation, Loyola School of Theology Corporation, Solidaritas Fund and Unitas Asia Corp. (a subsidiary of Radio Veritas Asia).

Mr. Bañez earned his Bachelor of Laws degree in 1981 and his Bachelor of Arts degree in 1976 both from Ateneo de Manila University.

ROMEO L. BERNARDO, Filipino, 68 years old, has served as a member of the board of directors of BPI since February 1998, and an independent director since August 2002 until April 2019. He is currently a member of the Executive and Personnel and Compensation Committees.

Mr. Bernardo serves as an independent director of the following PSE-listed companies: Aboitiz Equity Ventures, Inc., RFM Corporation, Monde Nissin Corporation and PHINMA. He is also a non-executive director of Globe Telecom, Inc. He is the chairman of the board of directors of the ALFM family of funds. He is likewise a public advocate of good corporate and national governance and frequently writes on the subject in his capacity as vice chairman and co-founder of the Foundation for Economic Freedom and the Philippine Advisor of GlobalSource Partners, Inc., a worldwide network providing insights on emerging markets. He was a board director of the Management Association of the Philippines in 2017-2018 and the Finex Foundation in 2017.

Mr. Bernardo is a former undersecretary of the Department of Finance and founded his consultancy practice, Lazaro Bernardo Tiu & Associates in 1996. He has worked and/or been engaged as consultant in various multilateral institutions such as the World Bank, International Finance Corporation, Asian Development Bank,

and Japan International Cooperation Agency. He has also worked with government institutions such as the Department of Finance and the National Economic Development Authority (NEDA) in policy matters involving pension reform, capital markets reform, and fiscal and debt management.

Mr. Bernardo graduated with a B.S. Business Economics degree (Magna Cum Laude), from the University of the Philippines in 1974. He obtained his M.A. Development Economics at Williams College, Williamstown, Massachusetts in 1977.

IGNACIO R. BUNYE, Filipino, 77 years old, was elected as an independent director of BPI in April 2016. He is the chairman of the Bank's Related Party Transaction Committee and a member of the Corporate Governance and Personnel and Compensation Committees. He was appointed lead independent director in April 2021. Mr. Bunye also serves as an independent director of BPI Asset Management and Trust Corporation, BPI Direct BanKo, Inc., A Savings Bank and BPI Capital Corporation.

Mr. Bunye was a member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2008 to 2014. He previously held the positions of Presidential Political Adviser in 2008, Presidential Spokesperson in 2003, and Press Secretary in 2002. He also worked in BPI's Treasury and Corporate Finance departments from 1983 to 1986 before he began his government service in the City of Muntinlupa (then a municipality) as officer-in-charge and later as Mayor between 1986 and 1998.

During his twelve-year stewardship in Muntinlupa, Mr. Bunye founded the Muntinlupa Polytechnic College (now Pamantasan ng Lungsod ng Muntinlupa) and laid the foundation for the establishment of the Ospital ng Muntinlupa. In a concurrent capacity, he also served as Chairman of the Metropolitan Manila Authority (now Metropolitan Manila Development Authority) between 1991 and 1992, and was a member of the House of Representatives representing Muntinlupa between 1998 and 2001. A former print and broadcast journalist, he now writes a regular weekly column for Manila Bulletin, Tempo, People's Tonight, Sun Star, BusinessWeek Mindanao, Panay News and Filipino Reporter (in New York).

Significant awards and recognition received by Mr. Bunye include the Asian Institute of Management Honor and Prestige Award, the Bangko Sentral Service Excellence Medal, the Gran Oden de Isabela Catolica, and the Order of Lakandula (rank of Bayani).

Mr. Bunye is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University in 1964 and 1969, respectively. He passed the Philippine Bar Examination in 1969.

CEZAR P. CONSING, Filipino, 62 years old, was elected as regular director of the Bank in April 2021. He served as President and Chief Executive Officer of BPI from 2013 to 2021. He is currently the vice chairman of BPI's Board and Executive Committee, member of Risk Management and Nomination Committees. Mr. Consing also serves as member of the board of directors of BPI Asset Management and Trust Corporation, BPI Capital Corporation, and BPI Direct BanKo, Inc., A Savings Bank.

Mr. Consing is the chairman of Philippine Dealing System Holdings and its three operating subsidiaries, a position he has held since 2019. Mr. Consing is a board director of the publicly listed Ayala Corporation since 2020 and was appointed as president and Chief Executive Officer in September 2022. Mr. Consing is also a board director of the following publicly listed companies: Globe Telecom (2021-present), and AC Energy (2021-present). He is also a director of the Singapore-listed Yoma Strategic Holdings Ltd. and the Myanmar-listed First Myanmar Investment Public Company Limited.

Mr. Consing served as the chairman and president of the Bankers Association of the Philippines from 2019-2021. He was the president of Bancnet, Inc. from 2017-2021. Mr. Consing was a partner at the Rohatyn Group from 2004-2013. He headed its Hong Kong office and its private investing business in Asia and was a board director of its real estate and energy and infrastructure private equity investing subsidiaries. Mr. Consing worked for J. P. Morgan & Co. in Hong Kong and Singapore from 1985-2004. He headed the firm's investment banking business in Asia Pacific from 1997-2004 and served as president of J. P. Morgan Securities (Asia Pacific) Ltd. as a senior managing director, Mr. Consing was a member of the firm's Global Investment Banking Management Committee, its Asia Pacific Management Committee, and its Global Managing Director Selection Committee.

Mr. Consing worked for BPI from 1981-1985, as a management trainee and eventually as assistant vice president. Mr. Consing has served as an independent board director of the following publicly listed companies in Asia:

Jollibee Foods Corporation (2010-2021), CIMB Group Holdings (2006-2013), and First Gen Corporation (2005-2013), and a board director of National Reinsurance Corporation (2014-2019), where he also served as chairman (2018-2019). He currently serves on the board of FILGIFTS.com. He has also served on the boards of SQREEM Technologies, Endeavor Philippines and the Hongkong based Asian Youth Orchestra. He is a board director of the US-Philippines Society and the Philippine-American Educational Foundation, and a board trustee of the Manila Golf Club Foundation. He is a member of the National Mission Council of De La Salle Philippines and a board trustee of College of St. Benilde and La Salle Greenhills. Mr. Consing has been a member of the Trilateral Commission since 2014.

Mr. Consing received an A.B. Economics degree (Accelerated Program), Magna Cum Laude, from De La Salle University, Manila, in 1979. He obtained an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

EMMANUEL S. DE DIOS, Filipino, 68 years old, was elected as independent director of Bank of the Philippine Islands (BPI) in April 2022 and is the chairman of the Corporate Governance Committee. Mr. de Dios is a board member of ABS-CBN Corporation and was appointed as independent director on April 23, 2013. Mr. de Dios has been a Professor of Economics at the University of the Philippines School of Economics since 1980. He is also the President of Human Development Network (Philippines) since July 2012. He is the current trustee/chairman of Pulse Asia Research, Inc.

He was the Dean of the University of the Philippines School of Economics from 2007 to 2010.

He received his AB Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviewers in economics.

RAMON R. DEL ROSARIO, JR., Filipino, 77, was elected as director of Bank of the Philippine Islands (BPI) in April 2020 and is a member of the Corporate Governance and Retirement and Pension Committees.

He currently holds the following positions in the following companies: Chairman and Chief Executive Officer of Phinma Corporation; President and Chief Executive Officer of Philippine Investment Management, Inc.; Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna, Union College of Laguna, United Pulp and Paper Co., Inc., PHINMA Hotels, Inc. and PHINMA Hospitality, Inc. He is vice chairman of Phinma Foundation, Inc. and Phinma Property Holdings Corp., director of Philcement Corp. and other PHINMA managed companies; chairman of Philippine Business for Education; and vice chairman of Caritas Manila. He is a former chairman of the Ramon Magsaysay Award Foundation and Makati Business Club, where he remains a trustee; and former chairman of the National Museum of the Philippines. He was the president of PHINMA Corp. until April 2022. He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate.

Mr. del Rosario graduated from De La Salle College in 1967 with degrees in BSC-Accounting and AB Social Sciences (Magna Cum Laude) and from Harvard Business School in 1969 with a Master in Business Administration degree.

OCTAVIO V. ESPIRITU, Filipino, 78 years old, has been a member of the board of directors of BPI since April 2000 and an independent director since April 2003 until May 2021. He is currently the chairman of Risk Management Committee and member of the Audit Committee. He was appointed lead independent director in April 2019 until May 2021.

Mr. Espiritu is an independent director of Bloomberry Resorts Corporation and Manila Water Company Inc., a member of the board of directors of Philippine Stratbase Consultancy, Inc., Pueblo de Oro Golf & Country Club, and The Country Club, Inc. He is the chairman of GANESP Ventures, Inc. and MAROV Holding Company, Inc. He is also a trustee and board member of the Carlos P. Romulo Foundation.

Mr. Espiritu was the president and Chief Executive Officer of Far East Bank & Trust Company (which merged with the Bank of the Philippine Islands in the year 2000) from 1984 until April 2000. He was also the president of the Bankers Association of the Philippines for three consecutive terms from March 25, 1991 to March 28, 1994. He served as the chairman of the board of trustees of Ateneo de Manila University for 14 years.

He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from Georgetown University, U.S.A in 1966.

AURELIO R. MONTINOLA III, Filipino, 70 years old, has been a member of the board of directors of BPI since 2004. Mr. Montinola served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for twelve years from 1992 to 2004. He also served as chairman of BPI/MS Insurance Corporation from 2005-2015 and remained as a director until June 2022. He is the chairman of the Bank's Retirement/Pension Committee and member of the Bank's Executive, and Personnel & Compensation Committees. Among the several BPI subsidiaries and affiliates, Mr. Montinola serves as member of the board of directors of the following: BPI Capital Corporation, BPI Direct Banko, Inc., A Savings Bank, and The Bank of the Philippine Islands Foundation, Inc.

Mr. Montinola is the chairman of Far Eastern University, Inc. and an independent director of Roxas and Company, Inc., both PSE-listed companies. Among others, he is also the chairman of Ramon Magsaysay Award Foundation, Amon Trading Corporation, Roosevelt College, Inc. and East Asia Computer Center, Inc. He is a member of the board of trustees of the Philippine Business for Education Inc. where he sits as vice chairman.

Significant awards received by Mr. Montinola include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government.

He obtained his Bachelor of Science in Management Engineering degree at the Ateneo de Manila University in 1973 and his MBA from the Harvard Business School in 1977.

CESAR V. PURISIMA, Filipino, 62 years old, was elected as independent director of BPI in January 2021. He is the chairman of BPI's Nomination Committee, and member of the Executive, Risk Management and Audit Committees. He also serves as a member of the board of directors of BPI Capital Corporation.

Mr. Purisima also currently serves as an independent director of Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation, and Jollibee Foods Corporation. He is also a founding partner of Ikhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the board of AIA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, a member of Singapore Management University's International Advisory Council in the Philippines and member of the Board of Advisors of ABS-CBN. He is also a member of the board of trustees of the World Wildlife Fund- Philippines, De La Salle University, and the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank.

Mr. Purisima served in the government of the Philippines as Secretary of Finance and chair of Economic Development Cluster of the President's Cabinet from July 2010 to June 2016 and as secretary of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), Governor of the Asian Development Bank and World Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines, and chairman of the Land Bank of the Philippines. Under his leadership, the Philippines received its first investment-grade ratings. He was named Finance Minister of the Year seven times in six consecutive years by a number of publications, a first for the Philippines. Prior to serving the government, Mr. Purisima was the chairman & country managing partner of the Philippines' largest professional services firm SGV & Co.

He was conferred the Chevalier dans l'Ordre national de la Legion d'Honneur (Knight of the National Order of the Legion of Honour) by the president of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the president of the Philippines in 2016, and the Chevalier de l'Ordre national du Merite (Knight of the National Order of Merit) by the president of the French Republic in 2001.

Mr. Purisima is a certified public accountant and has extensive experience in public accounting both in the Philippines and abroad. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation (Philippines) in 2012.

JAIME Z. URQUIJO, Filipino, 34 years old, was elected as director of BPI in September 2022. Mr. Urquijo serves as a director of AC Industrial Technology Holdings, Inc., ACE Enexor, Inc., Merlin Solar Technologies, Inc., Merlin Solar Technologies, Inc. (Philippines), Renewable Energy Joint Stock Company, BIM Energy Joint Stock Company, BIM Wind Power Joint Stock Company, BPI/MS Insurance Corporation and Integrated Micro-Electronics, Inc. He is presently the Assistant Vice President for Business Development at AC Energy Corporation (ACEN) and a Senior Manager at Ayala Corporation.

Mr. Urquijo served as director of BPI AIA Life Assurance Corporation (formerly BPI-Philam Life Assurance Corporation) from 2021 to 2022. He held a key manager position in the Corporate Strategy and Business Development Group of Ayala Corporation from 2016 to 2021. He was a founding member and Head of Business Development of AF Payments, Inc. from 2014 to 2016, a joint venture between Ayala Corporation and the Metro Pacific group which won a Public Private Partnership (PPP) concession to replace the ticketing system of the LRT and MRT of Metro Manila with a unified contactless ticketing system, called the beep card. The beep card was the first interoperable transport card in the Philippines.

Mr. Urquijo started his career at J.P. Morgan in New York in 2010 and was an analyst and associate until 2013. He graduated with a B.A. in Political Science from the University of Notre Dame and received his M.B.A. from INSEAD in 2018.

MARIA DOLORES B. YUVIENCO, Filipino, 74 years old, was elected as director of BPI in April 2014 and as independent director in April 2016. Mrs. Yuvienco currently serves as the chairman of the Audit Committee, a member of the Related Party Transactions Committee and the Personnel and Compensation Committee. In July 2019, Mrs. Yuvienco was elected as independent director of BPI Asset Management and Trust Corporation, and designated chairman of the AMTC Corporate Governance Committee and a member of the AMTC Risk Oversight Committee.

She serves as independent director of First Consolidated Bank (Thrift Bank), and chairman of the Nomination and Governance Committee.

Ms. Yuvienco worked for 41 years with the Bangko Sentral ng Pilipinas (formerly known as Central Bank of the Philippines) under various capacities until her compulsory retirement in March 2013. She held the post of Assistant Governor in the Supervision and Examination Sector when she retired. Her exposure at the BSP was largely in bank supervision where her responsibilities ranged from the crafting of policies/regulations on banking supervision to supervising on-site examination and off-site monitoring of BSP-supervised entities. As a ranking official in the BSP, she had opportunities to meet and share ideas with her counterparts in other central banks in the region. Owing to her experience, she was tapped as a resource speaker in various training programs of the Southeast Asian Center for Banking in Kuala Lumpur.

Ms. Yuvienco attended the Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit (The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future) held by Institute of Corporate Directors (ICD) on 18 October 2022 to comply with the requirement of Bangko Sentral ng Pilipinas (BSP).

Ms. Yuvienco graduated from St. Theresa's College, Quezon City in 1967, with a degree of Bachelor of Science in Commerce, major in Accounting. She took up post graduate studies at the University of the Philippines Diliman. She is a Certified Public Accountant and a Career Executive Service Professional.

Executive Officers of the Bank

The following is a partial list of the Bank's Executive Officers:

Position	Name	Age	Citizenship
President and Chief Executive Officer.....	Jose Teodoro K. Limcaoco*	60	Filipino
Executive Vice-President & Chief Operating Officer	Ramon L. Jocson	62	Filipino
Senior Vice-President & Treasurer	Dino R. Gasmen	56	Filipino
Executive Vice President.....	Ma. Cristina L. Go	53	Filipino
Executive Vice-President.....	Juan Carlos L. Syquia	56	Filipino
Senior Vice-President & Chief Finance Officer.....	Eric Roberto M. Luchangco	52	Filipino
Executive Vice-President.....	Marie Josephine M. Ocampo	60	Filipino
Senior Vice-President and Chief Marketing Officer	Mary Catherine Elizabeth P. Santamaria	55	Filipino
Senior Vice-President and Chief Credit Officer ...	Joseph Anthony M. Alonso	56	Filipino

Shareholders, Directors, and Management

Position	Name	Age	Citizenship
Senior Vice-President and Chief Audit Executive.	Rosemarie B. Cruz	59	Filipino
Senior Vice-President and Chief Risk Officer.....	Marita Socorro D. Gayares	61	Filipino
Senior Vice-President and Chief Compliance Officer	Atty. Noravir A. Gealogo	59	Filipino
President, BPI Asset Management and Trust Corp.	Maria Theresa Marcial	52	Filipino

Note:

* also member of the Board of Directors.

The following is a brief description of the business experience of each of the Executive Officers:

Mr. Jose Teodoro K. Limcaoco. Please see above under “—Board of Directors.”

Mr. Ramon L Jocson, Filipino, 62 years old, is currently an EVP and the COO of BPI. Mon heads BPI's Enterprise Services which serves as the backbone of the organization that includes Human Resources, Centralized Operations, Information Systems, Digital Channels, Facilities Services. He chairs the Bank's IT Steering Committee and is a member of the Bank's Management Committee.

Mon is currently a Member of the National University of Singapore- Institute of Systems Science (NUS-ISS) Management Board. He is also a Member of Yoma Bank's (Myanmar) Technology Advisory Committee.

He began his career as a Systems Analyst with IBM Manila in 1982, and subsequently taking on more responsibility as he assumed different positions, including Information Systems Manager, Systems Engineering Manager and Manager of Quality. In 1995, he was assigned in Singapore where he led IBM's Applications/Systems Integration business in ASEAN and South Asia. In 1996, he was appointed as Managing Director for IBM Philippines.

In 2000, he took on a new assignment as Vice President and GM of IBM Global Services, ASEAN and South Asia. He was then appointed as Vice President and GM of IBM Global Services for Industrial Sector for Asia Pacific in 2005. Two years later, in 2007, Mon took on the role of Vice President and GM of Application Services for the Growth Market Unit, where he led IBM's Applications Management and Application Integration Services in Asia Pacific, Central and Eastern Europe, Latin America and Middle East/Africa. He was then appointed as VP & GM of Integrated Technology Services for Asia Pacific in 2010.

In 2013, Mon was appointed as VP & GM of IBM Global Services for Central and Eastern Europe based in Prague, Czech Republic. In this capacity, he was responsible for IBM's services portfolio in Russia/CIS, Turkey, Poland & Baltics, Central Europe and South East Europe. From January 2015 until he joined BPI in September 2015, he was back in Singapore as IBM Asia Pacific VP & GM for Strategic Outsourcing, which catered to major regional banks, telcos and airlines as major clients.

Mon was also a member of IBM's Growth & Transformation Team, which is composed of the top senior leaders in IBM which worked directly with the Chairman on key/strategic initiatives.

He has served on several external boards, including the Economic Development Board of Singapore, Philamlife and iPeople.

Mon served as the Vice-Chairman of the CyberSecurity Committee of the Bankers Association of the Philippines from 2017 to 2022.

Mon graduated from the University of the Philippines in 1982 with a B.S. Industrial Engineering degree. He obtained his MBA from the Ateneo Graduate School of Business.

Dino R. Gasmen, Filipino, 56 years old, Mr. Gasmen serves as Treasurer and Head of the Bank's Global Markets Segment. He is responsible for optimizing the Bank's resources through management of interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution capabilities. Mr. Gasmen is Chairman of the Bank's Asset & Liability Committee and is a member of the Management Committee.

Prior to joining BPI in 2014, Mr. Gasmen spent 17 years at HSBC Global Markets covering various roles, such as heading the Rates Trading Business in the Philippines, Indonesia, Vietnam, and Sri Lanka, as well as Balance

Sheet Management for HSBC Philippines. He also worked in HSBC Bank PLC in the United Kingdom as Asian Product Manager where he helped local sales teams in the distribution of Asian markets products.

In BPI, Mr. Gasmen has been at the helm of various divisions in Global Markets. He was the Head of Asset & Liability Management (ALM) in 2014. In this role, he was responsible for ensuring multicurrency liquidity and optimizing portfolio investments. Mr. Gasmen also served as the Head of the Treasury Trading Division from 2015 until 2018, leading the Foreign Exchange (FX) Trading, Foreign and Local Fixed Income Trading, and Derivatives Trading Desks. In 2018, he reassumed the role of Head of ALM until his assignment as the bank's Treasurer in 2020.

Mr. Gasmen served as the President of the Money Market Association of the Philippines (MART) in 2006, and ACI Financial Markets Association Philippines in 2018.

He holds a B.S. in Electrical Engineering and a Master's Degree in Business Administration from the University of the Philippines Diliman.

Mr. Juan Carlos L. Syquia, Filipino; 56 years old; Head of Corporate Banking (to be renamed Institutional Banking). Mr. Syquia's responsibilities include managing the Corporate Banking Relationship Management, Commercial Banking Relationship Management, Corporate & Commercial Credit Products, Transaction Banking (Cash Management and Trade), Remittance & Fund Transfer, and Investment Banking (which includes Equity Brokerage). He is also a Chairman of BPI's joint venture company, Global Payments Asia-Pacific Philippines Incorporated.

Mr. Syquia has over 30 years of work experience in the financial services industry. Before taking on his current role, he was the President of BPI Capital Corporation and Co-Head for Investment Banking for the Bank. He re-joined the Bank via BPI Capital Corporation in June 2016. Prior to this, Mr. Syquia was Managing Director and Country Head of Corporate Clients for Standard Chartered Bank in the Philippines serving in that role from late 2011. In that role, he was principally responsible for wholesale banking strategy of the bank in the Philippines.

Mr. Syquia spent 17 years with the ING Group where he started with Baring Brothers & Co. in 1994. Within the banking group of ING, he took on various roles in relationship management, corporate finance origination, and investment banking execution. His last role in ING Bank was as Managing Director, Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role as Head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice. He held Board of Director positions at ING Insurance Bhd. (Malaysia), Pacific Antai Life Insurance Co. (Shanghai, China), ING Vysya Life Insurance (India).

Mr. Syquia is a product of the BPI's Officer Training Program which he completed in 1990 during his first stint at the Bank. In 1991, he was assigned to the Cebu region where he formed part of a two-man team that established the Corporate Banking Division desk in Cebu. He carries an MBA Degree (Honors) with a concentration in Finance and International Business from Fordham University, NY as well as an AB degree in Management Economics from the Ateneo de Manila University.

Mr. Eric Roberto M. Luchangco, Filipino, 53 years old, was appointed to his current position as CFO, Chief Sustainability Officer, and Head of Strategy and Finance effective June 2022. In this role, he oversees the Bank's strategic planning and budgeting, capital structure, investor relations and sustainability agenda.

Immediately prior, Mr. Luchangco was Head of Business Banking from June 2019 until May 2022, where he managed BPI's presence within the SME space, which had been identified as a growth area for the Bank, with a vision of becoming the partner of choice for SMEs in the Philippines.

Mr. Luchangco initially joined the BPI Group in 2013, starting with BPI Capital, BPI's investment banking unit, as Head of Debt Capital Markets. He later expanded his responsibilities to concurrently become Head of Execution and Treasurer of BPI Capital. In June 2017, he moved into BPI to become the Head of Corporate Credit Products, where his team managed the credit reviews and renewals of all the accounts under the Corporate Bank.

Prior to joining BPI, Mr. Luchangco worked at Daiwa Capital Markets, spending time in their Manila, Hong Kong and Singapore offices, originating and executing a wide variety of investment banking transactions.

Mr. Luchangco graduated Management Economics from Ateneo de Manila University, and received his MBA degree from the Ross School of Business at the University of Michigan

Mr. Dominique R. Ocliasa, Filipino, 55 years old. Mr. Ocliasa was appointed to his current position as Head of Business Banking for BPI in June 2022. He is overseeing the expansion of BPI's presence within the SME space, which has been identified as a growth area for the Bank. Business Banking has the vision of becoming the partner of choice for SMEs in the Philippines, and looks to achieve this by providing simple, convenient and relevant product offerings and processes to the needs of the customers. He started his banking career in 1987 as Analyst at the Credit Division of Far East Bank and Trust Company where he was later appointed as Deputy Administrative Officer. In 1990, he moved to Corporate Banking to become an Account Officer covering top corporates, which is a role he retained upon the merger with the Bank of the Philippine Islands (BPI) in 2000. He was promoted to Assistant Vice President in 2008 and became Team Head of Asian Corporates & PEZA in 2011. In 2015, he was assigned to Corporate Credit Products Group where he concurrently headed the Credit Division for Metro Manila Lending, Asian Corporates & PEZA, and Leasing Express Lane up to early 2019. He briefly joined the Office of the Chief Credit as member of the BPI Sub-Credit Committee before moving to BPI Family Savings Bank (BFSB) as Co-Chairman of the Credit Committee in late 2019. In April 2020, he became the Credit Division Head and Chairman of the Credit Committee. Mr. Ocliasa graduated as cum laude with a degree of Bachelor of Arts in Economics from the University of the Philippines School of Economics in 1987.

Ms. Marie Josephine M. Ocampo, Filipino, 60 years old, Ms. Ocampo is the Head of the Mass Retail Segment of the Bank, where she oversees BPI's credit, debit and prepaid card businesses as well as personal and micro finance loans.

Ms. Ocampo is currently the Chairman of the Board of BPI Direct BanKo, the bank's micro-finance subsidiary. She is a member of the Board of BPI Payments Holdings Inc., Global Payments AsiaPacific Philippines, Inc., AF Payments Inc., and CARD MRI Rizal Bank Inc.

Ms. Ocampo started her career in BPI as Vice-President for Marketing and Sales of BPI Credit Cards in 1996. She soon took the position of President for BPI Card Corporation, the bank's credit card subsidiary where she won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for retooling the bank's data warehouse and customer analytics capabilities into its distinct competitive advantage. Ms. Ocampo also developed the bank's CRM initiatives on top of driving the bank's advertising and digital initiatives across the breadth of products, channels and services. In 2015, she became the Payments and Remittance group head, and was tasked to grow fee revenue via expanding existing businesses and developing new payment platforms.

Prior to joining BPI, Ms. Ocampo gained over 10 years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J's Health Care, Baby Care and Sanitary Protection business. Ms. Ocampo graduated Magna Cum Laude and received her Bachelor of Science in Business Management, Honors Program at Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School in 2007.

Ms. Maria Cristina L. Go, Filipino, 53 years old, Ms. Go took leadership of the newly formed Consumer Banking Segment comprised of the different businesses that primarily serve the needs of the bank's over 9 million individual customers in August 2021, following the merger of BPI and BPI Family Savings Bank where she served as its President since June 2017. Consumer Banking is comprised of the branches, retail digital platforms, core retail products specifically deposits, auto loans, housing loans and bancassurance and the support services. Since the consolidation of these businesses into OneConsumer bank, Ms. Go has steadfastly focused on driving strategy focused on transforming the customer experience towards becoming what the bank refers to as "phygital", leveraging on the bank's vast physical presence to offer trusted advice through its 9,100-strong cadre of expert bank personnel complimented by best-in-class digital capabilities that make banking easier and more convenient, anytime, anywhere. In the past year, the Consumer Bank has been able to aggressively expand the retail customer base with new digital product offerings, increase market shares in deposits and loans through enhanced customer engagements and business partnerships, and improve asset quality through innovative risk management and recovery initiatives. Ms. Go inspired a high performing, agile and collaborative culture to be able to serve the ever-changing needs of customers.

In BPI Family Savings Bank (BFSB), she transformed processes, products and culture to be resilient and relevant to the changes in the economic, industry and customer landscape and enabled high quality business growth by

putting in place scorecard models, data-driven decision making, and lending programs. She preserved BFSB's leadership position in the thrift bank industry until the effectivity of the OneBPI merger in January 2021. Prior to assuming leadership of BFSB, she served as Group Head of BFSB Retail Loans after heading BPI's Payments and Unsecured Lending Group where she led initiatives and innovations that differentiated BPI in the industry, such as the launches of the first EMV compliant credit cards and Real Thrills, the first instant rewards program.

Before joining BPI, Ms. Go was Vice President at Citibank Philippines managing the bank's Retail Bank Marketing then at Citibank Credit Cards Cross Sell Division in New York. She also worked in Ayala Land, Inc. to establish and head its Market Planning and Development Division where she became part of the team responsible for the company's foray into the middle-market. She started her career in Procter & Gamble as Brand Assistant then was promoted to Assistant Brand Manager, managing brands such as Mr. Clean, Perla, Star and Dari Crème. She served as the Secretary and Trustee of the Chamber of Thrift Banks. She currently serves as Director and Chairman of the Personnel Committee of BPI MS Insurance Corporation, Chairman of BPI Payments Holdings, Inc., and a Director of the Board of TransUnion Philippines. She is part of the Ayala Group's Innovation Advisory Council since it was organized in 2013. She serves as a mentor for high-impact entrepreneurs in Endeavor Philippines and writes for the Philippine Star's Property Report. She is a member of the Management Association of the Philippines, Harvard Global Club of the Philippines, Filipina CEO Circle and NextGen Organization of Women Corporate Directors. She graduated magna cum laude with a degree in BS Business Administration and Accountancy from the University of the Philippines Diliman, was awarded one of the Ten Outstanding Students of the Philippines, placed first in the CPA licensure exam in 1991, and earned a Master's degree from the Harvard Business School with honors in 1996. She was also awarded as one of the UP College of Business Administration's Distinguished Alumni in 2012 and one of the Most Influential Filipina Women by the Global Filipina Women's Network in 2016.

Ms. Mary Catherine Elizabeth P. Santamaria, Filipino, 55 years old, Ms. Santamaria was appointed to her current position as Chief Customer and Marketing Officer (CCMO) of the bank in August 2021. Her role was expanded to lead a strategic imperative of Chief Customer Officer concurrent with her present position as Chief Marketing Officer. She is tasked to focus on understanding our customers and their behaviors to guide the way we will serve them in creating products and solutions that they will love and bringing added value in the way we narrate and communicate on purpose and brand promise.

She joined BPI group in 2011, starting with Customer Relationship Marketing (CRM). She had various roles in the bank and subsequently expanded her responsibilities to Chief Marketing Officer in November 2018

With over 30 years of marketing experience, Ms. Santamaria began her career in the advertising industry with Adformatix. She worked with leading companies such as Philippine Airlines, Monterey and Wyeth-Suaco. Most notable was her stint at Kraft Foods Philippines where she held various marketing positions and was appointed to Kraft Foods International headquarters as Director, Business Development where she identified business opportunities for specific market categories across Central Eastern Europe, Brazil, Australia, China and Saudi Arabia and was subsequently appointed as General Manager for Kraft Foods Jaya, leading Singapore, Malaysia and Brunei. Prior to joining BPI, Ms. Santamaria was connected with Globe Telecom where she spearheaded the repositioning of various mobile brands.

In BPI, she leads the branding reinvention and takes on the transformation for customer delight experiences.

Accolades throughout her career – Adformatix - Rookie of the year; Kraft Foods - Asia Pacific's President Award, Kraft Foods International's President Award, Best Asia Pacific Advertising in Cheese; Globe Telecom – Best Innovation – TM; Marketing Interactive - Bronze award in Excellence in Data Driven Marketing and Consumer Insight; BPI - Best Innovation Project - Employee category in 2016 and continues to be recognized in the Unibank Excellence Awards program in 2018 through 2022.

She served as Vice President for the Bank Marketing Association of the Philippines (BMAP) in 2018.

Ms. Santamaria obtained her Bachelor of Science in Business Administration (Cum Laude) from the University of the Philippines in 1988. She also has a Certificate of Strategic Business Economics (with Distinction) and Master Business Economics from the University of Asia and the Pacific (Philippines) in 2001. She also took a course from the Chicago Business School in February 2006 and completed a Telecoms Marketing Mini MBA from Informa Telecoms and Media in London in April 2006.

Mr. Joseph Anthony M Alonso, Filipino, 57 years old, Mr. Alonso as Chief Credit Officer, is responsible for managing the aggregate risk in the BPI Group's loan portfolio - ensuring that portfolio quality and profitability is maintained across the lending units within the BPI Group through establishment of procedures and guidelines that facilitate effective decision making based on overall risk appetite and compliance with internal policies and regulatory requirements. He also serves as Vice Chairman of the Bank's Credit Committee and a member of the Fraud Committee. He was a Board member of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation until July 2019.

Mr. Alonso was involved with Corporate Relationship Management for most of his 24-year career in BPI, having started as a Market Head in the Asian Division and eventually becoming Division Head of the Asian Corporates/PEZA Division. The Division also included the Special Projects Team under the Financial Institutions Group, BPI Leasing Corporation, and BPI Rental Corporation prior to its merger with Tokyo Century Corporation of Japan.

Mr. Alonso started his banking career with The Mitsubishi Bank, Ltd. in Tokyo in 1990 as a management trainee, holding positions in branch, treasury and international operations, and SME and multinational relationship management. Prior to joining BPI in January 1997, Mr. Alonso headed the Japan Desk in the World Corporation Group of Citibank, N.A. Manila Branch from 1994. Mr. Alonso obtained his BS Business Administration degree at the Faculty of Economics of Oita University in Japan in 1990 under a scholarship grant from the Japan Ministry of Education. He was also a scholar of the National Science and Technology Authority while attending the College of Engineering at the University of the Philippines Diliman.

Ms. Rosemarie B. Cruz, Filipino, 60 years old, Ms. Cruz has been the Chief Audit Executive of BPI since January 2012 and leads the Bank's Internal Audit Division. She also serves as the Chief Audit Executive for BPI subsidiaries including BPI Capital Corporation, BPI Securities Corporation, BPI Century Tokyo Lease and Finance, BPI Century Rental Corp, BPI Direct Bank, BPI Asset Management and Trust Corporation, BPI Investment Management Inc., BPI International Finance Ltd., BPI/ MS Insurance, and BPI Ayala Plans. As such, she oversees the audit of the different units, systems and processes of BPI and these subsidiaries and provides assessment on the adequacy and effectiveness of their internal control systems, risk management, and governance processes. She supports the Audit Committee in the discharge of its oversight function and also works closely with the Chief Risk Officer, Chief Compliance Officer, external auditor and other assurance units for a comprehensive review of risks and compliance systems in the Bank. She also sits as non-voting member in the board level Related Party Transaction Committee and the management level Fraud and Irregularities Committee. Ms. Cruz joined BPI in 2000, when the Bank acquired Far East Bank and Trust Company, where she was previously in charge of the audit of the retail banking, lending operations and other backroom support operations. She also headed the special examination unit in charge of investigation of fraud and irregularities. Ms. Cruz is a Certified Public Accountant and obtained her BSBA Accounting degree from Philippine School of Business Administration. She completed her Advanced Bank Management program at Asian Institute of Management in 1996.

Under her leadership she has led the Bank's Internal Audit into significant transformations that were recognized by regulators and external quality assessors for leading practices. She has been instrumental in the transition to risk based auditing and continues to introduce innovations in internal audit activity, that improved efficiency and quick adaption to mobile/offsite audit during the pandemic. A passionate advocate of bringing quality audit, she has carried on with continued conformance of Internal Audit activity with international standards through successful external quality assessments.

To her Internal Audit family, she is a mother, supporter, an inspiration of generosity, and true embodiment of being N.I.C.E. - Nurturing, Working with Integrity, Client Obsessed, Excellent.

Ms. Marita Socorro D. Gayares, Filipino, 60 years old, is the Chief Risk Officer of the BPI Group of Companies and Head of its Risk Management Office since January 2018. She is primarily responsible for the overall management of the BPI Group's enterprise risks and provides executive and strategic risk support to the Bank's Board of Directors, through the Risk Management Committee.

Prior to her CRO appointment, Ms. Gayares served as BPI's Chief Compliance Officer from 2012 to 2017 with overall responsibility for compliance, anti-money laundering, corporate governance, and data privacy frameworks.

Ms. Gayares joined BPI in 2000 as part of the merger with Far East Bank. Aside from heading Risk Management and Compliance, her work experience includes stints in areas of Corporate Banking, Credit, Transaction Banking, Loans Operations, Project Management and Financial Control.

Ms. Gayares is a graduate of the University of the Philippines with a Bachelor's degree in Business Economics and completed her MBA at George Washington University in Washington, D.C.

Atty. Noravir A. Gealogo, Filipino, 59 years old, Atty. Gealogo is the Chief Compliance Officer of BPI and Head of the Bank's Compliance Division which oversees the implementation of the Bank's enterprise-wide compliance programs and is composed of the following departments: Regulatory Compliance – Management & Advisory, Regulatory Compliance – Testing & Post Review, Regulatory Compliance - Subsidiary Oversight, AML Compliance, AML Systems and Special Projects, FATCA Compliance, Corporate Governance, Data Privacy Office, and Compliance Analytics. The Compliance Division is also empowered by 26 Group Compliance Officers (GCOs), who are embedded in operational units throughout the Bank.

Having started her banking career with Far East Bank and Trust Company (FEBTC) in 1991 which merged with BPI in 2000, she has more than 31 years of banking experience. Previously a legal officer of FEBTC, the Head of the Legal Advisory Department of BPI and Legal Advisory Officer and Head of Compliance of BPI Capital Corporation, she has extensive business, legal and compliance exposure in the areas of corporate and retail banking, corporate finance, project finance, securities distribution, mergers and acquisition, correspondent banking, remittance, and trade finance.

She is currently a non-voting member of BPI's board-level Related Party Transaction Committee and chairs the management level Money Service Business (MSB) Governance Committee and Money Laundering Evaluation Committee (MLEC). Atty. Gealogo obtained her Bachelor of Laws from the University of the Philippines Diliman in 1988 and AB History from the same university in 1984. She completed the Development Lawyers Course at the International Development Law Institute in Rome, Italy in 1994 and the Certificate Course in Strategic Compliance for the Banking Industry at the Center for Professional Development in Business of the De La Salle University in 2017. She has regularly undergone corporate governance courses and training provided by the Institute of Corporate Directors (ICD), Bankers Institute of the Philippines (BAIPHIL), Good Governance Advocates and Practitioners of the Philippines (GGAPP) and Association of Bank Compliance Officers of the Philippines (ABCOMP). She is currently also the Secretary and a Member of the Board of Directors of ABCOMP. She is currently also the Secretary and a Member of the Board of Directors of ABCOMP.

Ms. Maria Theresa Marcial, Filipino, 52 years old, is President & CEO of BPI Asset Management & Trust Corporation. She leads the asset and wealth management business of the bank, providing a wide range of investment, trust and wealth management solutions to corporate, institutional, high net worth, mass affluent and retail client segments.

Ms. Marcial is a seasoned banker. Through 27 years of experience, she has developed expertise in a broad range of disciplines including investment management and trust, corporate banking, debt and equity capital markets, finance, corporate strategy and sustainability. She has held senior leadership positions in BPI, including 5 years as Chief Finance Officer, responsible for driving the bank's strategic planning and budget process, performance management, capital structure, and sustainability agenda. She had oversight of financial and regulatory reporting for BPI group of companies, shaped the bank's strategic imperatives while engaging with business partners, investors and capital markets. As CFO, she led the most important and innovative capital raising transactions of the bank to support its growth and digital transformation.

She is presently a board director of BPI AIA Life Assurance Corporation and BPI Europe Plc, independent director of Alternergy Holdings Corporation, and a fellow of Foundation for Economic Freedom. In the past, she held key management and governance roles including - chairman of BPI Finance Committee and BPI Sustainability Council, member of BPI Asset and Liability Committee and BPI Credit Committee, treasurer of BPI Foundation, board director and treasurer of BPI MS Insurance Corporation, board director of AF Payments, BPI Global Payments Asia Pacific Philippines, BPI Investment Management, and ALFM Mutual Funds.

She was the head of BPI Asset Management and Trust Group from 2009 to 2014. She previously served as president of the Fund Managers Association of the Philippines, president of the Trust Officers Association of the Philippines, vice-chairman of Capital Markets Development Committee of FINEX, and alternate governor of the Market Governance Board of Philippine Dealing and Exchange Corporation. Prior to her banking career, she

Shareholders, Directors, and Management

worked for the Philippine government - the Agricultural Policy Credit Council and the National Economic and Development Authority.

In 2014, she was recognized as one of Top 25 Most Influential Women in Asset Management in Asia by Asian Investor, Most Outstanding Alumnus of the University of the Philippines Los Baños in 2006, and received the CEM Centennial Outstanding Alumni Award from the University of the Philippines Los Baños in 2019. Ms. Marcial is an advocate of marine conservation and renewable energy. She is a trustee and treasurer of WWF Philippines, member of WWF Asia Pacific Council, and board director of Philippines Inter-Island Sailing Federation. She previously served as member of the National Advisory Council of WWF Philippines. She is an outdoor enthusiast, with interests in offshore sailing and yacht racing, open water scuba diving, wreck diving and underwater photography. She obtained the Royal Yachting Association Skipper Certification in Sydney, Australia in 2015. In 2018, she participated in the Rolex Middle Sea Race, a 606-nautical mile Category 2 offshore yacht race around Sicily organized by the Royal Malta Yacht Club. She has logged over 5,000 nautical miles sailing in offshore and coastal waters of the Philippines, New South Wales Australia, South China Sea, and Mediterranean Sea.

She has a master's degree in Economics from the University of the Philippines Diliman and bachelor's degree in Economics, cum laude, from the University of the Philippines Los Baños. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.

Compensation of Directors and Executive Officers

	For the year ended 31 December		
	2019	2020	2021
		(P)	
Executive Compensation	160,300,573	158,818,822	187,848,884
Bonuses	82,552,300	95,507,700	72,813,500
Total	242,852,873	254,326,522	260,662,384
All officers as a group unnamed	For the year ended 31 December		
	2019	2020	2021
		(P)	
Executive Compensation	8,722,777,830	10,075,502,316	8,732,179,018
Bonuses	1,010,488,922	1,277,868,000	1,029,675,000
Total	9,733,266,752	11,353,370,316	9,761,854,018

Compensation of Directors

Article V of the Bank's Amended By-Laws provides: "Each director shall be entitled to receive from the Bank, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year. The Personnel and Compensation Committee of the Bank shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the Committee shall be guided by the objective of ensuring that compensation should fairly pay directors for work required in a company of the Bank's size and scope." Pursuant to the above provisions, the total compensation for 2021 for the members of the Board of Directors amounted to ₱81.0 million (inclusive of the ₱25.7 million per diem of Directors). Directors who hold executive or management positions do not receive directors' fees or per diems. In accordance with the requirements of the Revised Corporation Code relating to an annual report of compensation of each director, the total compensation for 2021 for each non-executive and independent director is attached as Annex "A-3(b)

Involvement of the Bank, the Directors and Executive Officers in Certain Legal Proceedings

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. However, neither the Bank nor any of its subsidiaries have been subject to any order, judgment or decree, or violated any securities or commodities law for the last five years, or are involved in any litigation or arbitration proceedings, that may have, or have had, a material adverse effect on it or its subsidiaries' financial condition, nor, so far as any of them is aware, is any such proceeding pending or threatened.

The current Directors and the Executive Officers are not, presently or during the last five years, involved or have been involved in any material legal proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

Board Committees

Specific responsibilities of the Board are delegated to its sub-committees: the Executive Committee, the Nominations Committee, the Personnel and Compensation Committee, the Audit Committee, the Corporate Governance Committee, the Retirement and Pension Committee, the Related Party Transaction Committee and the Risk Management Committee. A brief description of the functions and responsibilities of the key committees are set out below:

(a) *Executive Committee*

The Executive Committee takes on the primary responsibilities of the Board and serves as the Board's operating arm on all corporate governance matters and for approving all major credit risks. The committee is chaired by Jaime Augusto Zobel de Ayala and its other members are Cezar P. Consing, Rene G. Banez, Romeo L. Bernardo, Jose Teodoro K. Limcaoco, Aurelio R. Montinola III, and Cesar V. Purisima.

(b) *Nominations Committee*

The Nominations Committee ensures that all Directors of the Board to be nominated meet the qualifications indicated in the Bank's Manual on Corporate Governance. It is also tasked to encourage the selection of a mix of competent Directors as well as reviews and evaluates the qualifications of all persons nominated to positions in the Bank which require the appointment of the Board. The Nomination Committee ensures that candidates for nomination were made up of individuals of proven integrity and competence, and that each possesses the ability and resolve to effectively oversee the Bank in his or her capacity as Director and member of board-level committees. The Nomination Committee also guided election activities, appointments and re-composition of committee memberships as part of the succession planning process and to align with best practices. The committee is chaired by Cesar V. Purisima and its other members are Jaime Augusto Zobel de Ayala, and Cezar P. Consing.

(c) *Personnel and Compensation Committee*

The Personnel and Compensation Committee directs and ensures the development and implementation of long term Human Resources strategy and plan based on the Boards vision of the organisation, particularly those relating to organisation values, human resource policies, compensation, recognition and rewards and succession development plans. The committee is chaired by Jaime Augusto Zobel de Ayala and its other members are Romeo L. Bernardo, Ignacio R. Bunye, Aurelio R. Montinola III and Maria Dolores B. Yuvienco.

(d) *Audit Committee*

The Audit Committee monitors and evaluates the adequacy and effectiveness of the Bank's internal control system, risk management, compliance, and governance practices. It provided oversight on the integrity of the Bank's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with bank policies, applicable laws, and regulatory requirements. The Audit Committee also approved the external auditor's annual audit plan and scope of work, and assessed its overall performance and effectiveness. In consultation with management, the Audit Committee also approved the external auditor's terms of engagement and audit fees. The committee is chaired by Maria Dolores B. Yuvienco and its other members are Octavio V. Espiritu and Cesar V. Purisima.

(e) *Corporate Governance Committee*

The Corporate Governance Committee assists the Board of Directors in fulfilling the Bank's corporate governance responsibilities and offers recommendations for the Bank's corporate governance framework and to address, in particular, BPI's conformance to BSP Circular 969, BSP Circular 900, SEC Memorandum Circular 19, Series of 2016, as well as best practices espoused by the ASEAN Corporate Governance Scorecard (ACGS). This included remedial action for regulatory compliance, policy development, oversight of the corporate governance framework and practices as well as compliance testing of Bank subsidiaries. The Committee also provided guidance with respect to regulatory matters concerning the BSP and SEC. The committee is chaired by Emmanuel S. de Dios and its other members are Ignacio R. Bunye and Ramon R. del Rosario, Jr.

(f) *Retirement and Pension Committee*

The Retirement and Pension Committee oversees the fiduciary, administrative, investment portfolio, and other non-investment aspects of the Bank's retirement plan. The committee is chaired by Aurelio R. Montinola III and its other members are Rene G. Banez and Ramon R. del Rosario, Jr.

(g) *Related Party Transaction Committee*

The Related Party Transaction Committee is charged with ensuring that the Bank's dealings with the public and various stakeholders are imbued with the highest standards of integrity. In conjunction with the Executive, Audit, Risk, and Corporate Governance Committees, the Related Party Transaction Committee endeavours to ensure compliance with BSP regulations and guidelines on related party transactions. It independently reviews, vets, and endorses significant and material related party transactions above the transactions qualifying under directors, officers, shareholders, and related interest restrictions in order to ensure that these transactions are dealt on terms no less favourable to the Bank than those generally available to an unaffiliated third party under the same or similar circumstances. The committee is chaired by Ignacio R. Bunye and its other members are Maria Dolores B. Yuvienco and Rene G. Banez.

(h) *Risk Management Committee*

The Risk Management Committee implements and oversees the enterprise risk management program to assist the board in fulfilling its corporate governance responsibilities relating to the management of risks, oversees and manages exposure to risks, and monitors regulatory and internal capital adequacy vis-a-vis the exposures to risks. The committee sets risk appetite indicators and is also responsible for approving the capital policy and plan, and the various risk models and methodologies. The committee is chaired by Octavio V. Espiritu and its other members are Janet Guat Har Ang, Cezar P. Consing and Cesar V. Purisima.

Compliance with Corporate Governance Practices

The Bank believes that compliance with the principles of good corporate governance begins with the Board of Directors. It is the Board of Director's duty and responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibilities, which must be exercised in the best interests of the Bank, and in proper cases, its shareholders.

The Bank is led by a Board which is the highest authority in matters of governance and in managing the business of the Bank. The Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Bank, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Board is composed of 14 Directors, 5 of whom are independent directors. The roles of the chairman and the President & CEO are separate and clearly defined while the independent directors are a strong source of independent advice and judgment. They bring considerable knowledge and experience to the Board's deliberations.

The Board of Directors meets regularly on a monthly basis to ensure a high standard of business practice for the Bank and its stakeholders and to ensure soundness, effectiveness, and adequacy of the Bank's internal control environment. As part of corporate measures to ensure compliance with the principles and policies embodied in the Bank's manual on corporate governance (the **Manual on Corporate Governance**), the Board of Directors designated Ms. Noravir A. Gealogo as the Bank's compliance officer. Ms. Gealogo is responsible for, among other matters, determining and measuring compliance with the Manual, appearing before the SEC upon summons on matters relating to the Manual on Corporate Governance, identifying, monitoring, and controlling compliance with corporate governance matters and recommending to the Board of Directors the review of the Manual on Corporate Governance. Ms. Gealogo works closely with the Board of Directors through the Audit Committee and the Bank's management to evaluate and monitor compliance with the Manual. Specifically, Ms. Gealogo is responsible for ensuring that the Bank's compliance systems are up to date and in line with regulatory requirements and recommends the adoption of measures to improve such compliance. Likewise, the various Board of Directors' committees perform oversight duties and functions to ensure proper compliance with the Manual on Corporate Governance and other corporate policies. The Bank also submits governance reports required by the PSEC and the PSE to determine compliance with their rules and regulations and the Manual on Corporate Governance.

There has been no deviation from the company's Manual on Corporate Governance. Areas for improvement noted during the accomplishment of the CG Scorecard to match best practices will be addressed with positive action. The Bank's Manual on Corporate Governance is also being reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with a subsidiary and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risk.

For further information on the Bank's related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 26 to the Bank's audited financial statements as of and for the years ended 31 December 2019, 2020 and 2021, and Note 13 to the Bank's reviewed condensed financial statements as of and for the nine months ended 30 September 2022.

The Bank has not included the volume of transactions and maturity dates in the audited financial statements since these loans do not have a material effect on the total loan portfolio and are short term in nature.

DOSRI Loans and Deposits

The following table sets out certain information relating to the Bank's DOSRI loans as of the dates indicated:

	As of 31 December			As of 30
	2019	2020	2021	September
		(P millions, except percentages)		
Total outstanding DOSRI loans	10,026	15,675	15,230	19,136
Percentage of DOSRI loans to total loans	0.67%	1.08%	1.00%	1.16%
Percentage of unsecured DOSRI loans to total DOSRI loans	17.30%	3.20%	3.11%	2.69%

Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loan transactions with a subsidiary, and with certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

On 31 January 2007, BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the Bank's subsidiaries and affiliates shall not exceed 10.0% of bank's net worth, and the unsecured portion shall not exceed 5.0% of such net worth. Further, the total outstanding exposures shall not exceed 20.0% of the net worth of the lending bank. The Bank is in compliance with such regulations.

The following table shows information relating to DOSRI accounts of the Bank:

	As of 31 December			As of 30
	2019	2020	2021	September
Total outstanding DOSRI accounts (in P millions)	10,026	15,675	15,230	19,136
Percent of DOSRI accounts to total loans	0.7%	1.1%	1.0%	1.16%
Percent of DOSRI accounts to total capital	3.7%	5.6%	5.2%	6.1%
Percent of unsecured DOSRI accounts to total DOSRI loans	17.3%	3.2%	3.1%	2.7%
Percent of past due DOSRI accounts to total DOSRI loans	0.01%	0.00%	0.01%	0.03%
Percent of nonperforming DOSRI accounts to total DOSRI loans	-	0.00%	0.02%	0.03%

The year-end balances as of 31 December 2020 and 2021 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	As of 31 December	
	2020	2021
Loans and receivables	189	-
Deposit liabilities	7,942	11,383

Related Party Transactions

The income and expenses for the years ended 31 December 2020 and 2021 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	For the year ended 31 December	
	2020	2021
Interest income	21	5
Interest expense	21	5

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

The significant inter-company transactions and outstanding balances of the Bank with its subsidiaries were eliminated in consolidation. The Bank is not a subsidiary of any corporation and had no transactions with promoters.

THE PHILIPPINE BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Bank, the Lead Arranger, the Dealers or any of their affiliates or advisers. None of the Bank, the Lead Arranger, the Dealers or any of their affiliates or advisers makes any representation as to the accuracy or completeness of this information.

OVERVIEW

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks, cooperative banks and Islamic banks.

According to statistics published on the official website of the BSP, as of 30 September 2022 the commercial sector consisted of 45 universal and commercial banks, of which 20 were universal banks and 25 were commercial banks. Of the 20 universal banks, 11 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 25 commercial banks, five were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks. As of 30 September 2022, the 45 universal and commercial banks had a total of 7,187 branches, including head offices.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have the authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking and to own up to 100% of the equity in a thrift bank, a rural bank or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for mid-market corporates and individuals. As of 30 September 2022, there were 30 thrift banks according to the BSP.

Rural banks are organised primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 30 September 2022, there were 404 rural and cooperative banks, according to the BSP.

Specialised government banks are organised to serve a particular purpose. The existing specialised banks are the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and Al-Amanah Islamic Investment Bank of the Philippines (AAIIB). DBP was organised primarily to provide banking services catering to the medium-and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organised to promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings. During the past fifteen years, the Philippine banking industry has been marked by two major trends—the liberalisation of the industry and mergers and consolidation.

Foreign bank entry was initially liberalised in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary or to establish branches with full banking authority. This

led to the establishment of ten new foreign bank branches in 1995. The General Banking Law enacted in 2000 further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which, prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014, which amended the relevant provisions of the BSP Manual implementing RA 10641, further liberalised foreign bank entry by allowing foreign banks to own up to 100% of the voting stock of an existing bank, a branch, or a subsidiary. See “*Banking Regulation and Supervision—Regulations with Respect to Branches.*”

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to the granting of new licenses to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank and the allowance of equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As of 30 September 2022, there were 24 foreign banks with branches and two foreign banks with subsidiaries in the Philippines.

As of 24 August 2022, six digital banks have been granted a Certificate of Authority by the BSP to operate in the Philippines: Tonik Digital Bank Inc. (**TONDB**), Maya Bank Inc. (**MAYA**), Overseas Filipino Bank Inc. (**OFBank**), the digital bank subsidiary of state-owned Land Bank of the Philippines (**LANDBANK**), UNObank Inc. (**UBI**), UnionDigital Bank Inc. (**UDB**) and GoTyme Bank Corporation (**GTyme**). According to the BSP, as of the first half of 2022, the volume of electronic payments and financial services processed by digital banks reached amounted to ₱8.45 billion.

The following table sets out a comparison of the leading Philippine banks as of the dates indicated in the footnotes to the table:

	Market Capitalisation ⁽³⁾	Total Capital ⁽²⁾⁽³⁾	Total Assets ⁽³⁾ (P in billions)	Loans and Receivables, Net ⁽³⁾	Total Deposits ⁽³⁾
Bank of the Philippines Islands ⁽¹⁾	403.9	315.4	2,528.2	1,600.4	2,033.9
BDO Unibank, Inc. ⁽¹⁾	558.4	444.6	3,863.0	2,541.2	3,036.5
Metropolitan Bank and Trust Company ⁽¹⁾	234.5	318.4	2,733.0	1,330.0	2,049.0

Notes:

- (1) Data is provided on a consolidated basis.
- (2) Includes interests in subsidiaries and allied undertakings.
- (3) Source: Bank, Philippine Securities and Exchange Commission (**PSEC**) filings, based on quarterly reports for the period ended 30 September 2022.

The following table sets out a comparison of the returns on average equity of certain leading Philippine banks for the periods indicated.

	2015 ⁽²⁾	2016	2017	2018 ⁽²⁾	2019 ⁽²⁾	2020 ⁽²⁾	2021 ⁽²⁾	Nine Months Ended 30 September 2022
Bank of the Philippines Islands ⁽¹⁾	12.3%	13.8%	12.8%	10.2%	11.0%	7.7%	8.4%	13.7%
BDO Unibank, Inc. ⁽¹⁾	13.6%	12.7%	10.2%	10.7%	12.8%	7.6%	10.5%	12.4%
Metropolitan Bank and Trust Company ⁽¹⁾	10.8%	9.3%	9.2%	9.1%	9.5%	4.4%	6.9%	10.0%

Notes:

- (1) Data is provided on a consolidated basis.
- (2) Source: Banks’ publicly-disclosed Investor Presentations and SEC Form 17-A (Annual Report)

The following table sets out a comparison of the net interest margins of certain leading Philippine banks for the periods indicated.

	2019 ⁽²⁾	2020 ⁽²⁾	2021 ⁽²⁾	Nine Months Ended 30 September 2022 ⁽²⁾
Bank of the Philippines Islands ⁽¹⁾	3.4%	3.5%	3.3%	3.5%
BDO Unibank, Inc. ⁽¹⁾	4.2%	4.4%	4.1%	4.1%

The Philippine Banking Industry

	2019 ⁽²⁾	2020 ⁽²⁾	2021 ⁽²⁾	Nine Months Ended 30 September 2022 ⁽²⁾
Metropolitan Bank and Trust Company ⁽¹⁾	3.9%	4.0%	3.4%	3.5%

Notes:

(1) Data is provided on a consolidated basis.

(2) Source: Banks' publicly-disclosed Investor Presentations and SEC Form 17-A (Annual Report)

The following table sets out a comparison of the cost-to-income ratios (calculated as total operating expenses (excluding provisions for credit and impairment losses) over total operating income) of certain leading Philippine banks for the periods indicated.

	2019 ⁽²⁾	2020 ⁽²⁾	2021 ⁽²⁾	Nine Months Ended 30 Sept 2022
Bank of the Philippines Islands ⁽¹⁾	53%	47%	52%	46%
BDO Unibank, Inc. ⁽¹⁾	64%	60%	62%	61%
Metropolitan Bank & Trust Company ⁽¹⁾	55%	49%	59%	55%

Notes:

(1) Data is provided on a consolidated basis.

(2) Source: Banks' publicly-disclosed Investor Presentations and SEC Form 17-A (Annual Report)

Strong historical loan growth with potential for growth from increasing banking penetration -

The Philippine Banking System (PBS) has seen significant growth in activity in recent years, which has coincided with the strong economic growth of the Philippines has shown resilience and sustained its solid footing amid the pandemic. According to the BSP, total assets and the gross total loan portfolio (TLP) of the PBS as of end-July 2022 grew by 8.1% to ₱21.4 trillion and 9.0% to ₱11.8 trillion year-on-year, respectively. BSP noted that the growth in the total assets was attributable mainly to deposit generation, with a 7.5% year-on-year expansion in the total deposit liabilities to ₱16.5 trillion as of end-July 2022. These deposits were mainly sourced from resident individuals and private corporations and were mostly in the local currency. However, the Philippines remains relatively under-banked with domestic credit to private sector as a percentage of gross domestic product (GDP) of 52.0% for the year ended 31 December 2020 according to the World Bank, compared to other Southeast Asian peers including Thailand, Singapore, Malaysia and Indonesia, which were 160.4%, 130.6%, 134.0% and 38.7%, respectively. In addition, household debt as a percentage of GDP in the Philippines was 10.2% as of 2021 according to CEIC Data compared to Southeast Asian peers including Thailand, Singapore, Malaysia and Indonesia, which were 90.1%, 67.4%, 89.0% and 9.9%, respectively. The table below sets out information for the periods indicated.

Country	Domestic Credit to Private Sector as % of GDP (2020)	Household Debt as % of GDP (2021)
Philippines	52.0	10.2
Thailand	160.4	90.1
Singapore	130.6	67.4
Malaysia	134.0	89.0
Indonesia	38.7	9.9

Source: World Bank for Domestic Credit to Private Sector as % of GDP, CEIC for Household Debt as % of GDP.

The loan to GDP and historical loan growth of these regions are summarised below:

Region	Loans Outstanding as of 31 December 2021 (in ₱ millions)	% mix	Region's loan to GDP ratio	2020 – 2021 Loan Growth %
Metro Manila	8,558,461	83.7	139.0	4.2
Luzon (ex- Metro Manila)	741,583	7.3	10.4	4.1
Visayas	504,876	4.9	19.2	1.7
Mindanao	417,102	4.1	12.0	4.5

Source: BSP, NSCB

Restrictions on Branch Opening

Opening of branches by Philippine banks within or outside the Philippines requires BSP's prior approval, subject to certain conditions such as meeting the minimum capital requirements set by the BSP. Upon BSP's approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. For more information, see *"Banking Regulation and Supervision—Regulation Relating to Capital Structure"* and *"Banking Regulation and Supervision—Regulations with Respect to Branches."*

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 2014, a number of foreign banks, which may have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer lending products such as credit cards. The foreign banks have not only increased competition in the corporate market, but have, as a result, caused more domestic banks to focus on the commercial mid-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system to create more globally competitive banking institutions. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business. The BSP offered various incentives available for merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were insufficient to pose a challenge to the overall competition levels since market share remained relatively well dispersed among the remaining players.

In the pursuit of liberalisation and to sustain the mergers and consolidations, the BSP issued Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The suspension of the grant of new banking licenses or the establishment of new banks under the Manual of Regulations for Banks is lifted under a two-phased approach. Under Phase 1, the grant of new universal and commercial banking licenses was allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions were fully liberalised starting 01 January 2018.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See *"Banking Regulation and Supervision—Philippine Competition Act."*

Certain Government Policies and Regulations in Relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these and can introduce new regulations to control any particular line of business. Please see *"Banking Regulation and Supervision"* for a more detailed discussion.

BANKING REGULATION AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Banking Regulation and Supervision

Introduction

Republic Act No. 8791, otherwise known as the General Banking Law of 2000 (the **General Banking Law**) provides that the operations and activities of banks are subject to the supervision of the BSP. Likewise, Republic Act No. 7653 (the **New Central Bank Act**), as amended, which created the BSP, provides that the BSP shall have supervision over the operations of banks and shall exercise such regulatory powers over the operations of finance companies and non-bank financial institutions performing quasi-banking functions. The BSP exercises its powers through the Monetary Board.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock is directly or indirectly owned, controlled or held with power to vote by a bank or quasi-bank. The New Central Bank Act generally defines an affiliate as a corporation whose voting stock, to the extent of 50% or less, is owned by a bank or quasi-bank or which is related or linked directly or indirectly to such institution or intermediary through common stockholders or such other factors as may be determined by the Monetary Board. In this regard, the BSP Manual of Regulations for Banks (**MORB**) defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the BSP MORB), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the BSP MORB), or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning 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; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favour of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

Under the General Banking Law, the BSP, in the exercise of its supervisory powers, may: (a) issue rules of conduct or standards of operation for uniform application; (b) conduct examination to determine compliance with laws and regulations; (c) oversee compliance with such rules and regulations; and (d) inquire into the solvency and liquidity of the covered entities. Furthermore, Section 7 of the General Banking Law provides that the BSP, in examining a bank, shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The refusal of any officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act.

Furthermore, Republic Act No. 9160 (**Anti-Money Laundering Act of 2001**), as amended, provides, among others, that banks must, in addition to the general laws such as the General Banking Law and the Anti-Money Laundering Act of 2001, likewise comply with letters, circulars and memoranda issued by the BSP, some of which are contained in the BSP MORB.

The BSP MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The BSP MORB contains regulations that include those relating to the organisation, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the BSP MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

All regulations pertaining to banks are then implemented by the Financial Supervision Sector (**FSS**) of the BSP. The FSS is responsible for ensuring the observance of applicable laws, rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act.

Regulation Relating to Capital Structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine Securities and Exchange Commission will not register the incorporation documents of any bank or any amendments thereto without a certificate of authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. All treasury shares of a bank must be sold within six months from the time of purchase or acquisition thereof.

In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for a bank with only a head office, ₱6 billion for a universal bank with up to 10 branches (inclusive of head office), ₱15 billion for a universal bank with 11 to 100 branches (inclusive of head office), and ₱20 billion for a universal bank with more than 100 branches (inclusive of head office). On the other hand, commercial banks are required to have capital accounts of at least ₱2 billion for a commercial bank with only a head office, ₱4 billion for a commercial bank with up to 10 branches (inclusive of head office), ₱10 billion for a commercial bank with 11 to 100 branches (inclusive of head office), and ₱15 billion for a commercial bank with more than 100 branches (inclusive of head office). Thrift banks which maintain only a head office in the National Capital Region are required to have capital accounts of at least ₱500 million, ₱750 million for a thrift bank with up to 10 branches (inclusive of head office), ₱1 billion for a thrift bank with 11 to 50 branches (inclusive of head office) and ₱2 billion for a thrift bank with more than 50 branches (inclusive of head office).

These minimum levels of capitalisation may be changed by the Monetary Board from time to time.

For purposes of these requirements, the BSP MORB states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

- (a) treasury stock;
- (b) unbooked allowance for probable losses (including allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;
- (c) total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- (d) total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
- (e) total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at an arm's length terms;
- (f) deferred tax assets that rely on future profitability of the bank to be realized net of any (i) allowance for impairment and (ii) associated deferred tax liability if the conditions cited in PAS 12 on income taxes are met, provided that, if the resulting net figure is a net deferred tax liability, such excess cannot be added to net worth;
- (g) reciprocal investment in equity of other banks or enterprises, whether foreign or domestic, the

deduction shall be the lower of the investment of the bank or the reciprocal investment of the other bank or enterprise; and

- (h) in the case of rural banks and cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

Under Republic Act No. 10641 or “An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721” (RA 10641), established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (i) by acquiring, purchasing or owning up to one hundred percent (100%) of the voting stock of an existing bank; (ii) by investing in up to one hundred percent (100%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (iii) by establishing branches with full banking authority. The foreign bank applicant must be established, reputable and financially sound. Additionally, such foreign bank must be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. On the other hand, locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board is authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 06 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the BSP MORB with respect to the entry and operations of foreign banks, accordingly. On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Stockholdings of family groups or related interests in banks are also regulated. Under the General Banking Law, the stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, are considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons are considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends if at the time of declaration:

- (a) its clearing account with the BSP is overdrawn;
- (b) it is deficient in the required liquidity floor requirement for government funds;
- (c) it is not compliant with the minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- (d) it is not compliant with the combined requirement for capital conservation buffer requirement and countercyclical capital buffer as defined in Appendix 63b, Part III of the BSP MORB;
- (e) it is not compliant with the higher loss absorbency (**HLA**) requirement, phased-in starting 01 January 2017 with full implementation by 01 January 2019, in accordance with the DSIB framework as provided under Sec. X128 of the BSP MORB, for universal and commercial banks and their subsidiary banks and quasi-banks that are identified as DSIBs; or
- (f) it has committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by the BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor of the SES.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with Respect to Branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of the law also allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks (inclusive of the head office) to a maximum of ₱20 billion for more than 100 branches of universal banks (inclusive of the head office). For a discussion on the breakdown of minimum capital requirements for banks, please see “—*Regulation Relating to Capital Structure.*”

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP’s branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or “restricted areas” in Metro Manila until 30 September 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the “restricted” areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks’ branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (**Republic Act No. 9178**) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank.

Regulations with Respect to Management of Banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232, or the Revised Corporation Code, the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. In case of merged or consolidated banks, the number of directors shall not exceed 21.

An independent director is a person who is not an officer or employee of a bank, its subsidiaries or affiliate or related interests during the past three (3) years counted from the date of his election/ appointment. Foreigners are allowed to have board seats to the extent of the foreign equity in the bank.

Material contracts of a corporation vested with public interest with one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least two-thirds (2/3) of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits to perform an act which renders him unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act and BSP Circular No. 1076, Series of 2020, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

Regulations with Respect to Bank Operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices is treated as one unit. A bank, with prior approval of the BSP, may likewise use any of its branches as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise, and prescribe the composition and the manner of determining the net worth and total risk assets of such bank and its subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to exercise and perform: (a) activities allowed for commercial banks; (b) powers of an investment house; (c) investment in non-allied enterprises.

Capital Adequacy Requirements

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord.

BSP Circular No. 538, which took effect on 01 July 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision (the **Basel Committee**) containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers and short and medium-term quantitative liquidity ratios. To align with international standards, the BSP issued BSP Circular No. 709 effective 01 January 2011, which adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 capital.

In January 2012, the BSP announced that the Philippine's universal and commercial banks, including their subsidiary banks and quasi-banks, were required to adopt in full the capital adequacy standards under Basel III which took effect from 1 January 2014. It aims to replace Basel II, further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

BSP Memorandum No. M2012-002 outlines BSP's proposed new minimum ratios and conservation buffers. The revised risk-based capital adequacy framework (which will also cover risk measurement enhancement and provisions concerning the use of third party credit assessment agencies) took effect on 01 January 2014. In March 2012, the BSP also circulated a discussion paper providing draft guidelines for Basel III implementation in the Philippines starting 01 January 2014. Philippine banks were invited to comment on the discussion paper until June 2012, after which the BSP finalised the guidelines for Basel III in the Philippines. Notable provisions include: (i) new categorisation of the capital base with Tier 1 being composed of Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital and elimination of the subcategories of Tier 2 capital; (ii) revised eligibility criteria for the different categories of regulatory capital; (iii) regulatory adjustments to be deducted from CET1 in a full deduction approach; (iv) higher minimum capital requirements; (v) loss absorbency of regulatory capital at the point of non-viability; (vi) introduction of a framework to promote the conservation of capital and the build-up of adequate buffers above the minimum that can be drawn down in times of periods of stress; and (vii) additional disclosure requirements.

On 21 September 2012, BSP Circular No. 768 was issued, which provides, among others, that Hybrid Tier 1 and Lower Tier 2 capital must have loss absorption features providing that the instrument would be written off or converted into common equity upon the occurrence of a trigger event determined by the BSP.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which is made up of CET1 capital. Under BSP Circular No. 1027 dated 28 December 2018, net due from head office, branches and subsidiaries outside the Philippines of foreign banks branches, excluding accumulated net earnings is required to be deducted from CET1 capital.

On 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress test (**REST**) while setting prudential limits for banks' Real Estate Exposures (**REEs**) to ensure that they have adequate capital to absorb potential losses to the property sector. On 13 August 2020, the Monetary Board increased the total real estate loan limit from 20% to 25% of the total loan portfolio, net of interbank loans, of universal and commercial banks. A stress test will be undertaken on a universal and commercial bank's real estate exposure under an assumed write-off of 25%. Further, the amendments removed residential real estate loans to individual households for occupancy for socialized, low-cost, mid-end, and high-end housing segments from the coverage of real estate exposures.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on DSIBs by the BSP under Basel III. Banks deemed DSIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the DSIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their DSIB statuses in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the DSIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%. Aside from the added capital pressure, DSIBs may be put at an undue disadvantage compared to Global Systemically Important Banks (**GSIBs**) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks' Tier 1 capital over its total on-book and off-book exposure. Under the BSP Circular No. 881, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 01 January 2017. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. Additional requirements imposed under Basel III included the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**). The LCR requires banks to hold a sufficient level of High-Quality Liquid Assets (**HQLAs**) to enable them to withstand a 30 day-liquidity stress scenario. Banks have been required to meet an LCR threshold of 100% beginning on January 1, 2019. The NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. As of 01 January 2020, the minimum 100% NSFR became effective for subsidiary banks and quasi-banks of universal and commercial banks. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spill-overs to the real economy, compliance with these ratios may further increase competition among banks for deposits as well as HQLAs.

In addition, Basel III capital rules for banks include setting up a countercyclical capital buffer (**CCyB**) wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. On 06 December 2018, the BSP issued guidelines on CCyB. BSP Circular No. 1024 imposes a capital conservation buffer (**CCB**) of 2.5% and a CCyB of 0% subject to upwards adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases will be effective immediately. The circular further provides that the HLA requirement is required to be on top of the combined requirement for CCB and CCyB. Under the Bank for International Settlements (**BIS**), the CCB became fully effective on 01 January 2019.

BSP Circular No. 1051, issued on 27 September 2019, amended the framework for dealing with D-SIBs. For the lower bucket, a minimum HLA requirement of 1.5% of risk-weighted assets at all times was imposed. For the higher populated bucket, the HLA requirement ranges from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

A. CCyB rate is at 0%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	0%	2.5%	5%	11.0%
2*	6.0%	2.5%	0%	2%	4.5%	10.5%
1	6.0%	2.5%	0%	1.5%	4.0%	10.0%

* assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	2.5%	2.5%	7.5%	13.5%
2*	6.0%	2.5%	2.5%	2.0%	7.0%	13.0%
1	6.0%	2.5%	2.5%	1.5%	6.5%	12.5%

* assuming an HLA requirement of 2.0%

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

A. CCyB rate is at 0%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>9.25%. – 10.0%	>9.50%. – 10.5%

* assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>11.75%. – 12.50%	>12.00%. – 13.00%

* assuming an HLA requirement of 2.0%

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

- Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;
- Has CET1 capital of more than the total required before the distribution; and
- Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and
- Compliance with minimum capital ratios after distribution.

D-SIBs are also subjected to greater supervisory requirements such as additional disclosures and reports in its ICAAP. These requirements may lead to such banks to hold even higher minimum levels of capital compared with the levels above.

Reserve Requirements

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve requirement during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency.

On 31 March 2020, BSP Circular No. 1082 was issued, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 3 April 2020 (and reiterated in Circular No. 1092 for reserve week of 31 July 2020) for universal and commercial banks, to (a) 12% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 3% against bonds; and (e) 0% against basic deposit accounts as defined under Section X222 of the MORB and for interbank call loan transactions (**IBCL**).

On 22 April 2020, the BSP issued BSP Circular No. 1083 to recognize loans granted to MSMEs after 15 March 2020 as allowable alternative compliance with the required reserves against deposit and deposit substitute from 24 April 2020 to 30 December 2021. To be considered as compliant, the MSME loan should be granted after 15 March 2020 and should not be hypothecated or encumbered in any way, rediscounted with the BSP, or earmarked for any other purpose. The willful making of a false or misleading statement in relation to the reporting of MSME loans for compliance shall subject the bank and the directors/officers responsible for violation of Sections 35 and 37 of Republic Act No. 7653 or the New Central Bank Act, as amended by Republic Act No. 11211.

Pursuant to BSP Memorandum No. M 2020-029, issued on 23 April 2020, MSME loans that are utilized as alternative compliance with reserve requirements shall be temporarily reported by Universal Banks under Investments in bonds and Other Debt Instruments.

On 27 May 2020, the BSP, pursuant to BSP Circular No. 1087, provided more alternative modes of compliance with the reserve requirement such as: (a) Peso-denominated loans that are granted to MSMEs, and (b) Peso-denominated loans that are granted to large enterprises, subject to conditions set out in the circular.

Credit Quotas for Agricultural and Fisheries Financing

Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022 (**Agri-Agra Law**), which lapsed into law on July 28, 2022 and repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009, mandated all banking institutions, whether private or government, to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general.

Banks may comply with this requirement by lending to rural community beneficiaries to finance agricultural and fishery-related activities. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law. Banks may also comply through the following methods:

1. Actual extension of loans to rural community beneficiaries (gross of allowance for credit losses), for purposes of financing agricultural, fishery and rural development activities;
2. Purchase of eligible loans listed above on a “without recourse” basis from other banks and financial institutions;
3. Purchase of eligible securities (gross of allowance for credit losses but net of unamortized premium or discount), to wit:
 - a. Invest in debt securities, provided that the proceeds therefrom will be used to finance agricultural, fishery and rural development activities;
 - b. Investments in sustainable finance instruments;
 - c. Invest in shares of stock of the rural finance institutions (**RFIs**), Philippine Crop Insurance Corporation or in companies that primarily engage in agricultural, fishery or rural development;
 - d. Investments in unsecured subordinated debt securities that meet the definition of regulatory capital and are issued by banks that are RFIs;
 - e. Investments in MSMEs of farmers, fisherfolk, agrarian reform beneficiaries, agrarian reform communities, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner cultivators, compact farmers, and tenant farmers by way of purchase of their securities through an organized market, initial public offering, follow-on offering, or through registered crowdfunding intermediaries;
4. Grant of loans and other credits (gross of allowances for credit losses), to wit:
 - a. Placements in deposit accounts and/or fixed term deposit products with RFIs;
 - b. Wholesale lending granted by banks to RFIs;
 - c. Rediscounting facility granted by banks to other banks covering eligible AFRD financing;
 - d. Actual extension of loans intended for the construction and upgrading of infrastructure;
 - e. Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified rural community beneficiaries;
 - f. Agricultural value chain financing (**AVCF**), including financing to electronic platforms that will facilitate AVCF and supply chain financing transactions among actors in agriculture that benefits rural communities;
 - g. Actual extension of sustainable finance in the form of loans; or
 - h. Purchase of eligible loans listed under (4)(d) to (4)(g) on a "without recourse" basis from other banks and FIs.

Banks which fail to comply or only partially comply with the minimum requirements shall be penalized by the BSP with an annual monetary penalty of 0.5% of the amount of non-compliance or under-compliance computed on a quarterly basis. Additionally, the BSP may impose administrative sanctions. The provisions related to the mandatory credit quota of 25% shall cease to be effective ten years from the approval of Republic Act No. 11901 or in 2032.

The law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others.

Limitations on Operations

The Single Borrower's Limit

Consistent with the national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation or other entity shall at no time exceed twenty-five percent (25%) of the net worth of such bank. The basis for determining compliance with the single borrower's limit (SBL) is the total credit commitment of the bank to or on behalf of the borrower. The total amount of loans, credit accommodations and guarantees above may be increased for specific circumstances as laid out in the relevant provision of the BSP MORB.

BSP Circular 779 issued on 09 January 2013, amended the BSP MORB provisions on Regulations on Single Borrower's Limit. The amendments allowed for increases (on top of the 25% as already mentioned) on the amount of loans, credit accommodations and guarantees that a bank may issue to a borrower. The following are the increases that are conditional: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under PDP/PIP; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 06 December 2010; and (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation.

The SBL limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020 and Memorandum No. M-2020-057 dated 21 July 2020, which granted additional operational relief to BSFIs. The relief measures include an increase in this single borrower's limit from 25% to 30% until 31 March 2021, which was extended until 31 December 2022 by Memorandum No. M-2022-004.

On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL for a period not exceeding 90 days if acquired from 1 August 2020 to 31 July 2021 and for a period of 60 days if acquired from 1 August 2021 onwards, provided that:

1. the market-making positions shall be taken up in the trading book in accordance with Section 614/614-Q on investment activities of BSFI;
2. the market-making positions shall be properly identified and segregated from the BSFI's proprietary positions; and
3. the BSFI shall periodically monitor the market value of the subject debt securities and the number of days the securities have been outstanding from date of acquisition.

Limitation on DOSRI Transactions

A director or officer of any bank may not directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor may become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director will be subject to the penal provisions of the New Central Bank Act.

On 02 June 2016, the Monetary Board approved the revisions to prudential policies on loans, other credit accommodations and guarantees granted to DOSRIs. The Monetary Board allowed the exclusion of loans granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided that the lending bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include a pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts and assignment of project documents.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposure of subsidiaries and affiliates of banks to priority programs, particularly infrastructure projects under the Philippine Development Plan / Public Investment Program (PDP/PIP) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to certain conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

Limitations on Loans and Credit Accommodations

As a general rule, loan and other credit accommodation against real estate by a bank shall not exceed 70% of the appraised value of the real estate security plus 70% of the appraised value of the insured improvements and such loans shall not be made unless title to the real estate rests with the mortgagor. In the case of universal and commercial banks, the loan values of real estate given as security for any loan granted will be reduced from 70% to not more than 60% of the appraised value of the real estate security and the insured improvements, except the following which are allowed a maximum value of 70% of the appraised value (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the expanded housing loans program of the home development mutual fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 04 February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 27 October 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding

loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) interbank call loans; and (3) the portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of the net worth of the said universal bank. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on the any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate is considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board. In addition, the Monetary Board recently approved BSP Circular No. 1042, series of 2019, containing the guidelines on sound risk management practices pertaining to investment activities of a bank.

Prohibition to Act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- (a) receive in custody funds, documents and valuable objects;
- (b) act as financial agent and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities;
- (c) upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- (d) rent out safety deposit boxes.

Anti-Money Laundering Act 2001 and Related Laws

The Anti-Money Laundering Act of 2001, as amended, (AMLA) requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, keep records and report covered and suspicious transactions.

While the Philippines enacted the AMLA to introduce more stringent anti-money laundering regulations, these regulations did not initially comply with the standards set by the Financial Action Task Force (**FATF**). However, following pressure from the FATF, an amendment to AMLA became effective on 23 March 2003. In January 2005, the Philippines was removed from the list of Non-Cooperative Countries and Territories (**NCCTs**) and the anti-money laundering systems (including strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering) were all identified to be of a satisfactory nature. Currently, the Philippines is on the “grey list,” as the FATF, in news reports, noted a “high level political commitment” from local authorities to address noted deficiencies in its anti-money laundering regime. Republic Act No. 10168 enacted on 18 June 2012 expanded the AMLA to include the crime of financing terrorism.

A more recent amendment to the anti-money laundering regime, Republic Act No. 10365, was approved on 15 February 2013. This amendment expanded the coverage of the AMLA, which now talks about “covered persons, natural or juridical.” Additions to the enumeration of covered persons include jewellery dealers for transactions in excess of ₱1.0 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client’s money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organise funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves or relates to the proceeds of any unlawful activity defined under the law:

- (a) transacts said monetary instrument or property;
- (b) converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- (c) conceals or disguises the true nature, source, location, disposition, movement or ownership or of rights with respect to said monetary instrument or property;
- (d) attempts or conspires to commit money laundering offences referred to in paragraphs (a), (b), or (c);
- (e) aids, abets, assists in or counsels the commission of the money laundering offences referred to in paragraphs (a), (b) or (c);
- (f) performs or fails to perform any act as a result of which he facilitates the offence of money laundering referred to in (a), (b) or (c); and
- (g) knowingly fails to disclose and file with Anti-Money Laundering Council (**AMLC**) any monetary instrument or property required to be disclosed and filed.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (**Court of Appeals**), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which is effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order is deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets. Further, a freeze order or asset preservation order is limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank’s

attention, transactions and/or accounts that qualify either as “covered transactions” or “suspicious transactions” as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 04 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (ARRS), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

In July 2017, Republic Act No. 10927 was signed into law, and it further expanded the coverage of AMLA to include cash transactions with or involving real estate developers or brokers exceeding ₱7.5 million, and casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. Furthermore, the law provides that: (a) a freeze order issued by the Court of Appeals pursuant to an *ex parte* petition by the AMLC is effective immediately and such effective period shall not exceed six months and if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order is deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets; and (b) a freeze order or asset preservation order is limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime and will not apply to amounts in the same account in excess of the amount or value of the proceeds of the predicate offense.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one Banking Day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- (a) there is no underlying legal or trade obligation, purpose or economic justification;
- (b) the customer or client is not properly identified;
- (c) the amount involved is not commensurate with the business or financial capacity of the client;
- (d) the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- (e) there is a deviation from the client’s profile or past transaction;
- (f) the transaction is related to an unlawful activity or offence under AMLA; or
- (g) similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of a completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity the fact that a report was made to the AMLC and any information relating to such report. A violation of the said rule is deemed a criminal act.

On 18 July 2020, Republic Act No. 11479 or the Anti-Terrorism Act of 2020 (**Anti-Terrorism Act**) became effective. The Anti-Terrorism Act repealed Republic Act No. 9372 or the Human Security Act to provide stricter penalties and regulations against the inimical acts of terrorism. Section 35 of the Anti-Terrorism Act authorizes the Anti-Money Laundering Council (**AMLC**), either upon its own initiative or at the request of the Anti-Terrorism Council, to investigate: (a) any property or funds that are in any way related to financing of terrorism or violation of Sections 4, 6, 7, 10, 11, or 12 of the Anti-Terrorism Act; and (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of the aforementioned sections. In this regard, the AMLC is authorized to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order. It also provides penalties to any person who maliciously, or without authorization, examines deposits, placements, trust accounts, assets, or records in a bank or financial institution and any employee, official, or a member of the board of directors of a bank or financial institution, who after being duly served with the written order of authorization from the Court of Appeals, refuses to allow the examination of the deposits, placements, trust accounts, assets, and records of a terrorist or an outlawed group of persons, organization, or association.

Revised Corporation Code

Revised Corporation Code was signed into law on 20 February 2019 and became effective on 08 March 2019.

Aside from the discussions above relative to the management of banks, included among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (**NSSLA**), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the SRC. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.
- The Code allows the creation of a “One Person Corporation.” However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect to incorporations as Close Corporation.
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders’ meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to

the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.
- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation; or any voluntary dissolution.
- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Bayanihan I

On 24 March 2020, Congress passed Republic Act No. 11469 or the Bayanihan to Heal as One Act (**Bayanihan I**), which confers emergency powers on the President of the Philippines. Section 4(aa) of Bayanihan I directed all banks to implement a grace period for the payment of all loans falling due within the ECQ for a minimum of 30 days, without interests, penalties, and other charges. Under the Bayanihan I, persons with multiple loans were granted a minimum grace period of 30 days for each and every loan. The BSP likewise issued several circulars and memoranda to address the issue.

On 01 April 2020, the BSP issued Memorandum No. M-2020-017 containing the implementing rules and regulations of Section 4(aa) of Bayanihan I. The IRR required banks to implement the 30-day grace period for all loans with principal and/or interest falling due within the ECQ Period, without incurring interest on interest, penalties, fees, or other charges. This 30-day grace period shall automatically be extended if the ECQ is extended by the President. In addition, banks are prohibited from requiring their clients to waive the application of the provisions of the Bayanihan Act, including the mandatory 30-day grace period. However, this does not preclude the borrowers from paying their obligations as they fall due during the ECQ.

The grace period provided under the Bayanihan I ceased to be effective on 01 June 2020, as clarified under BSP Memorandum No. M-2020-45. On 24 June 2020, Bayanihan I expired.

Bayanihan II

On 11 September 2020, Congress passed Republic Act No. 11494 or the Bayanihan to Recover as One Act (**Bayanihan II**) to extend the President's emergency powers. Section 4(uu) of Bayanihan II directed all banks to implement a non-extendible, mandatory one-time 60-day grace period for all existing, current, and outstanding loans with principal and/or interest, including amortizations, falling due on or before December 31, 2020 without incurring interest on interests, penalties, fees, or other charges. Parties were not precluded from mutually agreeing to a grace period longer than 60 days.

Section 4(ccc) of the same law encouraged the BSP to allow private banks to (1) reallocate any unutilized loanable fund to housing loans, and (2) grant subsidy to the home loan borrowers at the rate equivalent to the gross receipt tax imposed on banks on their interest income. Finally, Section 4(ddd) of the same law encouraged the BSP and the SEC to adopt measures, including the relaxation of regulatory and statutory restrictions and requirements for a period of not more than one year from the date of their effectivity, to encourage the banking industry to extend loans and other forms of financial accommodation to help businesses recover from the economic effects of the

COVID-19 crisis. The BSP and the SEC were likewise authorized to grant reporting relief to its supervised entities by allowing staggered booking of allowance for credit losses for all types of credit accommodations extended to individuals and business entities affected by COVID-19.

On 18 September 2020, the BSP issued Memorandum No. M-2020-068 containing the implementing rules and regulations of Section 4(uu) of Bayanihan II. The IRR required banks to implement a mandatory, one-time 60-day grace period for all loans with principal and/or interest falling due on or before 31 December 2021, without incurring interest on interest, penalties, fees, or other charges.

Bayanihan II expired on 30 June 2021.

Philippine Competition Act

On 21 July 2015, the Philippine Competition Act (the **Philippine Competition Act**), was signed into law. It took effect on 08 August 2015. The Competition Act is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Competition Act provides for the creation of a Philippine Competition Commission (the **PCC**), an independent quasi-judicial agency with five commissioners. Among its powers are to conduct investigations, issue subpoenas, conduct administrative proceedings and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. The PCC prohibits anti-competitive agreements between or among competitors and mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition. It also prohibits practices which involve abuse of a dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

On 03 June 2016 the PCC issued the Implementing Rules and Regulations of the Philippine Competition Act (**PCA IRR**). Under the PCA IRR (as amended by PCC Advisory No. 2019-001 (**Advisory**), which became effective on 01 March 2019), as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or the acquired entities exceed ₱5.6, including the entities that the ultimate parent entity controls, exceeds ₱5.6 billion (**Size of Party**); and (b) the value of the transaction exceeds ₱2.2 billion (**Size of Transaction**), as determined in the Advisory. Parties to a joint venture transaction are required to provide notification if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion.

Under PCC Resolution No. 02-2020, effective 01 March 2020, the threshold in relation to the Size of Party was increased to ₱6,000,000,000.00, and the threshold for the Size of Transaction was increased to ₱2,400,000,000.00.

On 11 September 2020, in response to the COVID-19 pandemic, then President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as the “Bayanihan to Recover as One Act” which became effective on 15 September 2020. Under the Bayanihan to Recover as One Act, all mergers and acquisitions entered into within a period of two (2) years from its effectivity, with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA. In addition, the PCC’s power to review mergers and acquisitions *motu proprio* shall be suspended for one (1) year from effectivity of the Bayanihan to Recover as One Act. The PCC issued Memorandum Circular No. 20-003 reiterating the foregoing exemptions and clarified that mergers and acquisitions entered into prior to the Bayanihan to Recover as One Act which exceed the following thresholds: (a) Size of Party exceeds ₱6.0 billion; and (b) Size of Transaction exceeds ₱2.4 billion, are still subject to compulsory notification under the PCA, and all mergers and acquisitions entered into prior to the effectivity of the Bayanihan to Recover as One Act may still be subject to the *motu proprio* review of the PCC. On 05 October 2020, the PCC issued the Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494 relating to the review of mergers and acquisitions.

For a share acquisition, which results in the acquirer owning more than 35% of the voting shares in the target (or more than 50% if the acquirer already owns more than 35%), the thresholds, *until 14 September 2022* were as follows:

- Size of Party Threshold. The aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines, of the ultimate parent entity (the **UPE**) of at least one of the acquiring or acquired entities, including that of all entities that the UPE controls, directly or indirectly, is at least ₱50.0 Billion.
- Size of Transaction Threshold. The aggregate value of the assets in the Philippines that are owned by the target or by entities it controls is at least ₱50.0 Billion, or the gross revenues from sales in, into, or from the Philippines of the target or by entities it controls is at least ₱50.0 Billion.

For an asset acquisition, the thresholds *until 14 September 2022* were as follows:

- With respect to a proposed merger or acquisition of assets *inside the Philippines* if either (a) the aggregate value of the assets in the Philippines being acquired in the proposed transactions exceeds ₱50.0 Billion; OR (b) the gross revenues generated in the Philippines by assets acquired exceed ₱50.0 Billion;
- With respect to a proposed merger or acquisition of assets *outside the Philippines* if (a) the aggregate value of the assets in the Philippines of the acquiring entity exceeds ₱50.0 Billion; AND (b) the gross revenues generated in or into the Philippines by those assets acquired outside the Philippines exceed ₱50.0 Billion;
- With respect to a proposed merger or acquisition of assets *inside and outside the Philippines*, if (a) the aggregate value of the assets in the Philippines of the acquiring entity exceeds ₱50.0 Billion; AND (b) the aggregate gross revenues generated in or into the Philippines by assets acquired in the Philippines and any assets acquired outside the Philippines collectively exceed ₱50.0 Billion.

However, parties to transactions below the compulsory notification thresholds, as described above, and which were effective until 14 September 2022, may still voluntarily notify their transaction and request the PCC to conduct a merger review.

Two years after the effectivity of the Bayanihan 2, i.e., starting on 15 September 2022, the thresholds reverted to ₱2.4 Billion and ₱6 Billion for Size of the Transaction and Size of Party, respectively.

Effective 16 September 2022, and with the expiration of the 2-year moratorium under the Bayanihan to Recover as One Act, the PCC provisionally set the thresholds in relation to the Size of Party and Size of Transaction tests by increasing these to ₱6,100,000,000.00 and ₱2,500,000,000.00, respectively.

Under the Competition Act and the PCA IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods are considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Administrative fines of up to ₱250.0 million may also be imposed by the PCC on entities that: (a) enter into anti-competitive agreements between competitors that are either prohibited per se or that have the object of substantially preventing, restricting or lessening competition by setting, limiting or controlling production, markets, technical development or investment or by dividing or sharing the market or (b) fail to comply with the compulsory notification and/or enter into prohibited mergers and acquisitions. An entity that enters into anti-competitive agreements, may also be sentenced to imprisonment from two to seven years and a fine of not less than ₱50.0 million to ₱250.0 million. The penalty of imprisonment is imposed on the directors and/or management personnel who are knowingly and willfully responsible for the violation. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC issued the 2017 Rules of Procedure which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders and consent orders.

On 10 September 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. Administrative fines may amount to up to ₱275.0 million. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

Financial Institutions Strategic Transfer Act

Pursuant to Republic Act No. 11523 or the financial institutions strategic transfer (FIST Act), a FSITC is a corporation organized under the laws of the Philippines that is authorized to invest in the NPAs of credit-granting institutions, such as banks, financing companies, investment houses, lending companies, insurance companies, accredited microfinance nongovernmental organizations, government financial institutions, government-owned or controlled corporations, other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities, and engage in other related activities (FISTC). Pursuant to the FIST Act, NPAs of financial institutions may be transferred to a FISTC after notice to but without the consent of the borrower. Such transfers from financial institutions to FISTCs and those from a FISTC to a third party, dation in payment by a borrower, a third party in favor of a financial institution or in favor of a FISTC are exempt from the following taxes:

- (a) Documentary stamp tax on such transfer of NPAs and dation in payment under the Tax Code;
- (b) Capital gains tax imposed on the transfer of lands and/or other assets treated as capital assets as defined under Section 39(A)(1) of the Tax Code;
- (c) Creditable withholding income taxes imposed on the transfer of land and/or buildings treated as ordinary assets pursuant to Revenue Regulations No. 2-98, as amended;
- (d) Value-added tax on the transfer of NPAs, or gross receipts tax the Tax Code, whichever is applicable.

All sales or transfers of NPAs from a financial institution to a FISTC or transfers by way of dation in payment by the borrower or by a third party to a financial institution shall be entitled to the privileges enumerated herein for a period of not more than two years from the effectivity of the fist law.

Transfers from a FISTC to a third party of NPAs acquired by the FISTC within such two-year period, or within such extended period, or transfers by way of dation in payment by a borrower to a FISTC shall enjoy the privileges enumerated above for a period of not more than five years from the date of acquisition by the FISTC. Properties acquired by a FISTC from government financial institution or government operated and controlled corporations which are devoted to socialized or low-cost housing shall not be converted to other uses.

The provisions of these Rules shall be applicable to assets that have become non-performing on or before 31 December 2022.

The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 (**Data Privacy Act**), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (**ICT**), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law provides that it does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data

protection. The Philippines recognises the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “personal information”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “personal information controllers” and “personal information processors”. It also provides for penal and monetary sanctions for violations of its provisions.

On 24 August 2016, the National Privacy Commission issued the Implementing Rules and Regulations of the Data Privacy Act.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank’s products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

On 01 September 2006, the BSP released new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank’s board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorised transactions in electronic banking.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted are treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (EMV) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 01 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 09 June 2017, BSP-supervised financial institutions are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offence and will subject these institutions to monetary sanctions provided under relevant provision of the BSP MORB.

On 22 February 2019, the BSP issued Circular No. 1033, which amended the BSP MORB by adding regulations on Electronic Payment and Financial Services (EPFS). This allows BSP-supervised institution to offer products or services that would enable its customers to receive payments or initiate financial transactions and other related services through an electronic device such as computer, mobile phone, ATM and other devices. EPFS allow customers to electronically access information on their transactions, move or receive funds from one account to another, or avail of credit, investment, trust, or other banking products and/or services. Transactions can include online loan applications, electronic investment of funds, and the like. To be able to offer this kind of service, the bank must obtain a license from BSP and comply with its corresponding reportorial requirements.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines

on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

Related Party Transactions

On 14 December 2015, the BSP announced that it approved guidelines strengthening oversight and control standards for managing related party transactions. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasised that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have 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. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

On 25 April 2019, the SEC issued Memorandum Circular No. 10-2019 regarding the Rules on Material Related Party Transactions for Publicly-Listed Companies (**SEC MC 10-2019**). Under SEC MC 10-2019, when the related party transactions amount to 10% or higher of a company's total assets, it is considered a material related party transaction and is disclosable and reportable to the SEC.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable net income refers to items of income specified under Section 32 (A) of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended (the **Tax Code**) less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A minimum corporate income tax (**MCIT**) equivalent to 2% (or 1% from 01 July 2020 until 30 June 2023) of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax computed on net taxable income. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction is reduced by an amount equal to 20% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- (a) an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank; or
- (b) a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Similarly, Section 36 (B) of the Tax Code disallows the deduction of bad debts in the case of related party transactions as mentioned in the case of interest expense.

Pursuant to Revenue Regulation 05-99 (as amended by Revenue Regulation 25-02), in order for banks to claim bad debts as tax deductions, they must secure a certification from the BSP that the accounts are worthless and can be written off, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible.

FCDU transactions with non-residents of the Philippines, OBUs, FCDUs of local banks and branches of foreign banks (i.e., offshore income) are tax-exempt, while interest income from foreign currency loans granted by FCDUs of depository banks to residents other than OBUs or other depository banks under the expanded system is subject to 10% final tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which will be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except for bonds, debentures or other certificate of indebtedness with maturity of more than five years. The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to gross receipts tax (**GRT**), which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. In November 2005, the Government increased the GRT, which is applied to the Bank's non-interest income, from 5% to 7%. On 13 June 2016, the BIR issued Revenue Memorandum Circular 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of the GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5% or 7% depending on the provision of the Tax Code covering the type of income or activity.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranche.

Interbank call loans with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes. The interbank call loans are not subject to documentary stamp tax except if they have a maturity of more than seven days.

Real and other acquired properties (**ROPA**) of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which is withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realised.

On 19 December 2017, then President Duterte signed into law the Tax Reform for Acceleration and Inclusion (**TRAIN**) or Republic Act No. 10963. On 14 February 2019, the President Duterte signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (Tax Amnesty Law), which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before 31 December 2017 and whose estate taxes have remained unpaid or have accrued as of 31 December 2017 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years.

On 26 March 2021, then President Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE**) or Republic Act No. 11534. The amendments under the CREATE include the

reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. The regular corporate income tax rate may be further reduced to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100.0 million. The rate of the minimum corporate income tax (**MCIT**) was also lowered to 1%, effective 01 July 2020 to 30 June 2023.

Currently pending in the Senate is the Package 4 of the Comprehensive Tax Reform Program (House Bill No. 4339), a proposed tax reform measure which aims to: (1) adopt a single gross receipts tax (**GRT**) of 5% imposed on banks, quasi-banks, and certain financial intermediaries; (2) harmonize business taxes on financial intermediaries; and (3) rationalize documentary stamp tax (**DST**) rates. However, before HB No. 4339 can become effective, it must be considered and approved by the Senate.

BSP Regulations on Issuances of Securities

Additional Requirements for the Issuance of Bonds and Commercial Papers

On 09 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial papers without prior BSP approval, provided that the following conditions are met:

- (a) the bank must have a CAMELS composite rating of at least “3” and a “Management” rating of not lower than “3”;
- (b) the bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;
- (c) the bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and
- (d) the bonds issued are enrolled and/or traded in a market which is organised in accordance with the SEC rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or -controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, must be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

Amendments to Existing Requirements for Issuances of Bank Securities

On 26 November 2019, the BSP issued Circular No. 1062 amending the provisions of the BSP MORB to relax certain requirements on the issuance of Long-Term Negotiable Certificates of Time Deposit, Bonds and Commercial Papers. Under the amendments, universal banks or commercial bank that is a related party of the issuing bank, may serve as the underwriter or arranger of the issuance, subject to the following conditions:

- (a) That there are other third party underwriters or arrangers that are not related in any manner to the issuing bank;
- (b) That the objective conduct of the due diligence review is not undermined; and
- (c) That the appropriate safeguards and controls as provided under Section 136 of the BSP MORB on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

Further, the underwriter or arranger that is a related party of the issuing bank may be a holder of the bonds or commercial papers, provided that it is part of the underwriting agreement.

Moratorium on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs)

BSP Circular No. 1059 dated 15 November 2019 amended the Manual imposing an indefinite moratorium on the issuance of LTNCTDs beginning 01 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.

Other Laws and Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

1. *The Philippine Deposit Insurance Act, as amended.* The Philippine Deposit Insurance Corporation (**PDIC**), the PDIC through Republic Act No. 3591, as amended, has the authority to insure the deposits of all banks which are entitled to the benefits of insurance and impose penalties against those who engage in unsafe and unsound banking practices. The PDIC is mandated to provide deposit insurance coverage for the depositing public to help promote public confidence and stability in the economy. Its most recent amendment took effect on 20 July 2022. The amendment attaches the PDIC to the BSP for policy and program coordination, optimizing regulatory coordination efficiency. Further, the PDIC may now adjust the maximum deposit insurance coverage without need of legislation.
2. *The Financial Products and Services Consumer Protection Act.* Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act (**FCPA**) was signed into law on 06 May 2022. The Act expands the powers of financial regulators such as the BSP and imposes duties on financial service providers such as banks. Violation of the Act will result in the imposition of enforcement actions from the BSP, penalties and/or administrative sanctions. On 28 November 2022, the Monetary Board issued Circular No. 1160, Series of 2022, which provides for the implementing guidelines of FCPA. According to the Circular, banks must meet the following standards in dealing with financial consumers:
 - a. Disclosure and Transparency;
 - b. Protection of Client Information;
 - c. Fair Treatment;
 - d. Effective Recourse; and
 - e. Protection of Consumer Assets against Fraud and Misuse

Pursuant to the FCPA, the BSP may, in addition to the enforcement actions under the MORB, restriction the ability of banks to collect excessive or unreasonable interests, fees or charges, including other interests, fees and charges that are covered under Republic Act No. 10870, otherwise known as the "Philippine Credit Card Industry Regulation Law, and order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, its IRR and other existing laws, rules, and regulations under its jurisdiction, including reasonable interest.

3. *Guidelines for Virtual Asset Service Providers (VASP) in the Philippines.* On 26 January 2021, the BSP issued Circular No. 1108, relating to the Guidelines for Virtual Asset Service Providers (VASP) in the Philippines, which amends in its entirety Section 902-N of the Manual of Regulations for Non-Bank Financial Institutions (**MORNBFI**). In particular, Section 902-N on Virtual Currency Exchanges shall be replaced by VASP, as the BSP recognizes that once fiat currency is exchange or converted into a virtual asset, the same becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. As such, VASPs were considered as money service businesses which were subject to the regulatory authority and examination powers of the BSP. Under said guidelines, the covered entities are required to secure a Certificate of Authority to operate as a Money Service Business and are required to observe the capitalization requirements of either ₱50.0 Million or ₱10.0 Million, for VASPs with or without safekeeping and/or administration services as define in said Circular, respectively.

4. *Ceiling on Interest or Finance Charges for Credit Card Receivables.* On 24 September 2020, the BSP issued Circular No. 1098 which provides for a ceiling on annual interest rates of 24%, except credit card instalment loans which shall be subject to a monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200 per transaction. Further, the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and instalment purchases and the maximum processing fee for credit card cash advances.
5. *Sustainable Finance Framework.* On 29 April 2020, the BSP issued Circular No. 1085 relating to the Sustainable Finance Framework that sets out the expectations of the BSP on the integration of sustainability principles, including those covering environmental and social (E&S) risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of banks. Pursuant to said guidelines, the Framework shall apply to all banks, and branches of foreign banks may adopt the relevant policies and strategies of their Head Office, which are consistent with the applicable provisions in Circular. Banks were provided three (3) years from the effectivity of the Circular to fully comply with the same. On 21 October 2021, the Monetary Board approved the guidelines that shall govern the integration of E&S risks in the enterprise-wide risk management frameworks of banks that shall amend the provisions of the Sustainable Finance Framework. Pursuant to BSP Circular No. 1128, banks shall consider E&S risks in defining credit risk strategy and shall integrate E&S risks in operational risk management framework.
6. *Regulations Governing the Derivatives Activities of Banks.* In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, Circular No. 594 was issued by the BSP in 08 January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk-weighted assets for banks that will engage in derivatives activities as end users for hedging purposes and/or under limited-use authority. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations.

The BSP also issued Circular No. 891 on 09 November 2015 amending the sales and marketing guidelines for derivatives under the Manual. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitisation structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees.

In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives are subject to margin requirements pursuant to the policy framework adopted by the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in times of distress. Variation margin requirements were phased in from 01 September 2016 to 01 March 2017, while initial margin requirements are being phased in from 01 September 2016 to 01 September 2020.

7. *Amendments to UITFs Regulations.* On 03 September 2004, the BSP issued Circular No. 447 (as amended by BSP Circular No. 675 dated 22 December 2009) which provided guidelines for the launching and offering of new products to be known as unit investment trust funds (**UITFs**), and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in Pesos or any acceptable currency that are to be operated and administered by trust entities and made available by participation. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organised exchange, loans traded in an organised market and such other tradable instruments as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued Circular No. 593 to improve risk disclosure on investing in UITFs, to require banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in and to update client's profile at least every three years. In December 2009, the BSP issued Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued Circular No. 767 to include investments by UITFs in units or shares in collective investment schemes as an allowable investment and recognising UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the key information and investment disclosure statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued Circular 907 to amend certain exposure limits and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (i.e., target fund, exchange traded fund), subject to target fund not being structured nor similarly structured as a feeder fund or fund-of-funds.
8. *Exemption of Paired ROP Warrants from Capital Charge for Market Risk.* In connection with the Government's Paired Warrants Program, the BSP issued Circular No. 605 in 05 March 2008 exempting warrants paired with Government bonds from capital charges for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50% of total qualifying capital.
9. *Guidelines on Securities Borrowing and Lending Transactions.* Guidelines by the PSE on securities borrowing and lending govern securities borrowing and lending transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008 provides guidelines on securities borrowing and lending transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors and lenders. In May 2008, the Monetary Board authorised the issuance of BSP Registration documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from securities borrowing and lending transactions, i.e. rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso-denominated Government securities and PSE-listed shares used as collateral.
10. *Reclassification of Financial Assets between Categories.* The BSP issued Circular No. 628 dated 31 October 2008, amending Circular No. 626 dated 23 October 2008 and Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial institutions are allowed to reclassify all or a portion of their financial assets from "held for trading" or "available for sale" categories to the "available for sale" or "held to maturity" or "unquoted debt securities classified as loans" categories effective 01 July 2008. Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made.
11. *Valuations of Government Securities Held by Banks.* In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the

weighted average of done or executed deals is used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids are used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP-approved guidelines is used.

12. *Segregation of Customer Funds and Securities Received by Banks.* On 14 August 2015, the BSP issued Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.
13. *Creation of Personal Management Trust.* On 18 August 2016, the BSP issued Circular No. 920 allowing for the creation of the personal management trust (**PMT**), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual's financial affairs. Upon the effectivity of the circular, all living trust accounts (**LTAs**) were discontinued and all those that remained valid were automatically considered as PMT.
14. *Clearing of Checks via Electronic Presentment.* On 07 September 2016, the BSP issued Circular No. 924, amending the Manual in view of the clearing of checks via electronic presentment, which is implemented by the Philippine Clearing House Corporation (**PCHC**). On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information are required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.
15. *Effective Reporting System Generation and Timely Submission of Reports.* On 26 June 2017, the BSP amended the Manual through Circular No. 963, series of 2017, which issuance instituted governance processes in accordance with the BSP's expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 01 January 2018.
16. *Guidelines on the Adoption of PFRS 9.* On 14 August 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option are allowed or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:
 - (a) In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries is required to be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries will be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures will be accounted for using the equity method in accordance with the provisions of PAS 28.
 - (b) In preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, is required to be accounted for using the equity method as described in PAS 28.

Banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP MORB.

On 19 October 2021, BSP issued Memorandum No. M-2021-055, granting temporary regulatory relief on the capital treatment of provisioning requirements under Philippine Financial Reporting Standard (PFRS) 9, by allowing an “add-back” factor until 2023. Under said measure, covered BSFIs will be allowed to “add-back” increase in the Stage 1 and Stage 2 provisioning requirements booked under the allowance for credit losses from the end of December 2019 to CET 1 capital, over a period of two (2) years commencing 01 January 2022, subject to a declining add-back factor.

17. *Marking to market of financial instruments.* BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 required to be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission.
18. *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses.* On 21 October 2021, BSP issued Memorandum No. M-2021-056, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses (**ECL**), effective until 31 December 2022. The classification of loans whose terms are modified due to the COVID-19 pandemic under Stage 1, 2, or 3, for purposes of determining ECL shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms. Loans that have been restructured to support borrowers that are experiencing financial difficulties due to the COVID-19 pandemic should not automatically be considered as credit-impaired that will warrant the classification of the accounts as non-performing.
19. *Basic Deposit Accounts.* BSP Circular No. 992, issued on 01 February 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement.
20. *Reserves against trust and other fiduciary accounts (TOFA).* BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA -others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (**PERA**); (13) legislated and quasi-judicial trust; and (14) specialised institutional accounts under trust.
21. *Guidelines on the Management of Interest Rate Risk in the Banking Book (IRRBB) and Market Risk Management.* BSP Circular No. 1044 dated 6 August 2019 approved the adoption of guidelines for managing IRRBB and amendments to the guidelines on market risk management. Under the circular, all banks and quasi- banks must adequately identify their IRRBB exposures, take appropriate steps to measure, monitor and control the risk, and ensure that the IRRBB management system is integrated into the overall risk management framework and strategic business planning process. The circular also requires active board and senior management oversight. The BSP will evaluate the adequacy and effectiveness of the IRRBB management framework, taking into account the size, complexity and nature of a bank or quasi-bank’s business.
22. *Circular 1067* dated 13 December 2019 approved the minimum disclosure requirements on IRRBB and required the following disclosures in the bank’s annual reports:
 - (a) A description of how the bank defines IRRBB for purposes of risk control and measurement;
 - (b) A description of the bank’s overall IRRBB management and mitigation strategies;
 - (c) The periodicity of the calculation of the bank’s IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB;
 - (d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and/or in earnings;

- (e) A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment; and
 - (f) A high-level description of key modelling and parametric assumptions used in IRRBB measurement.
23. *Guidelines on Voluntary Surrender of a Banking License.* BSP Circular No. 1050 dated 18 September 2019 amended the rules on voluntary liquidation in the Manual by formulating guidelines in the event that a bank decides to surrender its banking license either with a view to proceed to voluntary dissolution and liquidation or with the intention to convert into a non-bank entity. The circular lays down the criteria that the BSP must consider in deciding whether to approve the surrender of a bank's banking license. The circular also outlines the application procedure for the cessation of a bank's operations and the documents that the bank must submit to the BSP in support of its application. Once the bank has received notice of the BSP's approval of its voluntary surrender of its banking license, the bank shall immediately cease its operations.
24. *Amendments to the Framework for Dealing with Domestic Systematically Important Banks (D-SIBs).* BSP Circular No. 1051 dated 27 September 2019 amended the Manual's provision on D-SIBs to change the number of indicators to characterize a D-SIB from ten (10) to nine (9). The circular also provides for a framework for dealing with D-SIBs, including the guidelines on data requirements and reports, schedule of restriction on distribution of dividends during the phased-in implementation period of the Higher Loss Absorbency requirement, and recovery plan.
25. *Amendments to the Regulations on Investment Management Activities.* The BSP issued Circular No. 1109 Series of 2021, which reduced the minimum size of an account under investment management. It further allows the commingling of funds subject to certain conditions and expanded the securities eligible under as investment outlet for commingled funds. Previously, the minimum size of an investment management account was ₱1.0 million. Under the Circular, BSP-Supervised Financial Institutions (**BSFIs**) may determine the minimum amount that should be maintained by a client in an investment management account (**IMA**), which shall be at least ₱100,000.00. Moreover, prior to this Circular, commingling of IMAs was not allowed except for the purpose of investing in government securities or in duly registered commercial papers. Under the Circular, funds from IMAs may be commingled subject to the following conditions:
- a. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.00;
 - b. The commingled funds shall only be invested in (i) securities directly issued by the Philippine National Government, (ii) exchange-traded equities and fixed income securities and commercial papers registered with the SEC, (iii) securities issued by banks incorporated in the Philippines, except those issued through the trust units, or (iv) securities issued by other sovereigns that are exempt from registration under Section 9(b) of the Securities Regulation Code;
 - c. The commingling of funds and the manner of termination of the same shall be specifically agreed in writing by the clients. The investment manager should ensure that the agreement to commingle funds with other IMAs is legally binding and enforceable. Furthermore, the risks associated with commingling of funds, such as market liquidity risk, shall be fully disclosed to the clients;
 - d. The investment manager shall determine that it possesses the operational capability to manage the accounts participating in commingled funds. In doing so, the investment manager shall undertake an assessment taking the following into consideration: (i) sufficiency of personnel handling commingled IMAs; (ii) capability of existing systems to accurately and readily identify the allocation of each investor in a commingled fund and generate the following information on a per IMA basis, at a minimum: accruals, coupons received, dividends received, market-to-market gains or losses and required reports; and (iii) ability to conduct periodic reconciliation of relevant records; and
 - e. The maximum number of IMAs that can be commingled into one fund shall be determined by the investment manager based on its own operational capability to commingle IMAs.

26. *Amendments to the Rules on Cross-Border Transfer of Local and Foreign Currencies.* The BSP issued Circular No. 1146 Series of 2022 which allows a person to import or export, or bring into or take out of the Philippines, or electronically transfer legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in peso against banks operating in the Philippines in an amount not exceeding ₱50,000.00 without prior authorization by the BSP. In excess of such ₱50,000.00 limit, a prior written authorization from the BSP is required. In case of physical cross-border transfer of Philippine currency, there must be a declaration of the whole amount brought into or taken out of the Philippines. For foreign currency, a person who brings into or takes out of the Philippines foreign currency or other foreign-currency denominated bearer monetary instruments in excess of \$10,000.00 or its equivalent must declare the whole amount brought into or taken out of the Philippines.

PHILIPPINE TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Bonds. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or of any person acquiring, selling or otherwise dealing with the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Bonds are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Bonds, including the effect of any national or local taxes, under the tax laws or regulations relevant thereto, and applicable in the Philippines and any other country of which they may be nationals or residents.

The following is a general description of certain Philippine tax aspects of the Bonds. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended (the Tax Code), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds. Each prospective Bondholder should consult with his own tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding and disposing of the Bonds.

As used herein, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a “non-resident alien” is an individual who is neither a citizen nor a resident of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines,” otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not doing business in the Philippines.” A “domestic corporation” is a corporation created or organized in the Philippines of under its laws while a “foreign corporation” is a corporation that is not domestic. A “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines; and a “non-resident foreign corporation” is a foreign corporation not engaged in trade or business in the Philippines.

The TRAIN Law, effective 01 January 2018, amended various provisions of the National Internal Revenue Code of 1997, as amended, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor’s tax, and documentary stamp tax.

The CREATE Law, effective 11 April 2021 (with effective dates on specific provisions), included the salient provisions as follows: (1) reduction of regular corporate income tax rate from 30% to 25% (or 20% for corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 excluding land on which the office, plant, and equipment are situated) effective 01 July 2020; (2) reduction of minimum corporate income tax rate from 2% to 1% for 01 July 2020 until 30 June 2023, thereafter, the rate will revert to 2%; (3) repeal of improperly accumulated earnings tax (**IAET**). On 01 November 2022, the proposed fourth package of the CTRP through HB No. 4339 was approved by the House on its third and final reading under the 19th Congress as part of the Marcos administration’s Medium Term Fiscal Framework (**MTFF**). HB No. 4339 introduces reforms to the taxation of passive income, financial intermediaries, and financial transactions. However, before HB No. 4339 can become effective, it must be considered and approved by the Senate.

Documentary Stamp Taxes

Under Republic Act No. 10963, which amended certain provisions of the Tax Code, a documentary stamp tax is imposed upon every original issue of debt instruments such as bonds and notes, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines.

No documentary stamp tax is imposed on a subsequent sale or disposition of the Bonds if there is no change in the maturity date or remaining term of the Bonds.

Interest on the Bonds

The Tax Code defines “deposit substitutes” as an alternative form of obtaining funds from the public, other than deposits, through the issuance endorsement, or acceptance of debt instruments for the borrower’s own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. Obtaining funds from the “public” in this instance means borrowing from twenty (20) or more individual or corporate lenders at any one time.

The Bonds may be considered as deposit substitutes issued by Philippine residents with a maturity period of less than five (5) years. As such, interest income arising from the Bonds are considered as Philippine sourced income subject to final withholding tax at the following rates:

Philippine citizens and resident alien individuals	20%
Non-resident aliens doing business in the Philippines	20%
Non-resident aliens not doing business in the Philippines	25%
Domestic corporations	20%
Resident foreign corporations	20%
Non-resident foreign corporations	25%

The aforementioned final withholding tax rates applicable to non-resident aliens not doing business in the Philippines and non-resident foreign corporations may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Bondholder. Most tax treaties to which the Philippines is a party provide for a preferential reduced tax rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties would also normally qualify that the preferential reduced tax rates will not apply if the recipient of the interest income, even if considered a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

In any case, all Bondholders are required to submit to the Bank, through the Paying Agent, their respective BIR-issued Taxpayer Identification Numbers (TIN).

Tax Exempt Status

Bondholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Bank, to the Registrar or the Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof; (b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator; (c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; (d) For entities claiming tax treaty relief pursuant to RMO 14-2021, prior to the payment of interest due: (1) three

(3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries; (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; (4) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (5) an original or certified true copy of the Certificate of Entitlement (COE) issued by the BIR International Tax Affairs Division (ITAD) certifying the Bondholder's entitlement to tax treaty relief in connection with the Bonds. The Bondholder shall be responsible for filing a tax treaty relief application (TTRA) with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate (TRC), together with their Application to Purchase, to the Sole Selling Agent. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline; and (e) Any other document that the Bank or PDTC may require from time to time; (ii) a duly notarized declaration and undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Bank and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities, or any tax or charge arising from the non-withholding of the required tax; and (iii) if applicable, such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Bank to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Registrar, together with the supporting documents specified under the Master Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar: (i) a written notification of the sale or purchase, including the tax status of the transferor or transferee, as appropriate; and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Bank for any tax that may later on be assessed on the Bank on account of such transfer.

Value-Added Tax

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines, equivalent to the gross selling price less the acquisition cost of the Bonds sold, shall be subject to value-added tax of 12%.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less 5%

Maturity period is more than five years 1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less 5%

Maturity period is more than five years 1%

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Sale or other Disposition of the Bonds**Income Tax**

Bonds that have a maturity period of less than five (5) years, gains realized from the sale, exchange, or retirement of the Bonds are subject to income tax.

If the Bonds are considered ordinary assets of individual Bondholders (except non-resident aliens not doing business in the Philippines), gains from the sale or disposition of such Bonds are included in the computation of taxable income, which is subject to the following graduated tax rates effective 01 January 2018 until 31 December 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective 01 January 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000

Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000
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For non-resident aliens not doing business in the Philippines, the gain shall be subject to the 25% final withholding tax.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to 25% income tax (or 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed). Gains derived by non-resident foreign corporations on the sale or other disposition of the Bonds shall form part of their gross income which is subject to a 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Capital Gains Tax

If the Bonds are considered as capital assets of individual Bondholders, gains from the sale or disposition of such Bonds shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Estate and Gift Tax

The Bonds will be considered as intangible personal property situated in the Philippines and will form part of the gross estate of any individual holder. As such, the transfer of the Bonds upon the death of an individual holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a fixed rate of 6% of the net estate. Estate taxation is governed by the statute in force at the time of the death of the decedent and so the tax rate may vary in the future. Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer the Bonds by way of gift or donation are liable to pay Philippine donors' tax at the fixed rate of 6% based on the total gifts in excess of ₱250,000 exempt gifts made during the calendar year, whether the donor is a stranger or not.

Estate and gift taxes will not be collected in respect of intangible personal property such as the Bonds (i) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

The tax treatment of a non-resident holder of any of the Bonds by jurisdiction outside the Philippines will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. Each holder of any of the Bonds should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Bonds, including the applicability and effect of any state, local and national laws.

SUMMARY OF OFFER PROCEDURE

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular, the relevant Pricing Supplement, and the Agreements regarding the issuance, maintenance, servicing, trading, and settlement of the Bonds. Prospective investors should read this entire Offering Circular, the relevant Pricing Supplement, and the Agreements fully and carefully. In case of any inconsistency between this summary and the more detailed information in this Offering Circular, the relevant Pricing Supplement, or the Agreements, then the more detailed portions and/or the Agreements, as the case may be, shall at all times prevail.

Offering Period Procedure

Pursuant to the Master Registry and Paying Agency Agreement and the relevant Issue Management and Placement Agreement for each Tranche, entered into by the Bank with the relevant counterparties, the Bonds shall be offered for sale through the Selling Agents during the Offer Period.

The Offer Period

During the relevant Offer Period of each Series or Tranche of the Bonds, the Bank, the Joint Lead Arrangers and the Selling Agents shall solicit subscriptions for the Bonds. There shall be no limitation on the amount of Bonds that an Applicant may apply for. Each interested investor (an **Applicant**) will be required to execute an Application to Purchase in three copies and return the completed Applications to Purchase to the Bank or the relevant Selling Agent, as the case may be (with one duplicate to be provided to the Applicant).

Applications to Purchase must be accompanied by payment for the Bonds applied for. Payment may be in the form of checks made out to the order of BPI as set out in the relevant Pricing Supplement, debit instructions or other instructions acceptable to the Bank or the relevant Selling Agents, and must cover the entire purchase price. Each of the Bank and the Selling Agents shall determine its own settlement procedure for its Applicants. Each of the Bank and the Selling Agents shall hold the purchase price received from their respective Applicants as deposit for the purchase of the Bonds.

Each of the Bank and the Selling Agents shall prepare a Schedule of Applications to Purchase (the **Applications Schedule**), which sets out the aggregate amount of Bonds applied for by their respective Applicants and summarizes the details of the latter. Each of the Bank and the Selling Agents shall deliver their Applications Schedule (together with a copy of each of the completed Applications to Purchase) to the Joint Lead Arrangers no later than 5:00 p.m. of the last day of the Offer Period.

Allocation Period

Based on the aggregate amount of Bonds applied for, the Bank and the Joint Lead Arrangers shall consult with each other and agree on the total size of the issue.

Each of the Joint Lead Arrangers and the Selling Agents may, at its discretion, reject any Application to Purchase. In addition, if the Bonds are insufficient to accommodate all Applications to Purchase (or in any other case where the Bank and the Joint Lead Arrangers agree that a reduction in size is needed), each of the Joint Lead Arrangers and the Selling Agents may, in consultation with the Bank, allocate the Bonds among the Bank and the Selling Agents by accepting or reducing the aggregate amount of Bonds covered by each Applications Schedule as the Joint Lead Arrangers and the Bank may mutually determine. The Joint Lead Arrangers, in consultation with the Bank, shall prepare a report which summarizes the total amount of Applications to Purchase accepted and the final allocation of Bonds among the Bank and the various Selling Agents (the **Allocation Report** or, if the electronic-Securities Issue Portal (**e-SIP**) of the PDS Group shall be used, the **Final Allocation** which must be submitted to the Registrar through e-SIP) and provide the Registrar and the Selling Agents with a copy thereof by 5:00 p.m. on the second Banking Day following the end of the Offer Period.

Each of the Bank and the Selling Agents shall implement the allocation set out in the Allocation Report and establish its own policies and procedures regarding the allocation of Bonds among their respective Applicants. The Bank, in its capacity as Selling Agent, and Selling Agents shall then accept the corresponding Applications to Purchase, prepare a schedule of purchase advices (each a **Sales Report**) which summarizes the allocations made among the various Applicants, and execute and issue Purchase Advices in accordance with the Sales Report to the corresponding Applicants. The Bank and Selling Agents shall: (a) deliver the Sales Report to the Registry

Summary of Offer Procedure

and Paying Agent no later than 5:00 p.m. of the third Banking Day (or, if e-SIP shall be used, no later than 9:00 a.m. of the first Banking Day) immediately preceding the Issue Date; and (b) deliver the executed Application to Purchase to the Registry and Paying Agent no later than 5:00 p.m. of the third Banking Day immediately preceding the Issue Date. (or, if e-SIP shall be used, shall be retained by the Selling Agent).

Issue Date

On the Issue Date, the Bank shall issue Bonds with the aggregate Issue Price set out in the Allocation Report and complete and execute the Tranche Certificate (indicating therein the Issue Date and Interest Rate), and deliver such executed Tranche Certificate to the Trustee with a certified true copy to the Registrar. The Issue Date is indicative and may be adjusted at the determination of the Bank (following consultation with the Arranger) if necessary to achieve an orderly settlement with investors of the Bonds.

The Registrar and Paying Agent shall record the initial issuance of the Bonds in the Registry and thereafter issue and distribute the relevant Registry Confirmation to the Holders in accordance with the Sales Report issued by the Selling Agents.

The Bank and the Selling Agents shall refund any payments made by Applicants whose Applications were rejected or reduced, in full (in case of rejection) or in a proportionate sum (in case of reduction), in each case, without interest.

Method of Distribution

The Bonds are being issued pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and other related circulars and issuances of the BSP (the **BSP Rules**). The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

The Bonds are being issued by the Bank with the Joint Lead Arrangers and the Selling Agent and Philippine Depository & Trust Corp. as Registrar and Paying Agent.

No action has been or will be taken by the Bank, the Joint Lead Arrangers or the Selling Agent in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers and the Selling Agent are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers and the Selling Agent in connection therewith. Each of the Joint Lead Arrangers is authorized to operate as an investment house in the Philippines, is well capitalized, and well capitalized and has adequate risk management. Except for BPI Capital Corporation, the Joint Lead Arrangers are third-parties in relation to the Bank, such that, (i) it has no subsidiary/affiliate relationship with the Bank; and (ii) it is not related in any manner to the Bank as would undermine the objective conduct of due diligence on the Bank. BPI Capital Corporation is a wholly owned subsidiary of the Bank; nevertheless, the objective conduct of its due diligence review was not undermined. Further, the appropriate safeguards and controls as provided under Section 136 of the MORB on related party transactions were observed.

The Registrar and Paying Agent and Trustee are likewise third-parties in relation to Bank, such that, (i) they have no subsidiary/affiliate relationship with Bank; (ii) they are not related in any manner to Bank as would undermine their independence.

The Bonds are newly issued securities for which there currently is no market. A market maker will be appointed for the relevant Tranches and Series. Market makers will provide live bids good for the minimum denomination under the General Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEx Trading Rules, Conventions, and Guidelines. The Market Maker is not obligated to make a market for the Bonds. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

Summary of Offer Procedure

The Joint Lead Arrangers, the Selling Agents (including BPI Capital Corporation subject to compliance with relevant BSP Rules) or their respective affiliates may purchase the Bonds for their own account or enter into secondary market transactions or derivative transactions relating to the Bonds, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Bonds. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Bonds). As a result of such transactions, the Joint Lead Arrangers, the Selling Agents or their respective affiliates may hold long or short positions relating to the Bonds. The Joint Lead Arrangers, the Selling Agents or their respective affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Bank or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each of the Joint Lead Arrangers, the Selling Agents or their respective affiliates may, from time to time after completion of the offering of the Bonds, engage in other transactions with, and perform services for, the Bank or its affiliates in the ordinary course of their business. The Joint Lead Arrangers, the Selling Agents or their respective affiliates may also purchase Bonds for asset management and/or proprietary purposes but not with a view to distribution or may hold Bonds on behalf of clients or in the capacity of investment advisors. While the Joint Lead Arrangers, the Selling Agents and their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Joint Lead Arrangers, the Selling Agents or their respective affiliates or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Bonds. The Joint Lead Arrangers or the Selling Agents may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Bonds.

Applications to Purchase the Bonds during the Offer Period

Applicants may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Applications to Purchase the Bonds, in triplicate together with all the required attachments and the corresponding payments to the Selling Agents from whom such application was obtained no later than 5:00 p.m. of the last day of the Offer Period. Applications received after said date or without the required attachments will be rejected. The Bank and Joint Lead Arrangers reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

- a. Copies of valid identification documents of the Applicant.

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, and company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC.;

- b. Two (2) duly accomplished signature cards in the form attached to the application, containing the specimen signature of the Applicant, validated / signed by the Selling Agent's authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar;

- c. Tax Identification ID; and

- d. Such other documents as may be reasonably required by the Selling Agents or the Registrar in implementation of its internal policies regarding "know your customer" and anti-money laundering.

If the Applicant is a corporation, partnership, trust, association or institution, the following documents must also be submitted:

- a. An original notarized Certificate of the Corporate Secretary or an equivalent officer of the Applicant setting forth resolutions of the Applicant's Board of Directors, partners, or other equivalent body authorizing the purchase of the Bonds and designating the signatories, with their specimen signatures, for the said purposes;
- b. Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) or equivalent

Summary of Offer Procedure

government institution, stamped and signed as certified as true copies by such government institution or by the Applicant's Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies;

- c. Two (2) duly accomplished signature cards containing specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies, and further validated/signed by the Selling Agent's authorized signatory/ies whose authority/ies and specimen signatures have been submitted to the Registrar;
- d. BIR certificate of registration showing the applicant's Taxpayer Identification Number; and
- e. Such other documents as may be reasonably required by the Selling Agents or the Registrar in implementation of its internal policies regarding "know your customer" and anti-money laundering.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit at least two sets of the following requirements to the Registrar, subject to acceptance by the Bank as being sufficient in form and substance: (i) proof of tax exemption or entitlement to preferential tax rates: (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof; (b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; (c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; (d) With respect to tax treaty relief, (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries; (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; (4) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (5) an original or certified true copy of the Certificate of Entitlement (COE) issued by the BIR International Tax Affairs Division (ITAD) certifying the Bondholder's entitlement to tax treaty relief in connection with the Bonds. The Bondholder shall be responsible for filing a tax treaty relief application (TTRA) with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate (TRC), together with their Application to Purchase, to the Sole Selling Agent. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline; and (e) Any other document that the Bank or PDTC may require from time to time. Only the originals should be submitted to the Bank, Joint Lead Arrangers, relevant Selling Agent, or the Registrar; (ii) a duly notarized declaration and undertaking (in the prescribed form and substance by the Bank) declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation or modification of its tax exemption or treaty privileges, and agreeing to indemnify and hold the Bank and the Registrar free and harmless against any claims, actions, suits, and liabilities, or any tax or charge resulting from the non-withholding of the required tax; and (iii)

such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities to and such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent; provided further that, all sums payable by the Bank to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Allocation and Issue of the Bonds

Applications to Purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Bank. The Joint Lead Arrangers, in consultation with the Bank, reserve the right to accept, reject, scale down or reallocate any Application to Purchase the Bonds applied for.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant Applications to Purchase. The acceptance of the Application to Purchase shall ipso facto convert such Application to Purchase into a purchase agreement between the Bank and the relevant Bondholder, subject to a cooling-off period (as defined below) if the Applicant is a natural person.

Within two (2) business days from submission of the duly executed Application to the Bank (the **Cooling-Off Period**), the Applicant, who is a natural person, is allowed to cancel, in whole or in part, the Application by providing the relevant Selling Agent within the same period a written notice of such decision to cancel the Application (the **Written Notice of Cancellation**) indicating in such written notice: (a) the amount of the Bonds to be cancelled, (b) the amount of the Bonds to be retained (so long as the same complies with the minimum denomination requirements under the Terms and Conditions), and (c) the reason for such cancellation. In case the Applicant provides the relevant Selling Agents with a Written Notice of Cancellation in the manner set forth above, the cancellation shall be without penalty but shall entitle the Bank and the Selling Agents to charge and collect reasonable amount of fees (including, but not limited to, processing and/or administrative fees plus any mark-to-market costs) incurred from the time of submission of the duly executed Application up to time of cancellation of the purchase of the Bonds.

Upon confirmation by the Bank of acceptance of the relevant Applications and the respective amount of the Bonds, the Registrar and Paying Agent shall issue the relevant registry confirmation (the **Registry Confirmation**) to successful applicants confirming the acceptance of their purchase of the Bonds and consequent ownership thereof and stating the pertinent details including the amount accepted, with copies to the Bank.

The Registrar shall be entitled to rely solely on the Final Sales Reports submitted by the Selling Agents to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Bondholder, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase. Within seven (7) Business Days from the Issue Date, the Registrar shall release the Registry Confirmations to the Bondholders in the mode elected by the Bondholder as indicated in the Application to Purchase.

Transactions in the Secondary Market

All secondary trading of the Bonds shall be coursed the trading facilities of PDEX, as applicable, subject to the payment by the Bondholder of fees to the connection with trading on PDEX, and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and PDEX, including but not limited to the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Bank shall list the Bonds in PDEX for secondary market trading. Upon listing of the Bonds with PDEX, investors shall course their secondary market trades through the trading participants of PDEX for execution in the PDEX Trading Platform in accordance with the PDEX Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEX Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEX may be subject to such fees and charges of PDEX, the trading participants of PDEX, and other providers necessary

Summary of Offer Procedure

for the completion of such trades. Transactions on the Bonds on PDEX will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

The Bonds will be in minimum denominations as may be provided in the applicable Pricing Supplement and Bond Certificate for each Series or tranche of Bonds, or such other minimum denominations as may be prescribed or approved by the BSP. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Bondholder of the Bonds will hold less than the minimum denomination as prescribed or approved by the BSP.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Series or Tranche of the Bonds or during the period when any of the Series or Tranche of Bonds have been previously called for redemption.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade- Related Transfer Form or Non-Trade Transfer Form as the case may be, by the relevant PDEX Trading Participant, substantially in the form agreed upon between DBP and the Registrar;
- Investor Registration Form duly accomplished by the transferee Bondholder and endorsed by the relevant PDEX Trading Participant, in the form agreed upon between DBP and the Registrar;
- Tax exempt/Treaty Documents, if applicable, in accordance with the General Terms and Conditions; and
- such other documents that may be required by the Registrar to be submitted by the transferee Bondholder in support of the transfer or assignment of the Bonds in its favor.

Transfers of the Bonds made in violation of the restrictions on transfer under the General Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Interest and Principal Payment

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Bondholders the amounts due under the Bonds, net of taxes and fees (if any), by way of credits to the bank accounts identified by the Bondholders in the Applications to Purchase.

SUMMARY OF REGISTRY FEES

The Registry shall be entitled to charge the Holders and/or their counterparties fees as the Registry shall prescribe in line with the services that the Registry shall perform such as, but not limited to, the opening and maintaining of accounts, the maintenance of the records of the Holders in the Registry Book, the issuance, cancellation and replacement of any Registry Confirmation. The Registry will charge the following fees to the Holders:

Transfer Fees in the Secondary Trading:

1. Transfer Fee of ₱100.00 to be paid each by the transferring Holder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.0 per transfer shall be charged to the transferring Holder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDSClear System if so duly authorized by a Holder

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring Holder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Holder:

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Holders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application of a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Holder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request. A report that is not available from back-up CD-ROMs and will thus require system personnel intervention to generate.

Other Fees charged to the Selling Agent/ Underwriter:

For every day of delay in the submission of the requirements enumerated in Section 2.4.3.1 to 2.4.3.5 of the Registry and Paying Agency Agreement, the Registrar shall charge the Selling Agent an administrative fee of ₱10,000.00.

INDEX TO THE FINANCIAL STATEMENTS

Reviewed condensed consolidated financial statements as at 30 September 2022 and for each of the nine months in the periods ended 30 September 2022 and 2021.

Audited consolidated financial statements as at 31 December 2021 and 2020 and for each of the three years in the period ended 31 December 2019, 2020, and 2021

ISSUER

Bank of the Philippine Islands
16th Floor Ayala North Exchange Tower One
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₱100.0 Billion

Bank of the Philippine Islands

Bond Program



OFFERING CIRCULAR

5 January 2023

