Important notice

You must read the following disclaimer before continuing. The following disclaimer applies to the pricing supplement following this page and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached pricing supplement. In accessing the attached pricing supplement, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Bank of the Philippine Islands (the **Bank** or the **Issuer**) as a result of such access.

The pricing supplement is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law, and is not intended for distribution in other jurisdictions. The information contained in the offering circular may not be published or distributed outside the Philippines.

THIS PRICING SUPPLEMENT AND OFFER RELATED MATERIALS ARE TO BE USED EXCLUSIVELY FOR THE DOMESTIC OFFER AND ARE NOT INTENDED TO BE VIEWED BY NON-PHILIPPINE RESIDENTS.

You acknowledge that the attached pricing supplement and the information contained therein are strictly confidential and intended for you only. You are not authorized to and you may not forward or deliver the attached pricing supplement, electronically or otherwise, to any other person or reproduce such pricing supplement in any manner whatsoever, nor may you disclose the information contained in the attached pricing supplement to any third-party or use it for any other purpose. **Any forwarding, distribution, publication or reproduction of the attached offering circular in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorized.** Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions. Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so, and access has been limited to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED PRICING SUPPLEMENT, INVESTORS MUST COMPLY WITH THE PROVISIONS PROVIDED HEREIN. YOU HAVE ACCESS TO THE ATTACHED PRICING SUPPLEMENT ON THE BASIS THAT YOU HAVE CONFIRMED THAT YOU ARE WITHIN THE PHILIPPINES AND/OR RECEIPT OF THIS PRICING SUPPLEMENT WILL NOT TRIGGER ANY REGISTRATION OR SIMILAR REQUIREMENT UNDER THE LAWS OF ANY OTHER RELEVANT JURISDICTION.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

This pricing supplement has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, the Joint Lead Arrangers, and the Selling Agents or any of their directors, officers, employees, agents, representatives or advisors accepts any liability or responsibility whatsoever in respect of any difference between the pricing supplement provided to you in electronic format and the hard copy version. You are reminded that the attached pricing supplement has been provided to you on the basis that you are a person into whose possession of this pricing supplement may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this pricing supplement, electronically or otherwise, to any other person.

You are responsible for protecting the pricing supplement against viruses and other destructive items. Your access of the pricing supplement in electronic form is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

THIS PRELIMINARY PRICING SUPPLEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT WITHOUT NOTICE. THE BONDS MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THAT THE PRELIMINARY PRICING SUPPLEMENT IS ISSUED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PRICING SUPPLEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY BONDS NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

BPI

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

₱ 36,660,800,000.00 Bonds
("Bonds")
under BPI's ₱100.0 Billion Bond Program

Issue Price: 100% of Face Value
Interest Rate: 6.4250% p.a.

Joint Lead Arrangers and Selling Agents

BPI Capital Corporation

ING

The date of this Pricing Supplement is 13 November 2023.

THE BONDS REFERRED TO IN THIS PRICING SUPPLEMENT ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE SRC) AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC).

This constitutes the Pricing Supplement relating to the ₱36,660,800,000.00 Philippine Peso-denominated Bonds (the **Bonds**) under the ₱100.0 Billion Bond Program of the Bank of the Philippine Islands (the **Bank or BPI**) and described herein (the **Offer**). Unless otherwise defined, the terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **General Terms and Conditions**) set forth in the Trust Agreement dated 5 January 2023 (the **Trust Agreement**) and its amendments/supplements, as relevant to the tranche, and the Offering Circular dated 5 January 2023 (the **Offering Circular**). This Pricing Supplement contains the terms of this Offer and the Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement, insofar as such information does not conflict with this Pricing Supplement. In case of conflict between the provisions of this Pricing Supplement and the Trust Agreement, the provisions of the Trust Agreement shall prevail.

The Bank accepts responsibility for the information contained in this Pricing Supplement. 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 Pricing Supplement 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 the Offering Circular and the Pricing Supplement together contain or incorporate all information which is material in the context of the Bonds, that the information contained or incorporated in this Pricing Supplement is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed and incorporated in this Pricing Supplement are honestly held and that there are no other facts the omission of which would make the Offering Circular and this Pricing Supplement, taken together, 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 Pricing Supplement nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Pricing Supplement is accurate as of any time subsequent to the date hereof. To the fullest extent permitted by law, none of the Joint Lead Arrangers and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), accept any responsibility for the contents of this Pricing Supplement or for any other statement, made or purported to be made by the Joint Lead Arrangers or the Selling Agents or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers or on their respective behalf in connection with the Bank, or the issue and offering of the Bonds. Each of the Joint Lead Arrangers and the Selling Agents (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) 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 Pricing Supplement 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 Pricing Supplement or any other information supplied in connection with 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 (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers).

None of the Joint Lead Arrangers and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) 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 Pricing Supplement or any other information provided by the Bank in connection with the Bonds.

The contents of this Pricing Supplement are not to be considered as legal, business or tax advice. Neither this Pricing Supplement nor any other information supplied in connection with the 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, and/or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), that any recipient of this Pricing Supplement or any other information supplied in connection with the Bonds should purchase any of the Bonds. Each investor contemplating purchasing the 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 Pricing Supplement, nor any other information supplied in connection with the 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 (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Pricing Supplement 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 Bonds 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 (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. Neither the delivery of this Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement has been most recently amended or supplemented. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Pricing Supplement 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 2020, 2021 and 2022 and *reviewed condensed consolidated financial statements* as of and for the six months ended 30 June 2023 included in this Pricing Supplement 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 2020, 2021 and 2022 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 six months ended 30 June 2023 and 2022 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 Pricing Supplement 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 Pricing Supplement, the information contained in this Pricing Supplement 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 Pricing Supplement misleading in any material respect and that the Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Pricing Supplement with respect to the same. Unless otherwise indicated, all information in this Pricing Supplement is as of the date of this Pricing Supplement. Neither the delivery of this Pricing Supplement nor any sale made pursuant to this Pricing Supplement 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 Pricing Supplement.

In this Pricing Supplement, 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement.

CONTENTS

EXECUTIVE SUMMARY

This section discusses events after the date of the Offering Circular and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

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 publicly listed universal bank in the country in terms of total assets which stood at ₱2.68 trillion as of 30 June 2023. 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 net customer loans and assets under management, with market shares of 15.1% and 21.0%, respectively, and third largest in terms of deposits at 12.3% as of 30 June 2023. 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 2022 and 30 June 2023, the Bank had a network of 1,189 and 1,192 branches (which include full-service branches and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,192 branches, as of 30 June 2023, 1,190 branches were located in the Philippines, of which 869 were BPI branches and 321 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 1,730 ATMs and 334 CAMs as of 30 June 2023, 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 one 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 127 remittance tie-ups and correspondent relationships with 59 accounts with 29 banks and financial institutions globally.

Since the date of the Offering Circular, the Bank has continued to enjoy recognition from various award-giving bodies. So far in 2023, it has received fifteen (15) awards on the institutional level, which include "Best Bank in the Philippines" in the *Euromoney Awards for Excellence 2023*, "Best SME Bank in the Philippines" in the *Alpha Southeast Asia's 17th Best Financial Institutions Awards*, Gold Award for "Best Financial Company in the Philippines" in the *FinanceAsia Asia's Best Managed Companies 2023*, as well as multiple awards from the *Institutional Investor* survey.

The Bank's consolidated common equity tier 1 (**CET1**) ratio stood at 15.6% while capital adequacy ratio (**CAR**) stood at 16.5%, as of 30 June 2023. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 30 June 2023, the Bank had a market capitalisation on the Philippine Stock Exchange (**PSE**) of ₱538 billion (based on the closing price on the PSE of ₱108.80 per share on 30 June 2023). 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 83.9% in 10 years to 9.3 million as of end-December 2022, and which further grew to 9.8 million as of June 2023. 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.

As of 30 September 2023, the following international credit rating agencies have reaffirmed the Bank’s credit ratings:

Credit Rating Agency	Rating		Outlook	Report Date
S&P Global Ratings	BBB+	Long term Issuer Credit Rating	Stable	Sep 2023
Moody’s Investors Service	Baa2	Baseline Credit Assessment	Stable	Aug 2023
Fitch Ratings	BBB-	Long term Issuer Default Rating	Stable	May 2023
Capital Intelligence	BBB	Long term Foreign Currency Rating	Stable	July 2023

In addition, BPI garnered high scores relative to other Philippine banks in the 2022 Environmental, Social, and Governance Ratings (ESG Ratings) of MSCI, S&P Global, CDP, and Sustainalytics. ESG Ratings generally measure a company’s initiatives and risk management practices related to environmental protection, social responsibility, and good governance. As of August 2023, MSCI gave the Bank a rating of BB (best possible rating: AAA), S&P Global gave the Bank a rating of 47 (best possible rating: 100), and CDP gave the Bank a rating of C (best possible rating: A). Following an inverted rating scale, Sustainalytics gave the Bank a rating of 28.8 (best possible rating: 0). The Bank has also received 10 sustainability accolades in 2022 such as “Best Bank for Sustainable Finance – Domestic, Philippines” in The Asset Triple A Country Awards for Sustainable Finance 2022; “Best Sustainable Bank in the Philippines” in the Finance Asia Country Awards 2022; and “Best Bank for Sustainable Finance in the Philippines” in the Global Finance Sustainable Finance Awards 2022, to name a few. As of August 2023, the Bank has also already received 10 sustainability accolades year-to-date, including “Best Sustainable Bank in the Philippines” in the Finance Asia Awards 2023, “Best Bank for ESG in the Philippines” in the 2023 AsiaMoney Best Bank Awards for the Philippines, and “Best Sustainable Bank in the Philippines” in the International Business Magazine Awards 2023, among others.

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 June 2023, its cost-to-income ratio stood at 47.86% and its cost-to-assets ratio at 2.40%, 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 June 2023, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 15.5% and 1.9% 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 June 2023, the Bank's Common Equity Tier 1 Ratio (**CET1**) of 15.6% and Capital Adequacy Ratio (**CAR**) of 16.5%, 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 June 2023, at 4.5% (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 203.5% and leverage ratio at 11.0% as of 30 June 2023, 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 June 2023,75.3% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From 2018-2022, the Bank's loan growth has primarily been driven by large corporate loans, which grew at a compound annual growth rate (**CAGR**) of 8.1% for that period, as compared to the Bank's retail loans, which grew by 8.3% over the same period. The Bank likewise registered a loan growth of 15.3% year-on-year as of 31 December 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 3.1% 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 2.7% 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 2022, NPL ratio slowed down to 1.8% vs system-wide average of 3.3%, with NPL coverage ratio at 180.1%. Asset quality remained robust with an NPL ratio of 1.9% and NPL coverage ratio at 167.4% as of 30 June 2023.

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. For this year (2023), BPI has been recognized as the Best Service Provider- Risk Management in The Asset Triple A Treasuries Awards.

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, financial institutions and consumer sectors, among others. BPI extends loans to several sectors in the Philippines. As of 30 June 2023, BPI's exposure to the real estate sector accounted for 22.7% of the Bank's total loan portfolio, whereas manufacturing accounted for 16.1%, wholesale and retail trade for 10.9%, consumer for 10.6%, financial institutions for 8.6%, and agriculture for 1.9%.

As of 30 June 2023, the Bank's top 20 clients comprised 36.9% 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 June 2023.

Stable and diversified revenue sources

For January to June 2023, the Bank's Net Interest Income grew by 27.4% year-on-year to ₱50.11 billion on the back of continued loan growth and sustained expansion in average NIM for the year by 56 bps to 4.03%.

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, namely (i) asset management and trust business, (ii) credit card business, with 2.3 million credit cards in circulation as of 30 June 2023 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 93.2% as of 30 June 2023.

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 30 June 2023, CASA Ratio stood at 70.2%, a 9.0% 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 (**MSMEs**) 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.

On January 30, 2023, the Bank issued ₱20.3 billion Fixed Rate Bonds due 2024 named BPI Reinforcing Inclusive Support for MSMEs Bonds (**BPI RISE Bonds**) that have a term of 1.5 years and bear an interest rate of 5.75% per annum, payable quarterly. The BPI RISE Bonds were issued under the Bank's ₱100.0 billion Bond Program, approved by its Board on May 18, 2022. The net proceeds of BPI's offering will be used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework.

Sustainalytics, a multi-awarded global ESG research, ratings, and data firm, conducted the pre-issuance asset review of BPI RISE Bonds. The final issue size of the BPI RISE Bonds was increased to over four times the initial target of ₱5.0 billion to meet strong investor demand.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,190 branch licences (which include full-service branches and branch-lite units (**BLUs**), as of 30 June 2023. The Bank's overseas network includes one banking location in Hong Kong and one in London, two representative offices and three remittance centres in Hong Kong. The Bank also maintains over 127 remittance tie-ups and correspondent relationships with over 59 accounts with 29 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 June 2023, the Bank co-located 132 branches bringing the Bank's physical branch count to 737.

The Bank's branch network is supported by a network of 1,730 ATMs and 334 CAMs as of 30 June 2023, 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 26,200 ATMs across the Philippines as of 30 June 2023. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank partnered with Euronet (Euronet Technology Services, Inc. (**ETSI**) in the Philippines) to manage the end-to-end operations of 500 of offsite machines, of which, 200 will continue to operate under the BPI brand. While the remaining 300 ATMs are integrated with Euronet's ATM switch network in the Philippines, BPI customers may continue to use these ATMs free of charge. 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 cardholders to receive notifications via e-mail or SMS for withdrawals beyond the set limit.

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 2021-2022, as the lockdowns forced customers to transact via their mobile phones or their laptops/computers. While branch transactions still account for the bulk of the value of all of the Bank's transactions, the Bank believes 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 June 2023, out of BPI's 9.8 million client base, 6.23 million or 64% are enrolled in digital platforms while 4.27 million are active users, up 18% from the same period last year. As of 30 June 2023, active users' penetration rate stood at 44%, up from 42% in December 2022.

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 (**SEME**s); Corporate; the broad market; High Net Worth (**HNW**), and small-and-medium-sized enterprises (**SME**s). 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-in-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 30 June 2023, the Bank expanded its open banking ecosystem to over 100 partners and more than 2,200 brands and services, 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 (**Board**) 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

In the Bank's annual strategic planning sessions, the Board and Senior Management discuss the macro outlook, industry trends, regulatory landscape, competitive environment, stakeholder concerns, and other relevant factors to formulate and build a dynamic medium term strategic roadmap. This plan is cascaded to the entire organization, serving as our guide in capturing new business opportunities, managing enterprise risks, and remaining relevant to our customers.

While the pandemic brought unprecedented challenges, the Bank believes that it has responded exceptionally well and have risen a much stronger and resilient institution, proving themselves to be a choice of investment, attractive to both domestic and offshore investors.

The Bank's success is driven by its strategy of being highly digitalized, financially inclusive, and sustainable in delivering delightful customer experiences across its omni channel facilities.

Key highlights of these strategic imperatives are as follows:

1. ***Undisputed leader in digital banking***

For its ongoing digitalization journey, BPI's initiatives have made significant progress in driving customer loyalty, volume growth, and operational efficiency. The Bank now has 3.1 million digital retail clients, up 6.0x from 2019.

Six of the Bank's seven customer engagement platforms are available:

- BPI Mobile and BPI Online for retail clients
- BPI Trade Online for investors in the stock market
- BanKo app for self-employed micro-entrepreneurs
- BizLink for corporate clients
- BizKo for SMEs
- VYBE, the BPI e-wallet

Moreover, the seventh platform, geared towards the Bank's Wealth Management clients, is underway.

These seven platforms will enable all Filipinos in their respective financial journeys to enjoy the benefits that BPI channels provide. In addition, the Bank envisions these platforms to be a major vehicle for client acquisition, financial inclusion, and business growth.

Supported by the Bank's open banking infrastructure, these platforms allow customers access to over 2,200 products and services provided by over 100 partners.

The Bank's partnership with GCash is also progressing well, with its products in GSave, GInvest, and GInsure gaining more clients and generating revenues.

All of these digital initiatives are underpinned by strong cybersecurity, agile core systems, and data-driven decisions.

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

The government's relaxation of national health protocols and mobility restrictions to usher in the country's socio-economic reopening augurs well for the Bank's strategic imperative of repositioning its loan portfolio mix in favor of SME and consumer loans. BPI is on track with its strategy to grow its SME and consumer loans faster than its corporate loans.

The Bank ended the year 2022 with broad-based growth in consumer loans: 67% in personal loans, 31% in credit cards, 20% in microfinance, 13% in auto, and 3% in mortgage. Meanwhile, SME loans grew 14%. The Bank foresees this uptrend to continue in 2023.

BPI endeavors to grow its consumer and SME business while keeping appropriate credit underwriting policies and processes, ensuring asset quality preservation and upholding prudent risk management of its exposures.

The Bank launched BizKo in 2022, a tailored digital platform for SME clients which allows them to enroll accounts online; transfer funds; pay bills, employees' salaries, and government taxes and fees; and generate invoices and billings.

BPI's merger with Robinsons Bank Corporation (**RBC**) will also expand its reach to the Gokongwei network, especially to the SME market segment. The integration of RBC increases shareholder value by proving BPI opportunities to collaborate across the Gokongwei Group's ecosystem, which includes market-leading businesses in food manufacturing, air transportation, real estate and property development, and multi-format retail companies.

Meanwhile, the Bank continues to play an integral role in the corporate space by helping Philippine conglomerates, large corporates, and multinational companies as their main operating bank in the new normal.

3. *Closing the gap in funding leadership*

Until today, the Bank has sustained the momentum of robust deposit growth during the pandemic, when customers flocked to BPI, generally perceived as a safe haven in times of crisis.

As its customers' trusted advisor, the Bank constantly strives to enhance its product and service offering to complement their unique financial journeys.

In terms of retail customer experience, the New-to-bank and New-to-Product features of the BPI Online and BPI Mobile App allow new and existing clients access to a seamless, safe, and fully digital onboarding process.

In 2022, the Bank launched two new deposit products:

- **TODO Savings**, a digital deposit product with BanKo app, serving as the Bank's answer to the higher deposit rates offered by digital banks. In addition to sending money to other banks, paying bills, and buying load, clients can also open a digital savings account paying 4% per annum for up to ₱50,000.00.

- **MySaveUp,** with GSave, allows clients to open a digital savings account for as low as one peso. This product has attracted an average of 70,000 clients daily and about 800,000 deposit accounts have been opened since its launch.

For corporate clients, their deepened engagement on the BizLink platform – enrolled clients and active users both up 24% and 17% year-on-year, respectively – also contributed to overall deposit growth.

Optimizing the funding costs is also a crucial factor to the Bank's funding leadership. In 2022, high-cost bond maturities were partially replaced by the BPI RISE Bonds issuance and time deposits at much lower rates, thereby improving cost of funds.

Efficient balance sheet management, which includes regular rationalization of deposit products and exploration of alternative funding sources for capital market maturities, ensures the Bank's prudent position taking. The Bank wants to be well-poised to grab trading opportunities in the market as they arise.

4. *New role of branches*

Transforming the role of branches in the new normal is key to BPI's strategy. The Bank ushered in 2022 with a call of "OneBPI", the merger of BPI and BPI Family Savings Bank, the wholly owned thrift bank subsidiary, that took effect on 01 January 2022. Doing so has created a more seamless banking experience for BPI's customers, while unlocking operational efficiencies and synergies within the Bank.

The branch rationalization process is in full swing, with 132 co-located branches and seven consolidated branches for 2022. Select branches have also been redesigned to better cater to the needs of the corporate, retail, wealth management, or even a hybrid group of all these client segments.

This paved the way for new career opportunities in the organization of the Bank's branch employees, who continue to undergo re-skilling programs which enhance their transaction service skills with sales, advisory, and relationship management competencies, equipping them to serve the Bank's customers better.

Moreover, the Bank pushed forward with the ambition and bold move of Agency Banking, a model enabling banking institutions to partner with third-party establishments to be a Banking Agent. The Banking Agent is a go-between entity that can offer a wide variety of services and is generally allowed to act on behalf of the Bank to its consumers.

Complementing the current channels, the Branch Stores and the Digital Platforms, the Bank's partner Banking Agents will enable it to offer better payment options, more savings account ownerships, credit and financing terms, and investment opportunities, thereby increasing the current client count and expanding the geographical and socioeconomic reach.

5. *Sustainable banking*

As the Bank aims to become a Sustainability champion, BPI has developed a unique formula" "Environment, Social, Governance + Economic" or "ESG+E_2". While the Bank actively integrates ESG principles in the way the Bank does business, BPI also gives equal importance to E_2 to represent economic benefits, because BPI believes that a sustainable approach should be economically viable.

BPI strives to be an innovator in sustainability to strengthen its leadership in this space, In 2022, BPI:

- Introduced new sustainable products and services, i.e. Energy Transition Financing Facility
- Shifted to 100% renewable energy use for select bank-owned buildings;
- Certified five bank branches with IFC – Excellence in Design for Greater Efficiencies (IFC-EDGE);
- Hosted the first Philippine Sustainability Awareness Month; and
- Mandated inclusion of sustainability in employee performance Key Result Areas (KRAs) and sustainability training for all.
- As of June 2023, the Bank had 6 IFC-EDGE certified bank branches and had the 2nd Sustainability Awareness Month for the year with the theme Green and Beyond

Sustainability also means financial inclusion that promotes growth across all sectors. BanKo, BPI's microfinance arm, is stepping up its efforts to provide self-employed micro-entrepreneurs access to easy, convenient, and affordable products and services, via our digital and traditional distribution channels. The Bank also grew its BanKo branch count given the importance of physical presence in the segment.

The Bank is steadfast in its milestone commitment of no additional greenfield coal power generation projects and to zero out coal power generation financing in our portfolio by 2032. Preparation for the Bank's Net Zero strategy roadmap are now underway.

Finally, the Bank's corporate social responsibility is carried out through BPI Foundation, which implements financial wellness and sustainability programs that look after the unserved and underserved, and through the Bank's BPI Bayan programs where BPI employees volunteer together to help the local communities.

6. ***Customer obsession***

In 2022, the Bank embarked on an internal movement to inculcate customer obsession in all BPI employees, kicking it off with a summit involving hundreds of senior officers, then rolling it out nationwide. With this program, the Bank will change behavior, challenge policies, as well as improve products and processes. The Bank is taking concrete steps to lead a customer-obsessed organization by appointing customer delight officers, empowering decisions at the front line, and creating agile teams to address common customer pain points. The Bank even crafted its BPI delight pledge, which the employees recite before internal meetings, to remind themselves that everything they do should be in the interest of their customers. This is reinforced by also mandating the inclusion of customer obsession in employee performance KRAs.

As a result of increased customer focus, the Bank achieved a higher customer count and Net Promoter Score (**NPS**).

BPI is on the MOVE – Making Obsession Visible in all Experiences – and it will continue to do so by being NICE, by living the core values of being Nurturing, acting with Integrity, being Customer Obsessed, and pursuing Excellence.

Recent Developments

Election of Mr. Fernando Zobel de Ayala as Director vice Mr. Romeo L. Bernardo

At the regular meeting of the Board held on 20 September 2023, the Board elected Mr. Fernando Zobel de Ayala as Director *vice* Mr. Romeo L. Bernardo who had resigned effective 12 September 2023 in view of his appointment to the Monetary Board of the BSP. Mr. Zobel was also appointed as member of the Executive Committee and Personnel and Compensation Committee *vice* Mr. Bernardo. Mr. Zobel's election to the BPI Board is subject to confirmation/approval of the BSP's Monetary Board. With his election to the Board of Directors, Mr. Zobel will no longer be a member of the Advisory Council.

Philippine Competition Commission issues signed decision clearing the proposed BPI and RBC merger

On 13 September 2023, the Philippine Competition Commission released to BPI the signed decision clearing the proposed merger between BPI and RBC.
At the Special Stockholders' Meeting held on 17 January 2023, stockholders representing at least two-thirds of the outstanding shares of BPI approved the merger between BPI and RBC, with BPI as the surviving bank.

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

At its meeting on 30 September 2022, the Board approved the proposed merger between RBC and BPI, with BPI as the surviving bank, subject to shareholders' and regulatory approvals. JG Summit Capital Services Corp. (JGCAP) and Robinsons Retail Holdings, Inc. (RRHI) currently own approximately 99.9984% of the outstanding capital stock of RBC. In relation thereto, the Board approved:

a. the execution of an Agreement for the Merger of Bank of the Philippine Islands and Robinsons Bank Corporation, among BPI, RBC and JG Summit Capital Services Corp. and Robinsons Retail Holdings, Inc. as the RBC Shareholders (**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. the designation of certain authorized signatories and representatives to give effect to the aforementioned resolutions; and
d. calling for a special stockholders' meeting.

On the same day and after the Board approval, BPI executed the Merger Agreement.

BPI and Robinsons Bank revises merger plan

On 5 September 2023, BPI and RBC re-executed the Plan and Articles of Merger, pursuant to the comments of the BSP. The word "substantially" was deleted under the Special Provisions section of the Plan of Merger and replaced with "approved by at least a majority of". The word "substantially" was likewise deleted under Article I of the Articles of Merger. The principal business address of BPI and the date of execution of the Plan of Merger and Articles of Merger were likewise updated.

IFC Partners with Bank of the Philippine Islands to Increase Climate Finance, Boosting Green Growth

On 9 August 2023, the Bank announced that the International Finance Corporation (**IFC**), a member of the World Bank, has agreed to invest $250 million in a green bond to be issued by the Bank in an effort to grow climate finance in the Philippines. This is the biggest deal IFC has done with a financial institution in the Philippines.

Proceeds will be used to finance eligible green assets in the Philippines, including renewable energy, energy efficiency, green building, electric vehicle, and climate-smart agriculture projects, among others. While most of the proceeds will be used for local projects, part could also be used to invest in bonds with underlying green assets overseas. IFC has also agreed to help BPI build its capacity to assess the eligibility and impact of its climate projects. IFC is the sole subscriber of the bond, which will be aligned with the International Capital Market Association's Green Bond Principles.

BPI Upsizes Syndicated Loan Facility to US$ 300 Million

On 31 July 2023, the Bank signed a facility agreement for a 3-year syndicated term loan facility of US$ 300 million (**Facility**) with The Hong Kong and Shanghai Banking Corporation Limited (**HSBC**) and Standard Chartered Bank (**SC**) as Mandated Lead Arrangers, Bookrunners and Underwriters (**MLABUs**). The Facility received an exceptional reception in syndication, and successfully upsized from the original US$ 200 million to US$ 300 million to partially accommodate the heavy oversubscription of more than two times.

The Facility is supported by a total of twenty-one lenders, including the two MLABUs and nineteen participating lenders. HSBC is the facility agent.

Proceeds from the Facility will be used to partly refinance BPI's existing US$ 600 million bond due September 2023, as well as for general corporate purposes.

Temporary change of business address

Beginning 27 June 2023, BPI changed its business address from Ayala North Exchange Tower 1, Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City, Metro Manila 1229 to 22/F - 28/F Ayala Triangle Gardens Tower

2, Paseo De Roxas Cor. Makati Ave., Bel-Air, Makati City, in view of the temporary relocation and consolidation of its three (3) leased corporate sites in Makati.

BSP monetary penalty

On 29 September 2022, BPI disclosed that the proposed amendment to BPI's Articles of Incorporation to decrease its authorized capital stock by retiring the treasury shares will no longer be pursued. This disclosure was made after the BSP did not favorably endorse the Bank's request to dispose of treasury shares arising from the merger of the Bank with BPI Family Savings Bank, Inc., through retirement of said shares, in view of BSP's opinion that retirement of treasury shares cannot be considered as sale or disposition in accordance with Section 10 of Republic Act No.8791 (The General Banking Law of 2000). Eventually, BPI informed the BSP of the approval of the declaration of property dividends as BPI's mode for disposal of the treasury shares.

In its letter dated 13 June 2023, BSP imposed a monetary penalty on BPI amounting to ₱1,000,000 for failure to comply with Section 10 of Republic Act No. 8791 on the disposal of treasury shares, arising from its merger with BPI Family Savings Bank within the six-month statutory period.

Disposal of BPI Treasury Shares

On 15 March 2023, the Board approved the declaration of property dividends consisting of 406,179,276 BPI common shares held in treasury (**Property Dividend**) to be distributed to all eligible stockholders of BPI (**Stockholders**) as of record date of 29 March 2023 (**Record Date**), at an entitlement ratio of 0.0896395563 common share for every one (1) common share of BPI held by the Stockholder. The payment of the Property Dividend was carried out on 16 June 2023 (**Payment Date**), following BPI's receipt of the Certificate of Filing the Notice of Property Dividend Declaration issued by the SEC on 13 June 2023. The cross price for the transfer of the Property Dividend through the Exchange is ₱105.00 per share. The Property Dividend shares were recorded in the name of PCD Nominee Corp. for the account of the Stockholders in the books of BPI on Payment Date. Following such payment, the total outstanding shares of BPI changed from 4,539,018,015 to 4,945,197,291 common shares as of 16 June 2023.

As part of these transactions, 18,262,683 common shares, which correspond to the fractional shares and shares withheld for property dividend tax purposes, were transferred to BPI Asset Management Trust Corporation (**BPI-AMTC**) on 16 June 2023 in accordance with the Property Dividend Distribution Guidelines. On 21 June 2023, BPI subsequently determined that there was an excess of 334,902 common shares transferred to BPI-AMTC. Immediately upon determining the excess transfer, a cross trade was made between BPI-AMTC and PCD Nominee Corp. for the transfer back to PCD Nominee Corp. of the 334,902 common shares held for the account of the relevant stockholders of BPI.

Amendment of the By-Laws of the Bank

On 27 April 2023, the SEC approved the amendments to the Bank's By-Laws. The amendments, which were approved by the stockholders on 28 April 2022 and the BSP on 14 March 2023, reflect substantial changes relating to: 1) Articles IV and V for the digitalization of service of notice for regular and special meetings, holding of virtual annual stockholders' meetings and provision of the right for stockholders to vote through remote communication or in absentia at the Bank's annual stockholders' meetings; 2) Article V on raising the minimum quorum at any meeting for the transaction of corporate business from the majority to two-thirds of the members of the Board of Directors, 3) Article VI for Board of Directors Powers; 4) Article VII for Executive Committee Charter; 5) Article VII-B and Article XI on Deletion of provisions referring to the Trust Committee and Trust Operations; 6) Article VII-B on Revision of Audit Committee charter to incorporate Manual of Regulations for Bank (MORB) provisions; 7) Insertion of new Article XI stating that the Manual on Corporate Governance, board and board-level committee charters are suppletory to the By-Laws; 8) Article XIV for the digital payment of dividends, and 9) Various other amendments to align with the Revised Corporation Code. Other amendments relate to correction of clerical/typographical errors and references to the Revised Corporation Code (Article I; Article XII).

Securities and Exchange Commission Assessment Letter

In its letter dated 3 February 2023, the SEC assessed penalties against the Bank for violation of Section 8.1 of the Securities Regulation Code in the amount of ₱134,622,017.59, for omitting to secure SEC's confirmation of exemption from registration for its 7-year Executive Stock Purchase Plan and Executive Stock Option Plan launched in 2013.

BPI RISE Bonds

On 30 January 2023, the Bank has issued ₱20.3 Billion Peso Fixed-Rate Bonds due 2024. The bonds, called BPI RISE Bonds, have a term of 1.5 years. The proceeds were used for financing or refinancing the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework.

Acquisition by Robinsons Retail Holdings, Inc. (Robinsons Retail) of Shares of the Bank

The board of directors of Robinsons Retail approved on 05 January 2023, the execution of an agreement between the Company, GIC Private Limited (**GIC**), through its affiliate, Arran Investment Pte. Ltd. (**Arran**), Liontide Holdings, Inc. (**Liontide**), and BPI for Robinsons Retail to acquire a total of 198,265,257 shares of the BPI, which represents a 4.4% stake in the Bank, at ₱ 99.5 per share, subject to customary closing conditions. The underlying BPI shares corresponding to the Liontide Preferred Shares are already listed with the PSE.

The agreement referred to above pertains to the Share Purchase Agreement which was executed on 05 January 2023. Robinsons Retail purchased 148,698,943 BPI shares through a block sale executed on 10 January 2023, through the facilities of PSE which will be settled on 13 January 2023.

In January 2023, the following transactions in relation to this acquisition took place:

Purchase by Robinsons Retail of 148,698,943 BPI shares representing a 3.3% equity interest in BPI out of the 4.4%.: Through Preferred Shares, Arran currently owns 21.9% of Liontide, which in turn has a 20.0% equity interest in BPI. This represents a total 4.4% indirect effective ownership in BPI by Arran. For this part of the Transaction, Arran will give Liontide a notice for the redemption of a portion of its Preferred Shares in Liontide, amounting to 31,154,709 Preferred Shares in exchange for cash. The underlying BPI shares which correspond to these Preferred Shares, which are equivalent to 148,698,943 shares, representing a 3.3% equity interest in BPI, will then be sold by Liontide to Robinsons Retail for a cash consideration amounting to ₱ 14,795,544,828.50. Liontide will then redeem the above-mentioned Preferred Shares of Arran for the amount of ₱ 14,795,544,828.50, less certain agreed-upon deductions.

Purchase by Robinsons Retail of 10,384,903 Preferred Shares of Liontide, owned by Arran, which are redeemable into 49,566,314 underlying BPI shares, representing 1.1% of BPI's outstanding shares out of the 4.4%: Through Preferred Shares, Arran currently owns 21.9% of Liontide, which in turn has a 20.0% equity interest in BPI. This represents a total 4.4% indirect effective ownership in BPI by Arran. For this part of the Transaction, Arran will sell a portion of its Preferred Shares in Liontide equivalent to 10,384,903, to Robinsons Retail in exchange for a cash consideration amounting to ₱4,931,848.243.00, less certain agreed upon deductions, for a net consideration of ₱4,683,056,207.06. The underlying BPI shares which correspond to these Preferred Shares is equal to 49,566,314 BPI shares, representing 1.1% of BPI's outstanding shares.

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 Pricing Supplement and the section entitled "Description of the Bank" in the Offering Circular. The selected financial information presented below as of and for the years ended 31 December 2020, 2021 and 2022 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 six months ended 30 June 2022 and 2023 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 INCOME[1]

	For the years ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022 (audited)**	**2023 (unaudited)**
		(₱ millions, except for earnings per share) (audited)		**(₱ millions, except for earnings per share)**	
Interest income on					
Loans and advances	82,312	72,225	84,909	38,076	56,299
Investment securities	12,052	10,436	16,863	7,738	10,313
Deposits with BSP and other banks	1,944	1,956	1,496	598	1,462
	96,308	84,617	103,268	46,412	68,074
Interest and finance charges					
Deposits	18,986	10,168	14,821	5,262	15,651
Bills payable and other borrowed funds	5,058	4,866	3,381	1,810	2,315
	24,044	15,034	18,202	7,072	17,966
Net interest income	72,264	69,583	85,066	39,340	50,108
Impairment losses	28,000	13,135	9,167	5,000	2,000
Net interest income after impairment losses	44,264	56,448	75,899	34,340	48,108
Other income					
Fees and commissions	8,899	11,204	11,339	5,680	6,164
Income from foreign exchange trading	2,155	2,384	2,617	1,273	1,344
Income attributable to insurance operations	1,506	1,854	1,379	562	454
Trading gain on securities	3,310	97	857	80	906
Net gains (losses) on disposals of investment securities at amortized cost	4,647	1,513	214	201	5
Other operating income	9,142	10,770	17,053	10,506	6,606
	29,659	27,822	33,459	18,302	15,479
Other expenses					
Compensation and fringe benefits	18,005	18,528	19,528	9,521	11,098
Occupancy and equipment-related expenses	14,606	16,010	18,761	7,992	9,667
Other operating expenses	15,543	16,195	19,701	8,336	10,626
	48,154	50,733	57,990	25,849	31,391
Income before income tax	25,769	33,537	51,368	26,793	32,196
Provision for income tax					
Current	10,751	8,328	12,438	6,874	7,074
Deferred	(6,845)	1,099	(906)	(644)	(131)
	3,906	9,427	11,532	6,230	6,943
Income Attributable to:					
Equity holders of the Bank	21,409	23,880	39,605	20,447	25,154
Non-controlling Interests	243	230	231	116	99
Net income	21,652	24,110	39,836	20,563	25,253

Note:

(1) BPI recorded losses in 2020 from discontinued operation arising from BPICTL transaction.

STATEMENTS OF CONDITION

	As of 31 December			For the six months ended 30 June
	2020	2021	2022	2023
		(₱ millions) (audited)		(₱ millions) (reviewed)
Resources				
Cash and other cash items	37,176	35,143	39,613	31,982
Due from BSP	223,989	268,827	182,869	203,721
Due from other banks	40,155	34,572	45,190	39,354
Interbank loans receivable and securities purchased under agreements to resell	30,251	30,852	12,382	21,114
Financial assets at fair value through profit or loss	37,210	21,334	22,133	61,202
Financial assets at fair value through other comprehensive income	130,186	134,741	95,267	134,677
Investment securities at amortized cost, net	244,653	338,672	420,533	392,733
Loans and advances, net	1,407,413	1,476,527	1,702,990	1,720,528
Assets held for sale, net	2,971	3,282	3,760	4,179
Bank premises, furniture, fixtures and equipment, net	18,832	17,525	19,355	18,856
Investments in subsidiaries and associates, net	7,510	7,165	7,227	7,883
Assets attributable to insurance operations	18,726	17,563	19,060	18,046
Deferred income tax assets, net	17,525	15,819	16,752	16,875
Other assets, net	16,846	19,893	16,830	13,520
Total resources	2,233,443	2,421,915	2,603,961	2,684,670
Liabilities and Capital Funds				
Liabilities				
Deposit liabilities	1,716,177	1,955,147	2,096,001	2,144,064
Derivative liabilities	5,657	3,632	4,297	4,645
Bills payable and other borrowed funds	151,947	95,039	97,503	106,513
Due to BSP and other banks	1,491	953	2,887	3,533
Manager's checks and demand drafts outstanding	7,108	6,931	6,755	7,469
Accrued taxes, interest and other expenses	8,902	8,413	10,587	13,455
Liabilities attributable to insurance operations	14,347	13,242	14,919	13,926
Deferred credits and other liabilities	45,857	43,402	51,208	52,999
Total liabilities	1,951,486	2,126,759	2,284,157	2,346,604
Capital funds attributable to the equity holders of the Bank				
Capital stock	45,045	45,131	49,193	49,303
Paid-in-surplus	74,764	74,934	104,123	113,140
Treasury Shares	-	-	(33,043)	-
Reserves	416	564	644	639
Accumulated other comprehensive loss	(5,899)	(8,670)	(14,256)	(13,358)
Surplus	165,509	181,101	211,061	186,329
	279,835	**293,060**	**317,722**	**336,053**
Non-controlling interests	**2,122**	**2,096**	**2,082**	**2,013**
Total capital funds	281,957	295,156	319,804	338,066
Total liabilities and capital funds	**2,233,443**	**2,421,915**	**2,603,961**	**2,684,670**

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022 (audited)	2023 (reviewed)
	(₱ millions) (audited)			(₱ millions)	
Net cash provided by (used in) operating activities	89,254	206,480	(43,418)	(20,958)	32,572
Net cash provided by (used in) investing activities	(49,625)	(104,437)	(40,718)	(34,158)	(11,456)
Net cash provided by (used in) financing activities	(8,111)	(66,676)	(8,697)	(20,313)	144
Cash and cash equivalents at beginning of the year	299,068	330,586	365,953	365,953	273,120
Cash and cash equivalents at end of the period	330,586	365,953	273,120	290,524	294,380

SELECTED CONSOLIDATED FINANCIAL RATIOS AND PER SHARE DATA

	As of and for the years ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
Return on average assets[1]	1.0%	1.1%	1.6%	1.7%	1.9%
Return on average equity[2]	7.7%	8.4%	13.1%	14.0%	15.5%
Net interest margin[3]	3.5%	3.3%	3.6%	3.5%	4.0%
Cost-to-income ratio[4]	47.3%	52.1%	48.9%	44.8%	47.9%
Gross loans to deposits[5]	84.2%	77.9%	83.5%	80.5%	82.4%
Tier 1 capital adequacy ratio[6]	16.2%	15.8%	15.1%	15.9%	15.6%
Total capital adequacy ratio[7]	17.1%	16.7%	16.0%	16.8%	16.5%
Total tangible capital funds to total tangible assets[8]	12.5%	12.1%	12.2%	12.3%	12.5%
Total gross non-performing loans (90-day) to total gross loans[9]	2.7%	2.5%	1.8%	2.0%	1.9%
Allowances for credit losses to total gross loans[10]	3.1%	3.4%	3.2%	3.4%	3.2%
Allowances for credit losses to total gross non-performing loans (90-day)[11]	115.2%	136.1%	180.1%	170.7%	167.4%
Specific provisions to gross loans	3.2%	3.5%	3.3%	3.5%	3.3%
Dividend payout ratio[12]	28.2%	37.9%	40.1%	40.5%	37.3%
Dividend per Share (₱)	₱1.80	₱1.80	₱2.12	₱1.06	₱1.68
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from[13]					
Continuing operations (₱)	₱4.79	₱5.29	₱8.78	₱4.53	₱5.09
Discontinued operations (₱)	₱(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 2020, 2021 and 2022 and for the six months ended 30 June 2023 and 2022.

(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 2020, 2021 and 2022 and for the six months ended 30 June 2023 and 2022.

(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 June 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

This section updates and discusses additional risks to those stated in the Offering Circular. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Offering Circular.

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 Pricing Supplement 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

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.

At the monetary policy meeting of the BSP on 21 September 2023, the Monetary Board decided to keep the interest rates on the overnight reverse repurchase facility, overnight deposit facility, and overnight lending facility at 6.25%, 5.75%, and 6.75%, respectively. These are higher than year-ago levels of 3.75%, 3.25%, and 4.25% as of 19 August 2022. Still in line with the inflation-targeting approach to their conduct of monetary policy, the BSP deems it appropriate to maintain the monetary policy settings at this time despite latest baseline inflation forecasts being higher compared to previous levels (projected to average 5.60% for 2023, 3.30% for 2024, and 3.40% for 2025). The upward adjustment in the inflation forecast path in the near-term were mainly driven by significant increases in Dubai crude oil prices in the recent weeks, higher-than-expected minimum wage adjustment, and depreciation of the peso. These factors were partly offset by slower GDP growth outlook and lower assumption for global non-oil prices for 2023 to 2024. However, any new shocks to prices of some key commodities may shift BSP's policy decision and may cause the Monetary Board to increase policy rates to ensure price stability.

Finally, any 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.

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

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 to address customer inclusivity for cashless payments and transactions, BPI launched VYBE, an all-in-one e-wallet and rewards app, in October 2022. VYBE by BPI provides our customers with a secure and easy-to-use platform for their daily and light payment transactions, while creating customer engagement with its integrated rewards functionality. Customers may earn BPI Rewards Points from transactions in the VYBE e-wallet, or by availing other BPI products and services under their portfolio.

VYBE by BPI is available for download in the Apple App Store and Google Play. Everyone access and use VYBE - even those without an existing BPI account - targeting new-to-bank clients. New functionalities will be released soon to make it an integral tool for day-to-day payment transactions and provide a rewarding experience to our customers.

The BPI app and BPI online enable millions of users to go beyond day-to-day banking transactions, empowering them to better manage their finances and reach their goals. While the platform provides easy access to products like credit cards, investments, and insurance, and bridges phygital services such as branch booking, checkbook or debit card requests, it goes even further beyond transactions and offers BPI's seasoned financial expertise over 172 years to a wide scale of users. Through Track & Plan, the BPI app's AI-powered personal finance manager, millions of users get insights on their saving and spending habits and are guided towards financial decisions that will help them achieve their long-term goals.

The Bank is exposed to cyber and information security risk

With the rise in the use of digital infrastructure globally, there is also an increased number of cybersecurity and information breaches which may affect the bank's day-to-day operations and its consumers' use of its digital banking products. As the Bank continues to transition to more digital operations, risks associated with potential breaches in cybersecurity may be aggravated and can have catastrophic implications on the Bank's bottom-line and reputation.

In view of the increasing cyber-related risks, the Bank continues to invest in the enhancement of its security infrastructure and technical controls to secure both its physical and computing environments. This includes a broad range of prevention, detection, and recovery mechanisms to mitigate and immediately respond to threats and incidents. The Bank also performs annual review and simulation testing of its computer security incident response plan to ensure its workability and effectiveness.

The Bank has an established third-party and vendor risk management program to address third-party risks as it increasingly utilizes outsourced services to support its business goals and operations. The Bank applies a stringent vetting process to its service providers and IT suppliers and regularly monitors their performance to determine compliance with the Bank's internal data privacy and information security requirements.

The Bank also intensified its information security awareness campaigns for customers to help them protect their personal information and combat online banking fraud which is likely to rise in frequency and sophistication due to the increased adoption of online services. These campaigns are conducted extensively via social media, the BPI website, press releases, and email bulletins. BPI's awareness program and campaigns are persistent and updated regularly to keep employees and customers abreast on current cybercrimes, emerging risks and trends, and the mitigating measures to protect the Bank and themselves against these threats.

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 June 2023, the Bank's total exposure to borrowers was ₱1.77 trillion. The ten largest individual borrowers in aggregate accounted for approximately 13.3% of the Bank's total exposure, and its ten largest borrower groups in aggregate accounted for approximately 26.3% 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 June 2023 accounted for approximately 4.7% 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 June 2023, the Bank's loan exposure to the top five industries, namely real estate, manufacturing, utilities, wholesale and retail trade, and consumer, account for 72.4% of the Bank's total loan portfolio. The Bank's aggregate exposure to these industries amounted to ₱1.28 trillion. The Bank's largest loan exposure is to the real estate industry, which accounted for 22.7% of the Bank's loan portfolio as of 30 June 2023. 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 ₱38.75 billion, ₱37.96 billion and ₱30.88 billion as of 31 December 2020, 2021, and 2022 respectively, and ₱33.28 billion as of 30 June 2023. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Bank's provisions for credit losses on receivables from customers were ₱27.29 billion, ₱13.14 billion, ₱8.99 billion, ₱4.97 billion, and ₱1.85 billion respectively, representing approximately 38%, 19%, 11%, 13% and 4% 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.

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 June 2023, the Bank's secured loans represented 30.0% 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.

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 2023, the following international credit rating agencies have reaffirmed the Bank's credit ratings:

Credit Rating Agency	Rating		Outlook	Report Date
S&P Global Ratings	BBB+	Long term Issuer Credit Rating	Stable	Sep 2023
Moody's Investors Service	Baa2	Baseline Credit Assessment	Stable	Aug 2023
Fitch Ratings	BBB-	Long term Issuer Default Rating	Stable	May 2023
Capital Intelligence	BBB	Long term Foreign Currency Rating	Stable	July 2023

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.

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 9 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 and transmitted to the Senate. As of the date of this Pricing Supplement, however, there is yet no approved Senate Bill version. 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.

HB 4339 also proposes to impose (i) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iii) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (iv) gradually reduce the stock transaction tax until it reaches 0.1%.

As it stands, the PIFITA Bill is still going through committee hearings before the Senate as it has already been passed and approved on third reading before the House of Representatives. There are also numerous bills on PIFITA currently pending within the Senate (ongoing committee hearings).

In relation to bonds, the highlights of HB 4339 are as follows:

Tax Item	Current	HB 4339
Interest income on deposit substitutes	20%- 25% FWT or treaty rate	20% FWT or treaty rate
Interest income on long-term deposits or investments	Exempt, subject to pre-termination by holder clauses	20% FWT or treaty rate
Transfer of debt instruments with maturity of more than 5 years	Exempt	No proposed change; still exempt
Transfer of debt instruments with maturity of 5 years or less	Regular income tax	No proposed change; regular income tax still applies
Original issuance of debt instruments	DST of ₱1.50 on each ₱200 of the issue price	No proposed change; same rate still applies (0.75% of the issue price)
Transfer of debt instruments (with change in maturity period)	DST of ₱1.50 on each ₱200 of the issue price	No proposed change; same rate still applies (0.75% of the issue price)
Transfer of debt instruments (without change in maturity period)	Exempt	No proposed change; still exempt

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.

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 June 2023.

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;

- continued consolidation in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions; and

- electronic payment channels and fintech firms

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 3.25% as of December 2022. 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 Philippine Securities and Exchange Commission (**SEC**), the National Privacy Commission (**NPC**), the PSE, the Bureau of Internal Revenue (**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 BIR, the SEC, PSE, the 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.

Universal and commercial banks are required to maintain reserves against deposits and deposit substitutes, which effective 30 June 2023, are imposed at the following rates: (a) 9.5% 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 4 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 4 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 June 2023, the Bank had CAR of 16.5%, CET1 ratio of 15.6% and capital conservation buffer of 9.58%. 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.

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 7 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 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.

On 22 May 2023, Fitch Ratings has affirmed the country's investment-grade credit rating of "BBB" and revised the outlook from "negative" to "stable".

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:

- 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 3.20%, 3.68%, 2.94% and 3.22% as at 31 December 2020, 2021, 2022 and 30 June 2023, 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.

The ongoing Ukraine-Russia war has sparked energy and food price shocks globally, particularly in European countries as they were heavily dependent on oil and gas from Russia and in some African and Asian countries that were dependent on staples such as wheat and sunflower oil from Ukraine. The war has increased concerns relating to energy security and climate change, geopolical tensions between Russia-NATO and China-Taiwan, and shifts in global structures and relationships, particularly among major superpowers such as the US, Europe, China. Following accumulated shocks from the pandemic and the war, most economies have seen rising sovereign debt levels and declining credit quality, and the number of sovereigns in default has increased. Exports were also falling as the trend towards regionalization and global fragmentation continues.

In March 2023, as a result of elevated interest rates and a sluggish economy, regional banks in the US namely Silicon Valley Bank, Signature Bank, and First Republic Bank collapsed, declaring insolvency. This series of bank runs, coined the Banking Crisis of 2023, may continue to have long-term effects in the consumers' confidence level in the banking system. Also in the middle of March 2023, Credit Suisse, second-largest bank in Switzerland and one of the leading financial institutions globally, collapsed following numerous scandals in the recent years. The collapse led to the bank being bought by rival UBS Group AG for about US$3.3 billion to prevent bigger devastation in the global financial system. The full impact of these bank runs remains uncertain, considering both US and Switzerland both carry reputation as leading countries for banks and financial institutions. 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.

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. The International Criminal Court (**ICC**) conducted an inquiry on the "war on drugs", which was thereafter suspended in 2021 after the Philippine government asked the ICC to defer its investigation arguing that the national authorities were already investigating the same allegations domestically. On the other hand, the ICC prosecutor asked that he be authorized to resume investigation, noting that the domestic proceedings did not amount to an investigation that would sufficiently mirror the ICC's. On 26 January 2023, the ICC ruled to resume investigation. While the Philippine government appealed the ICC's decision, this was subsequently denied in July 2023.

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;
- 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 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.

In July 2023, the National Disaster Risk Reduction and Management Council reported that around 5,882,288 people have been affected by tropical storm Egay. Its heavy rainfall and strong winds caused damage to infrastructure in Regions 1, 2, 5, 6, 11, 12, and MIMAROPA amounting to an estimate of ₱1,191,137,926.3, and damage to agriculture amounting to estimate of ₱833,880,000.

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.

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 9 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.

United States 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.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds and is qualified in its entirety by the Terms and Conditions in the Offering Circular dated January 5, 2023, the Registry and Paying Agency Agreement, Trust Agreement, Program Agreement and other agreements.

Issuer	:	Bank of the Philippine Islands (**BPI**).
Issue	:	Peso-denominated bonds under the ₱100 Billion Bond Program.
Joint Lead Arrangers	:	BPI Capital Corporation (**BPI Capital**). ING Bank N.V. Manila Branch (**ING**).
Selling Agents	:	BPI Capital. ING.
Trustee	:	Development Bank of the Philippines – Trust Banking Group.
Registrar, Depository and Paying Agent	:	Philippine Depository & Trust Corp. (**PDTC**).
Market Maker	:	ING.
Instrument	:	Fixed rate bonds, constituting the direct, unconditional, unsecured and unsubordinated obligations of BPI.
Issue Size	:	₱36,660,800,000.00.
Use of Proceeds	:	The net proceeds from the Bonds will be used for general corporate purposes (including funding source diversification.
Issue Price	:	At par (or 100% of face value)
Manner of Distribution	:	Public offering in the domestic market.
Procedure for Distribution, Sale and Registration of the Bonds	:	The Issuer shall avail itself of the e-Securities Issue Portal (**e-SIP**) of the Philippine Dealing System Holdings Corp. and register the issuance of the Bonds, and the arrangers, underwriters, Selling Agents, and other stakeholders (**Users**), to the e-SIP facility, in order to allow access and submission of documents and other requirements for the Offer through the e-SIP facility, in lieu of the physical submission thereof to PDTC, Philippine Dealing & Exchange Corp. (**PDEx**) and other operating subsidiaries of the Philippine Dealing System Holdings Corp. The Users (which may include the Joint Lead Arrangers, Selling Agents, and their clients) agree to accede to the Terms of Use in a manner and form prescribed by PDTC.
Offer Period	:	October 17 to October 25, 2023, or such other dates as may be agreed upon by the Issuer and the Joint Lead Arrangers.
Issue Date	:	November 13, 2023 or the immediately succeeding Business Day if such Issue Date is not a Business Day, or such other date as may be agreed upon by the Issuer and the Joint Lead Arrangers with advice to PDTC and PDEx.
Maturity Date	:	1.5 years from Issue Date

Interest Rate	:	6.4250% p.a.
Interest Rate Setting Date	:	October 16, 2023, or such other date as may be agreed upon by the Issuer and the Joint Lead Arrangers.
Interest Period and Interest Payment Date	:	Interest shall be payable every quarter in arrear on February 13, May 13, August 13, November 13 computed based on the outstanding balance of the Bonds. Interest on the Bonds shall be calculated on a 30/360 basis. 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. The last Interest Payment Date shall fall on the Maturity Date, or the immediately succeeding Business Day if such date is not a Business Day, without any adjustment to the amount due, provided that if the Issue Date is set at a date other than November 13, 2023, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every quarter following the actual Issue Date.
Manner of Payment of Interest and Principal	:	On each Interest Payment Date and Maturity Date (as applicable), the Issuer shall make available cleared funds to the Paying Agent for payment to the relevant Bondholder as shown in the Register of Bondholders to be maintained by the Registrar.
Form and Denomination	:	The Bonds shall be issued in scripless form. Legal title to the Bonds shall be shown in the Registry 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 will be offered and sold in minimum principal amounts of ₱1,000,000.00 and in integral multiples of ₱100,000.00 in excess thereof.
Secondary Trading	:	The Bonds are freely transferrable across tax categories, if and when so allowed under the 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, subject to PDEx rules as may be in effect at the relevant time.
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 and their close family members (each, as defined under the MORB), 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(n) of the MORB in relation with BSP Circular No. 1062 as further clarified in BSP Memorandum No. 2020-001, and such related parties are in possession of or have access to material and non-public information affecting the pricing and marketability of the Bonds or which substantially impacts an investor's decision to buy or sell the Bonds once the same is disseminated to the public, 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 Parties.

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.

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;

Tax Exempt/Treaty Documents : 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 relevant 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 (**PERA**) 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) For entities claiming tax treaty relief pursuant to RMO 14-2021 – prior to the payment of interest due:

(a) 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,

(b) 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,

(c) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer,

(d) 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

e) 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 Selling Agents. 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, the Selling Agents, 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, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges, acknowledging the Bank's discretion to determine the sufficiency of the tax-exemption documents submitted and the applicable withholding tax, 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.

Following the submission by the Bondholder of the above-mentioned documents in support of the tax benefits or of tax-exempt status claimed by such Bondholder, the Issuer shall make its own determination in each case as to whether, in its sole, prudent and reasonable discretion, such documents sufficiently establish such tax benefit and/or exemption available for any specific payment on the Bonds. Unless the Issuer makes such a determination, the Registrar and Paying Agent will be instructed to proceed on the basis that the relevant tax is due on and withhold such tax on payments under the Bonds. Any question on such determination shall be referred to the Issuer.

Valid Identification Documents of an Individual 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, Unified Multi-Purpose ID, Philippine Identification System ID (subject to authentication), and company IDs issued by private entities or institutions registered with or supervised or regulated by the BSP, SEC or Insurance Commission.
Early Redemption Option	:	The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) the outstanding Bonds starting on the first (1^{st}) anniversary date of said Bonds, and every Interest Payment Date (such date, the Early Redemption Date) hereafter, at the amount equal to the Issue Price, plus accrued and unpaid interest thereon as of the Early Redemption Date (the Early Redemption Amount), provided, that if the relevant Early Redemption Date falls on a day that is not a Business Day, then the Early Redemption Amount shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest to be paid. For

		the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to this Early Redemption Option. In exercising the Early Redemption Option, the Issuer shall give not less than 30 but not more than 60 days' prior notice (the Early Redemption Notice) to the Bondholders, through the Trustee, PDEx and PDTC. After the issuance of the Early Redemption Notice, the Issuer shall be obliged to repay all of the Bonds to be redeemed at the Early Redemption Amount on the Early Redemption Date and, upon confirmation by the Paying Agent that the Early Redemption Amount has been paid, the outstanding Bonds shall then be deemed fully redeemed and cancelled.
Final Redemption	:	All Bonds outstanding on Maturity Date will be redeemed at par or 100% of face value.
Redemption for Taxation Reasons or Increase in Regulatory Reserves	:	If (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 Issuer becomes subject to increased reserve requirements against Peso denominated obligations that include the Bonds, as a result of certain 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 Issuer, the Issuer 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.
Issuer Rating	:	Baa2 (Moody's) / BBB+ (S&P) / BBB- (Fitch) / BBB (Capital Intelligence).
Ranking	:	The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* and rateably without any preference or priority among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by the law.
Listing	:	The Issuer intends to list the Bonds for electronic trading and settlement on PDEx. Trading, transfer, and/or settlement of the Bonds shall be performed in accordance with the procedures set by PDEx and PDTC.
Governing Law	:	Philippine law.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as at 30 June 2023. This table should be read in conjunction with the Bank's reviewed condensed consolidated financial statements as of 30 June 2023 and the notes presented elsewhere herein.

	As of 30 June 2023 Actual (₱ millions)
Short-term liabilities	
Deposit liabilities	1,260,898
Derivative liabilities	4,645
Bills payable	68,153
Due to BSP and other banks	3,533
Manager's checks and demand drafts outstanding	7,469
Accrued taxes, interest and other expenses	13,455
Liabilities attributable to insurance operations	6,709
Deferred credits and other liabilities	45,677
Total short-term liabilities	1,410,539
Long-term liabilities	
Deposit liabilities	883,166
Derivative liabilities	-
Bills payable	38,360
Liabilities attributable to insurance operations	7,217
Deferred credits and other liabilities	7,322
Total long-term liabilities	936,065
Total liabilities	**2,346,604**
Capitalisation	
Capital stock	49,303
Paid-in surplus	113,140
Treasury Shares	-
Reserves	639
Surplus	186,329
Accumulated other comprehensive loss	(13,358)
Non-controlling interests	2,013
Total capital funds	338,066
Total capitalisation and indebtedness	**2,684,670**
Capital Ratios(1)	
Common Equity Tier 1 ratio	15.6%
Tier 1 capital ratio	15.6%
Total capital ratio	16.5%

Note:

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

SELECTED STATISTICAL DATA

This section discusses events after the date of the Offering Circular and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. Further, the following reviewed information should be read together with the Bank's consolidated financial statements included in this Pricing Supplement as well as the section on "Risk Management" in the Offering Circular and this Pricing Supplement. 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								
	2020			2021			2022		
	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 (%)
	(₱ millions, except percentages)								
Due from other banks	258,057	450	0.17	270,746	1,572	0.58	269,274	740	0.27
Interbank loans receivables and securities purchased under agreements to resell	28,600	1,494	5.22	37,643	384	1.02	28,288	756	2.67
Financial investments	386,489	12,052	3.12	430,739	10,436	2.42	539,008	16,863	3.13
Loans and advances	1,397,170	82,312	5.89	1,366,920	72,225	5.28	1,534,079	84,909	5.53
Total interest-earning assets	**2,070,316**	**96,308**	**4.65**	**2,106,049**	**84,617**	**4.02**	**2,370,650**	**103,268**	**4.36%**
Deposit liabilities	1,696,994	18,986	1.13	1,733,232	10,168	0.59	2,012,713	14,821	0.74
Derivative instruments:									
Subordinated debt, bills payable, and other borrowings	132,398	5,058	3.82	121,622	4,866	4.00	87,283	3,381	3.87
Total interest-bearing liabilities	**1,829,392**	**24,044**	**1.32**	**1,854,854**	**15,034**	**0.81**	**2,099,996**	**18,202**	**0.87**

	For the six months ended 30 June					
	2022			2023		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₱ millions, except percentages)					
Due from other banks	261,718	360	0.28	243,867	656	0.54
Interbank loans receivables and securities purchased under agreements to resell	30,380	238	1.58	21,439	806	7.59
Financial investments	522,051	7,738	2.99	579,612	10,313	3.59
Loans and advances	1,476,568	38,076	5.20	1,664,927	56,299	6.82
Total interest-earning assets	**2,290,716**	**46,412**	**4.09**	**2,509,845**	**68,074**	**5.47**
Deposit liabilities	1,937,053	5,262	0.55	2,108,396	15,651	1.50
Derivative instruments:						
Subordinated debt, bills payable, and other borrowings	95,182	1,810	3.83	102,434	2,315	4.56
Total interest-bearing liabilities	**2,032,234**	**7,072**	**0.70**	**2,210,830**	**17,966**	**1.64**

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 2022 compared to the year ended 31 December 2021, for the year ended 31 December 2021 compared to the year ended 31 December 2020 and for the six months ended 30 June 2023 compared to the nine months ended 30 June 2022. 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 2020 compared to the year ended 31 December 2021			For the year ended 31 December 2021 compared to the year ended 31 December 2022		
	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
	(₱ millions)					
Interest income on:						
Financial investments	(1,616)	44,250	(0.70)	6,427	108,270	0.71
Loans and advances	(10,087)	(30,249)	(0.61)	12,684	167,159	0.25
Deposits with BSP and other banks	12	21,732	(0.04)	(460)	(10,827)	(0.13)
Interest expense on:						
Deposits	(8,818)	46,451	(0.54)	4,653	279,481	0.15
Bills payable and other borrowings	(192)	(10,775)	0.18	(1,485)	(34,340)	(0.13)
Net interest income	**(2,681)**	**57**	**(0.12)**	**15,482**	**19,460**	**0.28**

	For the six months ended 30 June 2023 compared to the nine months ended 30 June 2022		
	Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate
	(₱ millions)		
Interest income on:			
Financial investments	2,575	57,561	0.60
Loans and advances	18,223	188,359	1.62
Deposits with BSP and other banks	864	(26,792)	0.70
Interest expense on:			
Deposits	10,389	171,343	0.95
Bills payable and other borrowings	505	7,252	0.72
Net interest income	**10,768**	**40,534**	**0.45**

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 publicly listed universal bank in the country in terms of total assets which stood at ₱2.68 trillion as of 30 June 2023. 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 net customer loans and assets under management, with market shares of 15.1% and 21.0%, respectively, and third largest in terms of deposits at 12.3% as of 30 June 2023. 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 2022 and 30 June 2023, the Bank had a network of 1,189 and 1,192 branches (which include full-service branches and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,192 branches, as of 30 June 2023, 1,190 branches were located in the Philippines, of which 869 were BPI branches and 321 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 1,730 ATMs and 334 CAMs as of 30 June 2023, 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 one 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 127 remittance tie-ups and correspondent relationships with 59 accounts with 29 banks and financial institutions globally.

Since the date of the Offering Circular, the Bank has continued to enjoy recognition from various award giving bodies. So far in 2023, it has received fifteen (15) awards on the institutional level, which include "Best Bank in the Philippines" in the *Euromoney Awards for Excellence 2023*, "Best SME Bank in the Philippines" in the *Alpha Southeast Asia's 17th Best Financial Institutions Awards,* Gold Award for "Best Financial Company in the Philippines" in the *FinanceAsia Asia's Best Managed Companies 2023,* as well as multiple awards from the *Institutional Investor* survey.

The Bank's consolidated common equity tier 1 (**CET1**) ratio stood at 15.6% while capital adequacy ratio (**CAR**) stood at 16.5%, as of 30 June 2023. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 30 June 2023, the Bank had a market capitalisation on the PSE of ₱538 billion (based on the closing price on the PSE of ₱108.80 per share on 30 June 2023). 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 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***Election of Mr. Fernando Zobel de Ayala as Director vice Mr. Romeo L. Bernardo***

At the regular meeting of the Board held on 20 September 2023, the Board elected Mr. Fernando Zobel de Ayala as Director *vice* Mr. Romeo L. Bernardo who had resigned effective 12 September 2023 in view of his appointment to the Monetary Board of the BSP. Mr. Zobel was also appointed as member of the Executive Committee and Personnel and Compensation Committee *vice* Mr. Bernardo. Mr. Zobel's election to the BPI Board is subject to confirmation/approval of the BSP's Monetary Board. With his election to the Board of Directors, Mr. Zobel will no longer be a member of the Advisory Council.

Philippine Competition Commission issues signed decision clearing the proposed BPI and RBC merger

On 13 September 2023, the Philippine Competition Commission released to BPI the signed decision clearing the proposed merger between BPI and RBC.

At the Special Stockholders' Meeting held on 17 January 2023, stockholders representing at least two-thirds of the outstanding shares of BPI approved the merger between BPI and RBC, with BPI as the surviving bank.

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

At its meeting on 30 September 2022, the Board approved the proposed merger between RBC and BPI, with BPI as the surviving bank, subject to shareholders' and regulatory approvals. JG Summit Capital Services Corp. (JGCAP) and Robinsons Retail Holdings, Inc. (RRHI) currently own approximately 99.9984% of the outstanding capital stock of RBC. In relation thereto, the Board approved:

a. the execution of an Agreement for the Merger of Bank of the Philippine Islands and Robinsons Bank Corporation, among BPI, RBC and JG Summit Capital Services Corp. and Robinsons Retail Holdings, Inc. as the RBC Shareholders (**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. the designation of certain authorized signatories and representatives to give effect to the aforementioned resolutions; and
d. calling for a special stockholders' meeting.

On the same day and after the Board approval, BPI executed the Merger Agreement.

BPI and Robinsons Bank revises merger plan

On 5 September 2023, BPI and RBC re-executed the Plan and Articles of Merger, pursuant to the comments of the BSP. The word "substantially" was deleted under the Special Provisions section of the Plan of Merger and replaced with "approved by at least a majority of". The word "substantially" was likewise deleted under Article I of the Articles of Merger. The principal business address of BPI and the date of execution of the Plan of Merger and Articles of Merger were likewise updated.

IFC Partners with Bank of the Philippine Islands to Increase Climate Finance, Boosting Green Growth

On 9 August 2023, the Bank announced that the International Finance Corporation (**IFC**), a member of the World Bank, has agreed to invest $250 million in a green bond to be issued by the Bank in an effort to grow climate finance in the Philippines. This is the biggest deal IFC has done with a financial institution in the Philippines.

Proceeds will be used to finance eligible green assets in the Philippines, including renewable energy, energy efficiency, green building, electric vehicle, and climate-smart agriculture projects, among others. While most of the proceeds will be used for local projects, part could also be used to invest in bonds with underlying green assets overseas. IFC has also agreed to help BPI build its capacity to assess the eligibility and impact of its climate projects. IFC is the sole subscriber of the bond, which will be aligned with the International Capital Market Association's Green Bond Principles.

BPI Upsizes Syndicated Loan Facility to US$ 300 Million

On 31 July 2023, the Bank signed a facility agreement for a 3-year syndicated term loan facility of US$ 300 million (**Facility**) with The Hong Kong and Shanghai Banking Corporation Limited (**HSBC**) and Standard Chartered Bank (**SC**) as Mandated Lead Arrangers, Bookrunners and Underwriters (**MLABUs**). The Facility received an exceptional reception in syndication, and successfully upsized from the original US$ 200 million to US$ 300 million to partially accommodate the heavy oversubscription of more than two times.

The Facility is supported by a total of twenty-one lenders, including the two MLABUs and nineteen participating lenders. HSBC is the facility agent.

Proceeds from the Facility will be used to partly refinance BPI's existing US$ 600 million bond due September 2023, as well as for general corporate purposes.

Temporary change of business address

Beginning 27 June 2023, BPI changed its business address from Ayala North Exchange Tower 1, Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City, Metro Manila 1229 to 22/F - 28/F Ayala Triangle Gardens Tower 2, Paseo De Roxas Cor. Makati Ave., Bel-Air, Makati City, in view of the temporary relocation and consolidation of its three (3) leased corporate sites in Makati.

BSP monetary penalty

On 29 September 2022, BPI disclosed that the proposed amendment to BPI's Articles of Incorporation to decrease its authorized capital stock by retiring the treasury shares will no longer be pursued. This disclosure was made after the BSP did not favorably endorse the Bank's request to dispose of treasury shares arising from the merger of the Bank with BPI Family Savings Bank, Inc., through retirement of said shares, in view of BSP's opinion that retirement of treasury shares cannot be considered as sale or disposition in accordance with Section 10 of Republic Act No.8791 (The General Banking Law of 2000). Eventually, BPI informed the BSP of the approval of the declaration of property dividends as BPI's mode for disposal of the treasury shares.

In its letter dated 13 June 2023, BSP imposed a monetary penalty on BPI amounting to ₱1,000,000 for failure to comply with Section 10 of Republic Act No. 8791 on the disposal of treasury shares, arising from its merger with BPI Family Savings Bank within the six-month statutory period.

Disposal of BPI Treasury Shares

The Board of Directors of BPI approved on 15 March 2023 the declaration of property dividends consisting of 406,179,276 BPI common shares held in treasury (**Property Dividend**) to be distributed to all eligible stockholders of BPI (**Stockholders**) as of record date of 29 March 2023 (**Record Date**), at an entitlement ratio of 0.0896395563 common share for every one (1) common share of BPI held by the Stockholder. The payment of the Property Dividend was carried out on 16 June 2023 (**Payment Date**), following BPI's receipt of the Certificate of Filing the Notice of Property Dividend Declaration issued by the SEC on 13 June 2023. The cross price for the transfer of the Property Dividend through the Exchange is ₱105.00 per share. The Property Dividend shares were recorded in the name of PCD Nominee Corp. for the account of the Stockholders in the books of BPI on Payment Date. Following such payment, the total outstanding shares of BPI changed from 4,539,018,015 to 4,945,197,291 common shares as of 16 June 2023.

As part of these transactions, 18,262,683 common shares, which correspond to the fractional shares and shares withheld for property dividend tax purposes, were transferred to BPI Asset Management Trust Corporation (**BPI-AMTC**) on 16 June 2023 in accordance with the Property Dividend Distribution Guidelines. On 21 June 2023, BPI subsequently determined that there was an excess of 334,902 common shares transferred to BPI-AMTC. Immediately upon determining the excess transfer, a cross trade was made between BPI-AMTC and PCD Nominee Corp. for the transfer back to PCD Nominee Corp. of the 334,902 common shares held for the account of the relevant stockholders of BPI.

Amendment of the By-Laws of the Bank

On 27 April 2023, the SEC approved the amendments to the Bank's By-Laws. The amendments, which were approved by the stockholders on 28 April 2022 and the BSP on 14 March 2023, reflect substantial changes relating to: 1) Articles IV and V for the digitalization of service of notice for regular and special meetings, holding of virtual annual stockholders' meetings and provision of the right for stockholders to vote through remote communication or in absentia at the Bank's annual stockholders' meetings; 2) Article V on raising the minimum quorum at any meeting for the transaction of corporate business from the majority to two-thirds of the members of the Board of Directors, 3) Article VI for Board of Directors Powers; 4) Article VII for Executive Committee Charter; 5) Article VII-B and Article XI on Deletion of provisions referring to the Trust Committee and Trust Operations; 6) Article VII-B on Revision of Audit Committee charter to incorporate Manual of Regulations for Bank (MORB) provisions; 7) Insertion of new Article XI stating that the Manual on Corporate Governance, board and board-level committee charters are suppletory to the By-Laws; 8) Article XIV for the digital payment of dividends, and 9) Various other amendments to align with the Revised Corporation Code. Other amendments relate to correction of clerical/typographical errors and references to the Revised Corporation Code (Article I; Article XII).

Securities and Exchange Commission Assessment Letter

In its letter dated 3 February 2023, the SEC assessed penalties against the Bank for violation of Section 8.1 of the Securities Regulation Code in the amount of ₱134,622,017.59, for omitting to secure SEC's confirmation of exemption from registration for its 7-year Executive Stock Purchase Plan and Executive Stock Option Plan launched in 2013.

BPI RISE Bonds

On 30 January 2023, the Bank has issued ₱20.3 Billion Peso Fixed-Rate Bonds due 2024. The bonds, called BPI RISE Bonds, have a term of 1.5 years. The proceeds were used for financing or refinancing the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework.

Acquisition by Robinsons Retail Holdings, Inc. (Robinsons Retail) of Shares of the Bank

The board of directors of Robinsons Retail approved on 05 January 2023, the execution of an agreement (**SPA**) between the Company, GIC Private Limited (**GIC**), through its affiliate, Arran Investment Pte. Ltd. (**Arran**), Liontide Holdings, Inc. (**Liontide**), and BPI for Robinsons Retail to acquire a total of 198,265,257 shares of the BPI, which represents a 4.4% stake in the Bank, at ₱99.5 per share, subject to customary closing conditions. The underlying BPI shares corresponding to the Liontide Preferred Shares are already listed with the PSE.

The SPA was executed on 05 January 2023. Robinsons Retail purchased 148,698,943 BPI shares through a block sale executed on 10 January 2023, through the facilities of the PSE which was settled on 13 January 2023.

In January 2023, the following transactions in relation to this acquisition took place:

Purchase by Robinsons Retail of 148,698,943 BPI shares representing a 3.3% equity interest in BPI out of the 4.4%.: Through Preferred Shares, Arran currently owns 21.9% of Liontide, which in turn has a 20.0% equity interest in BPI. This represents a total 4.4% indirect effective ownership in BPI by Arran. For this part of the Transaction, Arran will give Liontide a notice for the redemption of a portion of its Preferred Shares in Liontide, amounting to 31,154,709 Preferred Shares in exchange for cash. The underlying BPI shares which correspond to these Preferred Shares, which are equivalent to 148,698,943 shares, representing a 3.3% equity interest in BPI, will then be sold by Liontide to Robinsons Retail for a cash consideration amounting to ₱14,795,544,828.50. Liontide will then redeem the above-mentioned Preferred Shares of Arran for the amount of ₱14,795,544,828.50, less certain agreed-upon deductions.

Purchase by Robinsons Retail of 10,384,903 Preferred Shares of Liontide, owned by Arran, which are redeemable into 49,566,314 underlying BPI shares, representing 1.1% of BPI's outstanding shares out of the 4.4%: Through Preferred Shares, Arran currently owns 21.9% of Liontide, which in turn has a 20.0% equity interest in BPI. This represents a total 4.4% indirect effective ownership in BPI by Arran. For this part of the Transaction, Arran will sell a portion of its Preferred Shares in Liontide equivalent to 10,384,903, to Robinsons Retail in exchange for a cash consideration amounting to ₱4,931,848.243.00, less certain agreed upon deductions, for a net consideration of ₱4,683,056,207.06. The underlying BPI shares which correspond to these Preferred Shares is equal to 49,566,314 BPI shares, representing 1.1% of BPI's outstanding shares.

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.

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 AMTC has been renamed to BPI Wealth – A Trust Corporation since February 2023.

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 (2020-2023)

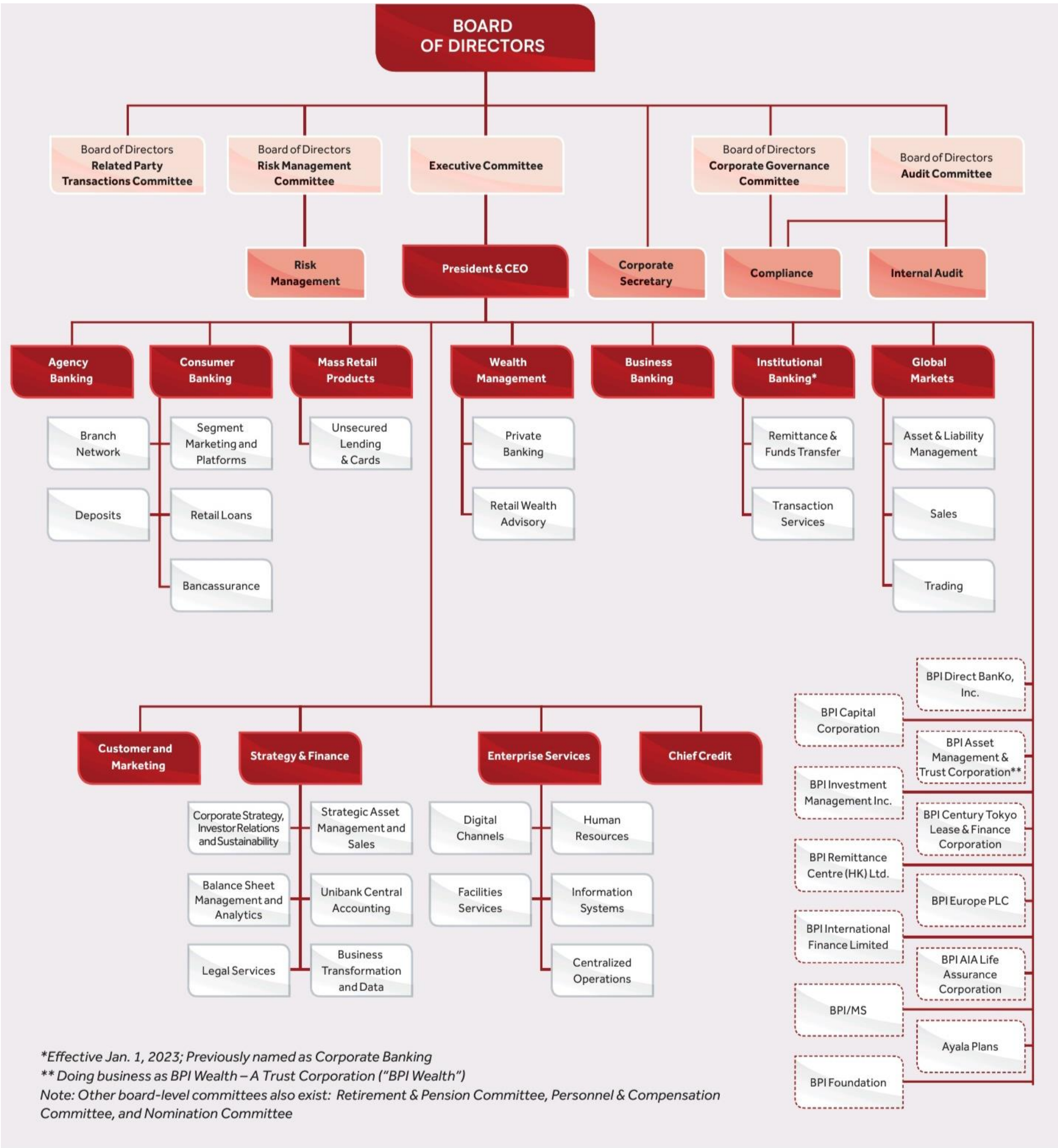
Also, in November 2020, the Bank announced that Tokyo Century Corporation (**TCC**) has decided to acquire an additional 2% of the issued shares of BPI Century Tokyo Lease & Finance Corp (**BPI CTL**), which will increase their equity stake to 51%.

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.

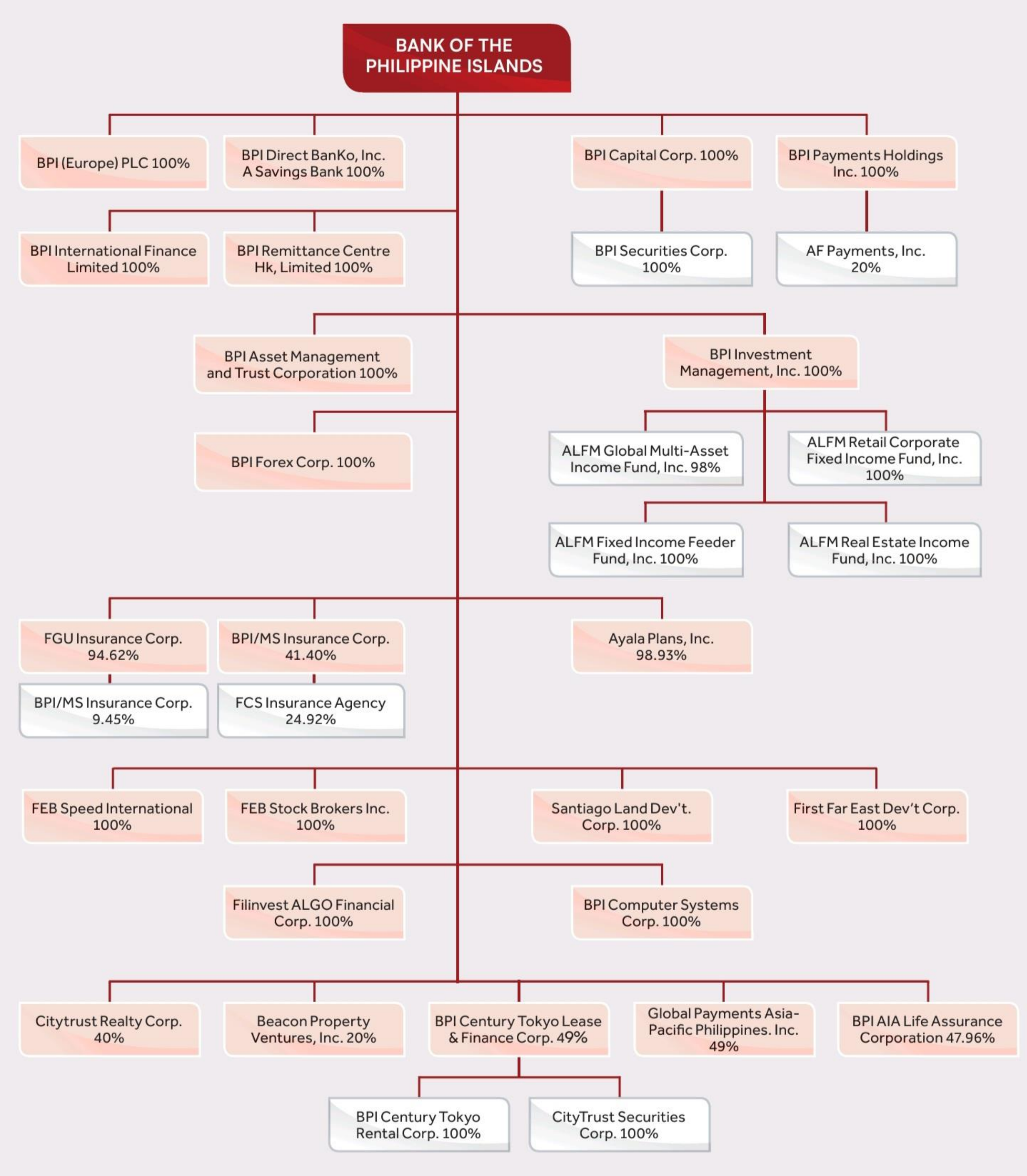
In September 2022, BPI and Robinsons Bank announced plans to merge their operations to form a leading lender based on market capitalization. And in November 2022, BPI's board of directors has approved the proposed merger with Robinsons Bank.

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.



The following chart sets forth an overview of the corporate structure of the Bank as of 31 December 2022.



Client Management Groups of the Bank

The Bank's primary client management groups are composed of (i) consumer banking, (ii) corporate banking, (iii) business banking for SMEs, (iv) wealth management, and (v) agency banking. 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) *Consumer 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 66% of the Bank's total deposit base as of 30 June 2023.

With BPI Credit Card, the Bank continues to give customers wise spending options and the best value for money as it offers low foreign exchange conversion, exclusive retail promos and Special Installment Plan (**SIP**) deals. Part of the drive towards digitalization is the electronic Statement of Account, or eSOA, which allows clients to easily monitor their statements and manage their finances, and at the same time reduce their carbon footprint. With the EMV-enabled BPI Debit Mastercard, clients are now able to enjoy global acceptance in-store and online on top of local point-of-sale (**POS**) purchases and withdrawals here and abroad. To complement the wider acceptance, the Bank enhanced the card's security features, launching 3D Secure One-Time PIN (**OTP**) functionality for online transactions, and customer-initiated card control on withdrawal and spending limits.

BPI Personal Loans is a no-collateral, multi-purpose loan with low interest. Clients can avail of a loan up to three times their monthly income, and pay back in flexible monthly installments. The loan is quickly and safely available through a client's BPI account and payable through easy and convenient payment schemes such as BPI's auto debit facility.

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 321 branches and branch-lite units across the Philippines as of 30 June 2023. The Bank also recently made application easier through its mobile banking app.

(ii) *Corporate Banking*

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 (**MNC**s)/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*

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.

(iv) *Wealth Management*

In February 2023, the asset management arm of the Bank changed its business name to BPI Wealth — A Trust Corporation. BPI Wealth, formerly known as BPI Asset Management and Trust Corp. aims to connect with various client segments and promote the company's expertise as a leader in the asset and wealth management space.

BPI Wealth continues to be their clients' trusted partner in navigating volatile financial markets, in guiding their investment decisions, in constructing their portfolios, and in creating a legacy for their future generations. BPI Wealth offers best-in-class asset and wealth management solutions to their clients.

The new name is anchored on its strength in investment process, risk management framework, investment professionals and wealth advisors, and a wide range of innovative investment solutions.

(v) *Agency Banking*

Agency Banking will change the way BPI engages with Filipinos by integrating banking in their daily lives through new channels that will extend the Bank's capability to reach, acquire and serve more customers in more communities. With customer convenience at the forefront, the Agency Banking marketing caravans create awareness about the presence of BPI in partner agency stores to drive customers to the stores already in their community. From "come to us", BPI now "will go to you."

Agency Banking matches the right technology enablers, such as APIs, digital linkages and the Bank's own agency banking platform, to its partners' business requirements. Currently, a BPI tent card with the unique QR Codes of available BPI products is displayed by our agency partners. A customer only needs to scan to apply for the product and he will then be directed to a BPI product landing page where he will complete his application. The entire application process will be done in the BPI environment. By becoming another channel for simple banking transactions, the Bank's agency banking partner outlets can help BPI branches operate more efficiently by reducing the transactional processing load, dovetailing with the Bank's branch optimization strategy.

Agency Banking instantly expands the BPI branch network. As of 30 June 2023, it has expanded the Bank's physical presence of 737 branches to a total of 1,480 new partner outlets, which is targeted to grow to 3,800 by the end of 2023. Many of these new outlets are located in municipalities and towns where BPI does not have a presence and many of them are open on weekends and holidays, 24/7. Clients may avail of deposit, loans, and insurance products with any of the partner outlets. The Bank expects to onboard eight more agency banking partners, to bring the network of physical stores to almost 6,000 including branches. By then, clients may also be able do bills payment to merchants and government agencies, and cash in/cash out transactions, making these outlets operate more like a branch.

The strategy is to be most anywhere, anytime – May BPI dito!

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 June 2023, net interest income accounted for 76% of net revenues while other income accounted for the remaining 24% 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

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 requires home mortgage borrowers to obtain both fire insurance and mortgage redemption insurance.

As of 30 June 2023, home mortgage loans to individuals on average amount to ₱4.0 million. Interest rates on the Bank's home mortgage loans range from 7% to 10% over the same period, 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 June 2023, 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 Bank has recently launched **MyKotse** which allows borrowers to extend the payment terms to 72 or 84 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.

All of the Bank's auto loans are secured by a first mortgage or legal charge over the cars being purchased. As of 30 June 2023, the prevailing effective interest rates of the Bank's auto loans range from 9% to 13%, 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 June 2023, the Bank had approximately 2.27 million credit cards issued, 485 thousand named prepaid cards, about 6.8 million active debit cards and 178 thousand Personal Loans customers. The total value of transactions executed with the Bank's credit, debit and prepaid cards was approximately ₱218 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 services 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 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. BPI Capital has consistently been recognized by numerous leading award giving bodies every year, notably by FinanceAsia, Alpha Southeast Asia, Finance Derivative, IHAP and Euromoney. In 2023, BPI Capital has already received nine (9) awards so far which include "Best Equity House in the Philippines" from Alpha Southeast Asia, "Best DCM House" from FinanceAsia, and "Best in Treasury and Working Capital" and "Best Service Provider" from *The Asset Tripe A Treasurise Awards*. Apart from this, BPI Capital's deals in 2022 also received accolades: "Most Innovative Deal for Sustainable Finance" for the Energy Transition Mechanism for South Luzon Thermal Energy Corp., "Best New Bond" for Cebu Landmasters Fixed Rate Bond, and "Best Local Currency Green Bond" for ACEN Green Bond – all recognized during The Asset Triple A Country Awards for Sustainable Finance 2022 (awarded March 2023).

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. 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 BPI AIA and BPI/MS to meet the varied life and non-life insurance needs of the Bank's customers.

(A) Life Insurance

BPI AIA Life Assurance Corporation (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 ₱3.5 billion in 2022. Based on Philippine Insurance Commission's 2022 data, BPI AIA recorded a 4.4% market share in the overall insurance industry. As of June 2023, the company has generated ₱2 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.

(B) Non-Life Insurance

BPI MS Insurance (BPI MS) is a joint venture of BPI and Mitsui Sumitomo Insurance Company, one of the largest non-life insurance companies in Japan and a global insurance player with 64 branches nationwide.

This JV now supports online applications, payments, and policy issuance for basic coverages – motor, fire, personal accident, and hospitalization insurance through BPI MS Express Protect. BPI MS also continued its partnership with Home Credit wherein affordable home contents insurance is offered to customers. In 2022, the partnership generated an average of ₱6.0 million in premiums each month.

Leasing

BPI Century Tokyo Lease & Finance Corporation (**BPICTL**) is a joint venture formed in 2014 between BPI and Tokyo Century Corporation (**TCC**), one of the biggest leasing companies in Japan. In December 2020, TCC acquired from BPI an additional 2% stake in BPICTL, paving the way for TCC to direct the growth of the rental business under BPICTL's subsidiary, BPI Century Tokyo Rental Corporation. It aims to be the leader in asset financing through its Overseas Lease (**OL**) and Full Service Operating Lease (**FSOL**) products.

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.

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 June 2023, 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 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 net customer loans and assets under management with market shares of 15.1% and 21.0%**,** respectively, and third largest in terms of deposits at 12.3% as of 30 June 2023. The Bank believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Employees and Labour Relations

As of 30 June 2023, the Bank had 18,656 employees. Excluding employees of Ayala Plans, Inc., BPI Century Tokyo Lease & Finance Corp., and BPI/MS Insurance Corp., approximately **41%** 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 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 June
	2020	**2021**	**2022**	**2023**
Staff	13,004	12,504	11,500	11,634
Officers	6.,948	6,677	6,701	7,022
Total	**19,952**	**19,181**	**18,201**	**18,656**

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.

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 June 2023, the Bank (excluding BPI Direct BanKo) owned 496 branch locations, leased an additional 241, and co-located 132 branches. The following table provides the geographic breakdown of the Bank's Philippine branch network as of 30 June 2023:

Location*	**Owned**		**Leased**		**Co-Located**		**Total**
Metro Manila............	268	54%	105	44%	85	64%	458
Provincial..........	228	46%	136	56%	47	35%	411
Total................	496	**100%**	241	**100%**	132	**100%**	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 Pricing Supplement.

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 six months ended 30 June 2023:

	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)
BPI Securities Corporation	100%	Stock brokerage
BPI/MS Insurance Corporation	50.85%	Non-life insurance
BPI Asset Management and Trust Corporation	100%	Trust services
BPI Investment Management, Inc.	100%	Investment Management
Associates		
BPI AIA Life 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 Pricing Supplement.

(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 7 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 1 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 SEC) and is responsible for formulating and executing the funds' investment strategy.

Associates

BPI AIA Life 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 47.96%.

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 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.,

- 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, and also Board/Committees (e.g. Excom and Board), 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 loans (**NPL**s) and assets. 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 risks.

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 (**HS VaR**), 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 HS Var 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 (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 (**BS VaR**). The BS Var is founded on re-pricing gaps. However, unlike the previous metric which focusses on the earnings volatility in the next 12 to 36 months, BS Var 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 BS Var 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition as of 30 June 2023 versus 31 December 2022

Total resources at ₱2.68 trillion, up ₱80.71 billion, or 3.1%, led by the increase in **financial assets at fair value through OCI** of ₱39.41 billion, or 41.4%, ending at ₱134.68 billion, due to purchase of securities. **Financial assets at Fair Value through Profit or Loss** at ₱61.20 billion, was also up ₱39.07 billion, or 176.5%, due to increase in holdings of securities intended for trading.

Other material increases are as follows:

- **Due from Bangko Sentral ng Pilipinas** at ₱203.72 billion, up ₱20.85 billion, or 11.4%, due to higher placement in BSP.
- **Loans and advances, net** at ₱1.72 Tn, up ₱17.54 Bn, or 1.0%, on notable growth in the consumer portfolio.
- **Interbank loans receivable and securities purchased under agreements to resell** at ₱21.11 billion, up ₱8.73 billion, or 70.5%, due to higher volume of interbank loans booked;
- **Investments in subsidiaries and associates, net** at ₱7.88 billion, up ₱655.30 million, or 9.1%, mostly from higher equity income from the Bank's life insurance affiliate.
- **Assets held for sale, net** at ₱4.18 billion, up ₱419.13 million, or 11.1%, due to the increase in foreclosed properties.

The above increases were tempered by decline in the following accounts:

- **Financial assets at fair value at amortized cost** at ₱392.73 billion, down ₱27.80 billion, or 6.6%, due to maturities and higher sales of hold to collect debt securities.
- **Cash and other cash items** at ₱31.98 billion, down ₱7.63 billion, or 19.3%, on account of lower cash placements as compared to year-end 2022;
- **Due from other banks** at ₱39.35 billion, down ₱5.84 billion, or 12.9%, due to lower balances maintained with other local banks.
- **Other assets, net** at ₱13.52 billion, down 3.31 billion, or 19.7%, on account of decline in accounts receivable;
- **Assets attributable to insurance operations**, at ₱18.05 billion, down ₱1.01 billion, or 5.3%, due to lower insurance balances receivables of the Bank's non-life insurance affiliate.

Total liabilities at ₱2.35 trillion, increased ₱62.45 billion, or 2.7%, primarily from the ₱48.06 billion, or 2.3%, increase in **total deposits,** ending at ₱2.14 trillion, on account of higher Time deposits.

Other material increases are as follows:

- **Other borrowed funds** at ₱106.51 billion, up ₱9.01 billion, or 9.2%, due to issuance of bonds.
- **Accrued taxes, interest and other expenses** at ₱13.46 billion, up ₱2.87 billion, or 27.1%, on higher interest payable accruals on time certificate of deposits, bonds and income taxes.
- **Manager's Checks and Demand Drafts Outstanding** at ₱7.47 billion, up ₱713.21 million or 10.6%, on account of higher volume of manager's checks issued.
- **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** at ₱3.53 billion, up ₱646.36 million or 22.4%, due to higher outstanding balance collected for the Bureau of Internal Revenue and other foreign banks.
- **Derivative financial liabilities** at ₱4.65 billion, up ₱347.82 million or 8.1% owing to the increase in certain derivative positions.

The above increases were partly tempered by decline in **Liabilities attributable to insurance operations** at ₱13.93 billion, down ₱992.77 million, or 6.7% owing to lower reserves and other balances of the Bank's insurance affiliate.
Total capital at ₱338.07 billion, increased ₱18.26 billion, or 5.7%. **Treasury shares** was up ₱33.04 billion or 100% on distribution of common shares as property dividends. **Share premium** at ₱113.14 billion was up ₱9.02 billion due to the excess over the market price of the treasury shares cost distributed as property dividend. **Accumulated other comprehensive loss** at ₱13.36 billion was better by ₱898.00 million, or 6.3%, due to the

improvement of the fair value of the FVOCI securities. **Surplus** of ₱186.33 billion was ₱24.73 billion or 11.7% lower, due to the declaration of property and cash dividends but tempered by the cumulative net income for six months.

RESULTS OF OPERATIONS

For the Quarters ended June 30, 2023 and June 30, 2022

Net income of ₱13.02 billion for the second quarter of 2023 was up 4.5%, mainly on the back of double-digit growth from **net interest income.** Lower **impairment losses**, down 60%, also contributed to the increase in income. Excluding the gain from the asset sale last year, net income would have been 74.2% higher than same period last year.

Net interest income at ₱25.95 billion, was up ₱5.60 billion, or 27.5%, as net interest margin (NIM) expanded 60 basis points (bps), driven by recovery of asset yields.

Interest income, net of GRT stood at ₱35.65 billion, up ₱11.64 billion, or 48.5%, on the back of the following increases in interest income on:

- **Loans and advances** at ₱29.69 billion, up ₱10.10 billion or 51.6%, on higher yields coupled with higher average asset volume;
- **FA at FV through OCI** at ₱1.30 billion, up ₱821.59 million or 170.2%, on higher yields with higher average asset volume;
- **Deposits with BSP and other banks** at ₱697.69 million, up ₱432.14 million or 162.7%, on higher yields despite lower average asset volume;
- **FA at FV through profit or loss** at ₱259.94 million, up ₱182.76 million or 236.8%, on account of higher yields and average asset volume.

Interest expense at ₱9.70 billion, up ₱6.04 billion, or 165.5%, mostly due to the increase in interest expense **on deposits** at ₱8.55 billion, up ₱5.77 billion, or 207.3%, due to higher cost and average volume. Interest expense **on bills payable and other borrowings** at ₱1.15 billion, was also up by ₱276.46 million or 31.8%, due to higher cost and higher average volume.

Other income, net of GRT at ₱7.92 billion, lower by ₱4.01 billion, or 33.6% due to last year's one- off sale of property. Netting of this one-off, **Other income, net of GRT** would have been ₱980.54 million or 14.1% higher. **Other operating income**, at ₱3.55 billion, lower by ₱4.34 billion or 55.0%, mainly on last quarter's one-off property sale. Other operating income would have been ₱650.09 million or 22.4% higher if we net off last year's one-off property sale, on higher credit card, trust and insurance income.

Other material movements are:

- **Fees and commissions** at ₱3.09 billion, declined by ₱183.23 million, or 5.6%, mainly from lower underwriting fees.
- **Trading gain on securities** at ₱185.22 million, up ₱100.68 million or 119.1%, due to sale of FVOCI securities.
- **Income attributable to insurance operations**, at ₱273.49 million, up by ₱158.55 million, or 137.9%, on higher investment income of the Bank's insurance affiliates.
- **Income from foreign exchange trading** at ₱825.40 million, up ₱254.44 million or 44.6%, on higher volume of remittances.

Other expenses at ₱16.33 billion, up ₱3.06 billion, or 23.1%, due to the increases in the following:

- **Other operating expenses** at ₱5.85 billion, up ₱1.57 billion, or 36.8%, on account of higher marketing and transaction servicing costs.
- **Compensation and fringe benefits** at ₱5.64 billion, up ₱835.58 million, or 17.4%, attributable to annual salary increases and performance bonuses.
- **Occupancy and equipment-related expenses** at ₱4.84 billion, up ₱655.34 million, or 15.7%, due to increase in technology spend, premises depreciation and contractual services.

Impairment losses at ₱1.00 billion, lower by ₱1.50 billion, or 60.0%, coming from the ₱2.50 billion level in 2022.

Provision for income tax at ₱3.50 billion, lower by 514.93 million, or 12.8%, due to lower **current income tax** at ₱3.79 billion, down ₱725.22 million or 16.1%, owing to last year's tax on one-off sale. **Deferred income tax**, however, was higher by ₱210.29 million, or 42.1%, due to the impact of last year's higher loss provisioning.

Income attributable to non-controlling interest at ₱28.56 million, down ₱14.04 million, attributable to lower income contribution from the Bank's non-life insurance affiliate.

Total comprehensive income at ₱12.23 billion, up ₱3.38 billion, mainly on lower **total other comprehensive loss**. **Total other comprehensive loss, net of tax effect** at ₱816.66 million, was lower by ₱2.83 billion, compared to same quarter last year's ₱3.65 billion loss. Material movements as follows:

FOR ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS:
- **Net change in fair value reserve on FVOCI securities, net of tax effect** at ₱887.00 million loss, improved by ₱1.53 billion or 63.3% from last year's ₱2.42 billion loss on account of higher market valuation of the Bank's investment securities.
- **Share in other comprehensive loss of associates** at ₱12.85 million, improved by ₱520.31 million, or 97.6%, from last year's ₱533.16 million loss, on account of the higher valuation of the Bank's life insurance affiliates' investment securities compared to same quarter last year.
- **Currency translation differences** recorded a gain of ₱126.97 million, higher by ₱172.10 million from last year's ₱45.13 million loss, due to the strengthening of the US dollar.
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱30.92 million loss, improved by ₱55.36 million, or 64.2%, from last year ₱86.27 million loss, as a result of higher market valuation of investment funds of the Bank's insurance affiliates.

FOR ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS:
- **Actuarial gains on defined benefit plan, net of tax effect** at ₱601 thousand, up ₱717.86 million, on gains this year versus recognition of loss last year.
- **Share in other comprehensive loss of associates** at ₱13.47 million, down ₱162.24 million, on lower valuation of the life insurance affiliates' investments compared to last year's movement.

Income attributable to non-controlling interest at ₱14.73 million, down ₱2.86 million, on lower fair value reserve on investments of the Bank's non-life insurance affiliate.

FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 30 JUNE 2022

Net income of ₱25.15 billion for the first semester of 2023 was up 23.0%, driven by strong **net interest income** and lower **impairment losses**. Excluding the impact of the sale of a property last year, net income would have been 50.6% higher than last year.

Net interest income at ₱50.11 billion, was up ₱10.77 billion, or 27.4%, with the average earning asset base growing 9.6% and net interest margin (NIM) expanding by 56 basis points (bps).

Interest income, net of GRT stood at ₱68.07 billion, up ₱21.66 billion or 46.7%, on the back of the following increases in interest income on:

- **Loans and advances** at ₱56.30 billion, up ₱18.22 billion or 47.9%, on higher yields and average asset volume;
- **FA at FV through OCI** at ₱2.43 billion, up ₱1.45 billion or 148.3%, due to higher yields and average asset volume;
- **Deposits with BSP and other banks** at ₱1.46 billion, up ₱864.46 million or 144.6%, on higher yields despite lower average asset volume;
- **FA at amortized cost** at ₱7.47 billion, up ₱837.35 million or 12.6%, on account of higher yields and average asset volume;
- **FA at FV through profit or loss** at ₱417.68 million, up ₱288.24 million or 222.7%, on higher yields and average asset volume.

Interest expense at ₱17.97 billion, up ₱10.89 billion, or 154.0%, mostly due to the increase in interest expense **on deposits** at ₱15.65 billion, up ₱10.39 billion or 197.4%, due to higher cost and higher average volume. Interest expense **on bills payable and other borrowings** at ₱2.32 billion, was up by ₱505.20 million or 27.9%, also due to higher cost and average volume.

Other income, net of GRT at ₱15.48 billion, lower by ₱2.82 billion, or 15.4%. Netting of last year's one-off, **other income, net of GRT** would have been higher by ₱2.17 billion or 16.3%. **Other operating income** at ₱6.61 billion was lower by ₱3.90 billion mainly on last year's one-off sale of property. Excluding last year's one-off sale, **other operating income** would have been higher by ₱1.09 billion or 19.7% on higher credit card income and trust fees. Other material movements are:

- **Income attributable to insurance operations**, at ₱453.84 million, declined by ₱107.80 million, or 19.2%, due to increase in actuarial reserve liabilities of the Bank's insurance affiliate.
- **Income from foreign exchange trading**, at ₱1.34 billion, up ₱71.29 million, or 5.6%, on higher volume of remittances.
- **Fees and commissions**, at ₱6.16 billion, up ₱483.63 million or 8.5%, on higher service charges.
- **Trading gain on securities** at ₱910.70 million, up ₱630.05 million, due to sale of FVOCI securities.

Other expenses at ₱31.39 billion, up ₱5.54 billion, or 21.4%, due to the increases in the following:

- **Other operating expenses** at ₱10.63 billion, up ₱2.29 billion, or 27.5%, on account of higher marketing and operations costs.
- **Occupancy and equipment-related expenses** at ₱9.67 billion, up ₱1.68 billion, or 21.0%, due to increase in technology spend, premises depreciation and repairs and contractual services.
- **Compensation and fringe benefits** at ₱11.10 billion, up ₱1.58 billion, or 16.6%, attributable to annual salary increases and performance bonuses.

Impairment losses at ₱2.00 billion, lower by ₱3.00 billion, or 60.0%, coming from the ₱5.00 billion level in 2022.

Provision for income tax at ₱6.94 billion, up ₱712.75 million, or 11.4%, due to higher **current income tax** at ₱7.07 billion, up ₱199.98 million, on higher taxable revenue. **Deferred income tax** also higher by ₱512.77 million, or 79.6%, due to the impact of last year's higher loss provisioning.

Income attributable to non-controlling interest at ₱99.15 million, down ₱16.40 million, attributable to lower income contribution from the Bank's non-life insurance affiliate.

Total comprehensive income at ₱26.17 billion, up ₱10.39 billion, due to higher **net income before minority interest** at ₱25.25 billion, up ₱4.69 billion, or 22.8%. **Total other comprehensive income, net of tax effect** at ₱921.17 million, was also up by ₱5.70 billion, compared to previous year's ₱4.78 billion loss. Material movements as follows:

FOR ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS:

- **Net change in fair value reserve on FVOCI securities, net of tax effect** at ₱539.01 million, increased ₱4.36 billion, or 114.1% from last year's loss, on account of higher market valuation of the Bank's investment securities;
- **Share in other comprehensive income of associates** at ₱266.42 million, up ₱1.23 billion, or 127.7%, from last year's loss, on account of the higher valuation of the Bank's life insurance affiliates' investment securities compared to last year;
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱32.87 million, increased by ₱195.08 million, or 120.3%, from last year's loss, as a result of higher market valuation of the Bank's insurance affiliates' investment funds;
- **Currency translation differences** at ₱85.81 million loss, higher by ₱38.46 million from last year's ₱124.27 million loss, due to the strengthening of the US Dollar.

FOR ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS:

- **Share in other comprehensive gain of associates** at ₱136.81 million, declined ₱110.73 million, or 44.7%, on lower remeasurement liabilities of the Bank's life insurance affiliate.
- **Actuarial gains on defined benefit plan, net of tax effect** at ₱31.87 million, down ₱12.64 million,

on account of lower valuation of the affiliates' contribution to the retirement plan.

Income attributable to non-controlling interest at ₱122 million, up ₱47 million, on higher fair value reserve on investments of the Bank's non-life insurance affiliate.

KEY PERFORMANCE INDICATORS

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority owned subsidiaries:

	30 June 2023	**30 June 2022**
Return on Equity (%)	15.5	14.0
Return on Assets (%)	1.9	1.7
Net Interest Margin (%)	4.0	3.5
Operating Efficiency Ratio (%)	47.9	44.8
Capital Adequacy Ratio (%) - Basel III	16.5	16.8

Return on equity (ROE), the ratio of net income to average equity at 15.5%, was higher compared to last year's 14.0%, as the growth in net income outpaced the expansion of average equity.

Return on assets (ROA), the ratio of net income to average assets, was higher at 1.9%, compared to last year's 1.7%, as the growth in net income outpaced the expansion of average assets.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, higher at 4.0%, as the growth in net interest income outpaced the expansion in average earning assets.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, higher at 47.9%, as the growth in operating expenses outpaced the growth of revenues.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was at 16.5%, lower versus prior year's 16.8%. The CET 1 ratio at 15.6%, was also lower than the 15.9% from the same period last year. The decline in capital ratios is due to the growth in risk- weighted assets which outpaced the growth in qualifying capital, and the increase in dividends paid. Both of the Bank's capital ratios are above the BSP's minimum requirement.

Financial Condition as of 31 December 2022 versus 31 December 2021

The highlights of the balance sheet and income statement of BPI for each year and the compounded growth rate over the three-year period (2020-2022) are shown below:

In Million Pesos	2019	2020	2021	2022	CAGR
Assets	2,205,030	2,233,443	2,421,915	2,603,961	5.7%
Loans (Net)	1,475,336	1,407,413	1,476,527	1,702,990	4.9%
Deposits	1,695,343	1,716,177	1,955,147	2,096,001	7.3%
Capital	269,577	279,835	293,060	317,722	5.6%

Over the past three years, despite the pandemic, the Bank was able to grow total assets by 5.7%, largely funded by deposits which grew 7.3% annually. Total loan book has exceeded pre-pandemic level and registered a 4.9% three-year CAGR as of 2022. The Bank continued to accrete capital from operations at 5.6% three-year CAGR.

2020

Total resources reached ₱2.23 trillion, up ₱28.41 billion, or 1.3%, from last year's ₱2.21 trillion. **Total deposits** grew ₱20.83 billion, or 1.2% to ₱1.72 trillion, on the back of growth in demand and savings deposits of 15.7% and 16.9%, respectively. **Derivative Financial Liabilities** increased ₱2.78 billion, or 96.6%, due to lower market valuation of certain derivative products. On the other hand, **Due to Bangko Sentral ng Pilipinas and other banks** decreased by ₱1.46 billion, or 49.4%, on account of lower tax collected for the Bureau of Internal Revenues (BIR). **Manager's checks and demand draft outstanding** decreased by ₱1.19 billion, or 14.4%, on account of lower volume of manager's checks issued. **Accrued taxes, interest and other expenses** lower by ₱963 million, or 9.8%, on lower accrued interest payable.

Capital funds amounted to ₱279.84 billion, increased ₱10.26 billion, or 3.8%, higher than last year's ₱269.58 billion. **Surplus** contributed to the capital growth by ₱18.05 billion, or 12.2%, as a result of accumulated profits net of cash dividend payments. **Reserves** decreased by ₱4.69 billion, or 91.9%, representing required appropriation of general loan loss provisions in excess of PFRS9 loan loss provisions under BSP Circ. 1011. **Accumulated other comprehensive loss** likewise increased by ₱3.46 billion, or 141.9%, due to recognition of lower actuarial losses on defined benefit plan.

On the asset side, **loans and advances, net** declined ₱67.92 billion, or 4.6%, due to lower growth mostly across business segments compared to 2019. However, **financial assets at fair value through OCI** increased ₱76.28 billion, or 141.5%, largely due to the sale of hold to collect debt securities. **Due from Other Banks,** increased ₱17.80 billion, or 79.6% while **due from Bangko Sentral ng Pilipinas (BSP)** increased ₱16.14 billion, or 7.8% due to higher volume of placements with various banks in BSP deposits. **Financial assets at fair value through profit and loss** increased ₱13.10 billion, or 54.4%, due to increase in holdings of securities intended for trading. **Deferred income tax assets, net** grew ₱7.82 billion, or 80.6%, on account of the impairment losses setup for the period. **Interbank loans receivable and securities purchased under agreements to resell** increased ₱7.68 billion, or 34.0%, due to higher volume placements of interbank term loans. **Other assets, net** was higher by ₱1.44 billion, or 9.3%, primarily attributable to higher miscellaneous assets. **Assets attributable to insurance operations** increased ₱935 million, or 5.3%, due to higher securities investments of the Bank's non- life insurance affiliate. **Investments in subsidiaries and associates, net** increased ₱764 million, or 11.3%, as a result of higher income from the leasing business.

On the other hand, **financial assets at amortized cost** decreased ₱30.45 billion, or 11.1%, due to the net effect of the decrease in the Bank's various holdings in hold to collect securities. **Cash and other cash items** were lower by ₱10.08 billion, or 21.3%, on account of lower cash requirement for the period as compared to year- end 2019. **Bank premises, furniture, fixtures and equipment, net** decreased ₱4.92 billion, or 20.7%, as the booking of the Right-of-Use Asset for the Bank's leased properties and equipment (PFRS 16) decreased from its first recognition in 2019. **Assets held for sale, net** also declined ₱185 million, or 5.9%, due to sale of foreclosed properties and decline in building improvements.

2021

Total resources reached ₱2.42 trillion, up ₱188.47 billion, or 8.4%, from last year's ₱2.23 trillion. This was driven by the expansion in **total deposits** of ₱238.97 billion, or 13.9%, as CASA deposits increased ₱140.28 billion, 10.3%, to ₱1.51 trillion and Time Deposits increased ₱98.69 billion, or 28.2%, to ₱448.94 billion. The increase was partially offset by the settlement of maturing bonds booked under **other borrowed funds**, down ₱56.91 billion, or 37.5%. **Deferred credits and other liabilities** at ₱43.40 billion, down 5.4%, primarily from the decrease in other liabilities. **Derivative financial liabilities** also declined ₱2.03 billion, or 35.8%, due to lower market valuation of certain derivative products. **Liabilities attributable to insurance operations** at ₱13.24 billion, decreased ₱1.11 billion, or 7.7%, on account of lower reserves and other balances. **Due to Bangko Sentral ng Pilipinas and other banks** decreased by ₱537.77 million, or 36.1%, owing to lower tax collected for the Bureau of Internal Revenues (BIR) and other banks. **Accrued taxes, interest and other expenses** lower by ₱488.81 million, or 5.5%, on lower accrued income tax and other expenses payable.

Capital funds amounted to ₱293.06 billion, increased ₱13.23 billion, or 4.7%, higher than last year's ₱279.83 billion. **Surplus** contributed to the capital growth by ₱15.59 billion, or 9.4%, on account of the recognized appropriation of retained earnings. **Reserves** likewise increased by ₱148.59 million, or 35.8%, due to the 10% appropriated reserves from the trust business income in compliance with the existing BSP regulations. These are partially tempered by the increase in **accumulated other comprehensive loss** by ₱2.77 billion, or 47.0%, due to the recognized negative movement on defined benefit obligation in the beginning of the year.

On the asset side, **financial assets at amortized cost** increased ₱94.02 billion, up 38.4%, on account of additional placements in medium to long-term HTC securities. **Loans and advances, net** have bounced back to its pre-pandemic level at ₱1.48 trillion, grew ₱69.11 billion, or 4.9%, due to higher growth mostly across business segments compared to 2020. With higher placements in BSP deposits, **due from Bangko Sentral ng Pilipinas (BSP)** increased ₱44.84 billion, or 20.0%. **Other assets, net** was also higher by ₱3.05 billion, or 18.1%, on account of higher miscellaneous assets. **Assets held for sale, net** up ₱311.68 million, or 10.5%, due to lower allowance for losses recognized in 2021.

On the other hand, **financial assets at fair value through profit and loss** decreased ₱15.88 billion, or 42.7%, due to decrease in holdings of securities intended for trading. **Due from Other Banks** at ₱34.57 billion, down 13.9%, due to the net decrease in account balances with various banks. **Cash and other cash items** were lower by ₱2.03 billion, or 5.5%, on account of lower cash placements as compared to year-end 2020. **Deferred income tax assets, net** at ₱15.82 billion, down 9.7%, mainly due to the net impact of the new tax rate under the CREATE law. **Bank premises, furniture, fixtures and equipment, net** decreased ₱1.31 billion, or 6.9%, on account of lower booking of right-of-use assets under PFRS 16. **Assets attributable to insurance operations** at ₱17.56 billion, down 6.2%, due to lower assets booked from the Bank's non-life insurance affiliate.

2022

Total resources stood at ₱2.60 trillion, up ₱182.05 billion, or 7.5%, from last year's ₱2.42 trillion. **Total deposits** at ₱2.10 trillion, went up by ₱140.85 billion or 7.2%, as Time Deposits increased ₱88.65 billion, 19.8%, to ₱537.59 billion and CASA deposits increased ₱52.20 billion, 3.5%, to ₱1.56 trillion. **Deferred credits and other liabilities** at ₱51.21 billion, was up ₱7.81 billion, 18.0%, from increases in Foreign Acceptances Outstanding. **Accrued taxes, Interest and Other Expenses** at ₱10.59 billion, was up ₱2.17 billion, 25.8%, on higher accrued interest on time certificate of deposits and performance bonus. **Due to Bangko Sentral ng Pilipinas and other banks** at ₱2.89 billion, increased by ₱1.93 billion, or 202.8%, on higher marginal cash deposit. **Liabilities attributable to insurance operations** at ₱14.92 billion, up ₱1.68 billion, or 12.7%, on account of higher reserves and other balances of the Bank's non-life insurance affiliate. **Derivative financial liabilities** were also up ₱665.46 million, or 18.3%, on higher mark-to-market due to market movement.

Capital funds amounted to ₱317.72 billion, increased ₱24.66 billion, or 8.4%, higher than last year's ₱293.06 billion. **Surplus** contributed to the capital growth by ₱29.96 billion, or 16.5%, on account of the higher net income partly offset by higher dividends and higher appropriation of reserves. Movements in **Share Premium, Share Capital and Treasury Shares** were due to the issuance of common shares to BFB shareholders on account of the merger. **Reserves** also increased by ₱79.73 million, or 14.1%, on appropriated reserves from the trading business in compliance with Capital Markets Integrity Corporation (CMIC) ruling. These increases were partially tempered by the increase in **accumulated other comprehensive loss** by ₱5.59 billion, or 64.4%, on higher losses on FVOCI securities and loss on fluctuation reserves.

On the asset side, **loans and advances, net,** at ₱1.70 trillion, grew by ₱226.46 billion, or 15.3%, on increases in all portfolios. **Financial assets at amortized cost** increased ₱81.86 billion, up 24.2%, on account of additional placements in long-term HTC securities. **Due from Other Banks** was up ₱10.62 billion, or 30.7% on balances maintained with foreign banks. **Cash and other cash items** similarly increased by ₱4.47 billion, or 12.7%, on higher cash on hand. **Bank premises, furniture, fixtures and equipment, net** increased ₱1.83 billion, or 10.4%, on recognition of right-of-use assets for new and renewal of leases under PFRS 16. **Assets attributable to insurance operations** at ₱19.06 billion, up 8.5%, due to higher assets booked from the Bank's non-life insurance affiliate. **Deferred income tax assets, net** at ₱16.75 billion, up 5.9%, on account of the impairment losses setup for the period. **Assets held for sale, net** up ₱477.93 million, or 14.6%, on higher acquired real and other properties.

On the other hand, **due from Bangko Sentral ng Pilipinas (BSP)** declined ₱85.96 billion, or 32.0%, on lower placements in BSP deposits. **Financial Assets at Fair Value through OCI**, at ₱95.27 billion, was also lower by ₱39.47 billion, or 29.3%, to reduce exposures to manage portfolio risks. **Interbank loans receivable and securities purchased under agreements to resell** also declined by ₱18.47 billion, or 59.9%, on lower interbank reverse repurchase agreement. **Other assets, net** was also lower by ₱3.06 billion, or 15.4%, on account of lower miscellaneous assets.

Asset Quality

The Bank's loan portfolio mix is broken down into corporates at 76.7%, small and medium enterprises (SMEs) at 4.3%, consumer at 18.9%, compared to last year's 76.5%, 4.4%, and 19.1%, respectively.

Provision for Credit and Impairment Losses at ₱9.17 billion declined ₱3.97 billion from last year's ₱13.14 billion. NPL ratio improved to 1.76% from 2.49% in 2021, which was below the industry ratio of 3.26%.

Details of the loan portfolio and asset quality are reflected in the 2022 Audited Financial Statements Note 10 and Note 26.1.3.1, respectively.

Funding and Liquidity

The Bank's CASA Ratio was 74.4%, while the Loan-to-Deposit Ratio was 81.2%.

For further details on the Bank's deposits, borrowings, and liquidity, refer to the 2022 Audited Financial Statements Notes 15, 16, and 26.3.1, respectively.

Results of Operations

In Million Pesos	**2019 (restated)**	**2020**	**2021**	**2022**	**CAGR**
Net Interest Income	65,575	72,264	69,583	85,066	9.1%
Non-Interest Income	26,687	29,659	27,822	33,459	7.8%
Impairment Losses	5,562	28,000	13,135	9,167	18.1%
Operating Expenses	48,344	48,154	50,733	57,990	6.3%
Net Income	28,803	21,409	23,880	39,605	11.2%

The Bank's income grew at a compounded annual rate of 11.2% in the past three years despite the significantly higher impairment losses recorded in 2020. Net interest income and non-interest income increased by 9.1% and 7.8%, respectively while operating expenses grew at a slower rate of 6.3% over the same period.

2022 vs. 2021

In 2022, the Bank posted a **net income** of ₱39.61 billion, up ₱15.73 billion, or 65.9%, from the ₱23.88 billion recognized in the prior year. The increase was driven by revenue growth of ₱21.12 billion and lower **impairment losses** by ₱3.97 billion, partly tempered by higher operating expenses and taxes of ₱7.26 billion and ₱2.11 billion, respectively.

Net interest income stood at ₱85.07 billion, up ₱15.48 billion, or 22.3%, as NIM grew at 3.6%, expanded 29 bps. Earning asset yield up on higher loan yields and additional placement in financial assets at amortized cost at higher rates.

- **Interest income** increased by ₱18.65 billion, or 22.0%, versus the ₱84.62 billion from last year.

Interest income **on loans and advances** at ₱84.91 billion, was up ₱12.68 billion, or 17.6%, owing to higher average volume and higher yields. Interest income **on financial assets** also higher at ₱16.86 billion, up 61.6%, due to higher yields and higher volume.

- **Interest expense** of ₱18.20 billion, increased ₱3.17 billion, or 21.1%, on higher cost of deposit and higher average volume. Interest expense **on deposits** of ₱14.82 billion, was up ₱4.65 billion or 45.8%. On the other hand, Interest expense **on bills payable and borrowings** declined ₱1.49 billion 30.5% on maturity of bond issuances.

Other income at ₱33.46 billion, up by ₱5.64 billion or 20.3%. **Other operating income** increased ₱6.28 billion, up 58.3%, mainly on the one-off gains from the sale of a property. **Income from foreign exchange trading** up 9.8%, due to favorable trading opportunities. These increases were partly offset by the decline in **Trading gain on securities** by ₱538.62 million or 33.5%, due to profit-taking last year on FVOCI and significant sales of HTC securities due to PIFITA and loss from private and government securities due to generally poor market conditions. **Income attributable to insurance operations** was also down by ₱474.28 million or 25.6% on lower investment income of the insurance subsidiaries due to decline in value of marketable securities.

Other expenses were higher at ₱57.99 billion, up ₱7.26 billion, or 14.3%. **Other operating expenses** at ₱19.70 billion was up ₱3.50 billion or 21.6%, on higher marketing, operations and regulatory expenses. **Occupancy and equipment-related expenses** at ₱18.76 billion, was up by ₱2.75 billion, or 17.2%, on higher technology spend driven by Bank's continued digitalization initiative. **Compensation and fringe benefits** at ₱19.53 billion, was up ₱1.00 billion, or 5.4% on annual pay hike and higher performance bonus accrual.

Impairment losses stood at ₱9.17 billion, down ₱3.97 billion, or 30.2%, as NPL levels declined in 2022.

Provision for income tax at ₱11.53 billion, higher by ₱2.10 billion, compared to the ₱9.43 billion from last year. **Current taxes** at ₱12.44 billion, higher by ₱4.11 billion, or 49.3%, and **deferred taxes** at -₱905.59 million, lower by ₱2.00 billion, brought about by the impact of last year's CIT and DIT rate adjustments from the implementation of CREATE law.

Income attributable to non-controlling interest increased by ₱0.72 million, or 0.3%, owing to higher income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at ₱34.18 billion, up ₱12.91 billion, or 60.7%, due to the increase in **net income before minority interest** by ₱15.73 billion, or 65.9%, and increase in **total other comprehensive loss, net of tax effect** by ₱2.81 billion, or 98.9%.

Net change in fair value reserve on FVOCI securities, net of tax effect at ₱5.03 billion loss, was higher by ₱1.44 billion, on account of lower market valuation of the Bank's investment securities. **Currency translation differences** at ₱66.26 million loss was lower by ₱692.51 million from last year's ₱626.25 million gain, on currency translation losses from the Bank's foreign subsidiary **Actuarial loss on defined benefit plan, net of tax effect** of ₱7.72 million was ₱615.85 million lower from last year's ₱608.13 million actuarial gains on defined benefit obligation. **Share in other comprehensive loss of associates** at ₱1.01 billion was higher from last year's ₱727.15 million loss, due to lower accumulated fluctuation reserves of the Bank's insurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱225.33 million loss, was higher by ₱16.29 million from last year's ₱209.04 million loss, a result of lower market valuation of the insurance subsidiaries' investment funds.

On the other hand, **share in other comprehensive gain of associates** at ₱686.86 million, was up ₱238.89 million from last year's ₱447.97 million due to the higher market valuation of the life insurance affiliate's investments securities.

Comprehensive income attributable to non-controlling interest increased ₱3.99 million, or 2.5%, due to higher market valuation of the insurance's subsidiaries' investments.

Key Performance Indicators

	2020	2021	2022

Return on Equity[1]	7.7%	8.4%	13.1%
Return on Assets[1]	1.0%	1.1%	1.6%
Net Interest Margin[1]	3.5%	3.3%	3.6%
Operating Efficiency Ratio	47.2%	52.1%	48.9%
Capital Adequacy Ratio[2]	17.1%	16.7%	16.0%

1 Using daily average method

2 Basel III Framework

The same ratios are also used to evaluate the performance of the Bank's subsidiaries.

Return on equity (ROE), the ratio of net income to average equity, and **return on assets (ROA)**, the ratio of net income to average assets, were higher at 13.1% and 1.6%, respectively, a result of the 65.8% increase in net income.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, was also higher at 3.6% by 28 basis points than the 3.3% in 2021, on higher earning asset yields, partially offset by higher cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, was lower at 48.9% from 52.1%, on faster acceleration of revenues as against operating expenses.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was lower at 16.0% compared to last year's 16.7%, as the growth in total risk-weighted assets outpaced the growth of the qualifying capital. The CET 1 ratio at 15.1%, was also lower than the 15.8% from the same period last year. Both capital ratios are above the BSP's minimum requirement.

Presented below are the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

	2020	**2021**	**2022**
Return on Equity[1]	7.8%	8.3%	12.9%
Return on Assets[1]	1.0%	1.0%	1.6%
Net Interest Margin[1]	3.5%	3.2%	3.6%

[1]Using simple average method

Details of the basic quantitative indicators of financial performance are reflected in Note 32 of the 2021 Audited Financial Statements.

Material Event/s and Uncertainties:

Other than the disclosure enumerated above, the Bank has nothing to report on the following:

a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

b) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the bank with unconsolidated entities or other persons created during the reporting period.

d) Any material commitments for capital expenditures.

e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

f) Any significant elements of income or loss that did not arise from the Bank's continuing operations.

g) Any seasonal aspects that had a material effect on the financial condition or results of operations.

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 after the date of the Offering Circular and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. The following reviewed information should be read together with the Bank's financial statements and "Selected Statistical Data" included in this Pricing Supplement, as well as "Risk Management" and "Description of the Bank" in the Offering Circular.

Funding

Overview

The Bank's funding is primarily provided by time, savings and demand deposits. Of the total amount of deposits of ₱2.14 trillion as of 30 June 2023, 29.8% thereof pertain to time deposits, 52.8% pertain to savings deposits, and 17.4% 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 June 2023, these accounted for 66.0% 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						For the six months ended June	
	2020		2021		2022		2023	
	Volume	Average Cost of Funding(1)	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	314,853	0.2%	369,079	0.1%	376,337	0.1%	374,028	0.1%
Savings	1,051,069	0.6%	1,137,124	0.3%	1,182,071	0.2%	1,131,717	0.2%
Time	350,255	2.8%	448,944	2.0%	537,593	2.8%	638,319	4.9%
Total	**1,716,177**	**1.1%**	**1,955,147**	0.6%	**2,096,001**	**0.7%**	**2,144,064**	**1.5%**
Deposits by currency:								
Peso	1,469,851	1.0%	1,691,618	0.6%	1,792,115	0.8%	1,852,599	1.6%
Foreign	246,326	0.4%	263,529	0.1%	303,886	0.2%	291,465	0.7%
Total	**1,716,177**	**1.1%**	**1,955,147**	0.6%	**2,096,001**	**0.7%**	**2,144,064**	**1.5%**
Deposits by classification:								
Low Cost	1,365,922		1,506,203		1,558,408		1,505,745	
Term	350,255		448,944		537,593		638,319	
Total	**1,716,177**		**1,955,147**		**2,096,001**		**2,144,064**	
Bills Payable:								
Peso	83,753		46,375		30,345		47,109	
Foreign	68,194		48,664		67,158		59,404	
Total	**151,947**	**3.8%**	**95,039**	4.0%	**97,503**	3.9%	106,513	4.6%
Acceptances Payable:								
Peso	20		202		128		9	
Foreign	914		2,640		8,972		10,255	
Total	**934**		**2,842**		**9,100**		**10,264**	

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 June 2023, 70.23% 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:

	As of 31 December			As of 30 June
	2020	2021	2022	2023
		(₱ millions)		
Demand	314,853	369,079	376,337	374,028
Savings	1,051,069	1,137,124	1,182,071	1,131,717
Time	350,255	448,944	537,593	638,319
Up to 1 year	*262,885*	*363,451*	*452,843*	*586,008*
> 1 year to 5 years	*87,370*	*85,493*	*84,750*	*52,311*
Total	**1,716,177**	**1,955,147**	**2,096,001**	**2,144,064**

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 Pricing Supplement, Peso deposits and deposit substitutes of universal and commercial banks are subject to a 9.5% 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 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 June 2023, the Bank's liquid assets amounted to ₱1,076.57 million or 40.1% 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 June
	2020	2021	2022	2023
		(₱ millions, except percentages)		
Liquid Assets[1]	**980,715**	**976,962**	**1,033,103**	**1,076,573**
Cash and Other Cash Items	37,176	35,143	39,613	31,982
Due from BSP	223,989	268,827	182,869	203,721
Due from Other Banks	40,155	34,572	45,190	39,354
Interbank Loans Receivable and Securities Purchased Under Agreements to Resell	30,167	30,789	12,337	19,063
Derivative Assets	4,788	3,553	7,147	6,008
Financial Assets at Fair Value through Profit or Loss	32,422	17,781	14,986	55,194
Financial Assets at Fair Value through OCI	42,777	34,060	7,959	16,314
Financial Assets at Amortised Cost	46,389	29,061	41,813	47,778
Loan and Advances, Gross	520,304	520,838	678,738	654,165
Other Financial Assets	2,548	2,338	2,451	2,994
Total Assets	**2,233,443**	**2,421,915**	**2,603,961**	**2,684,670**
Total Deposits	**1,716,177**	**1,955,147**	**2,096,001**	**2,144,064**
Net Loans[2]	**1,407,413**	**1,476,527**	**1,702,990**	**1,720,528**
Financial Ratios				
Liquid Assets to Total Assets	43.9%	40.3%	39.7%	40.1%
Liquid Assets to Total Deposits	57.1%	50.0%	49.3%	50.2%
Net Loans to Total Deposits	82.0%	75.5%	81.2%	80.2%

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 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 June 2023, the Bank's investments (exclusive of derivatives) comprised 21.7% of its total assets. The table below shows the balances of the Bank's securities as of the dates indicated:

	As of 31 December						As of 30 June	
	2020		2021		2022		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(₱ millions)							
Financial Assets at FVTPL.......	32,422	32,422	17,781	17,781	14,986	14,986	55,194	55,194
Investment Securities, net								
Financial Assets at FVOCI ...	130,186	130,186	134,741	134,741	95,267	95,267	134,677	134,677
Financial Assets at Amortised Cost	244,653	253,097	338,672	339,189	420,533	391.540	392,733	368,264
Total	**407,261**	**415,705**	**491,194**	**491,711**	**530,786**	**501,793**	**582,604**	**558,135**

Loan Portfolio

As of 30 June 2023, the Bank's total loan portfolio amounted to ₱1.77 trillion, representing 66% of total assets. Large corporate loans, SME loans and consumer loans make up 75.3%, 4.1% and 20.6% of the Bank's total loan portfolio as of 30 June 2023.

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 June
	2020	2021	2022	2023
	(₱ millions)			
Corporate Entities				
Large Corporate Customers	1,112,069	1,169,551	1,348,210	1,337,117
Small-and-Medium-Sized Enterprise	66,869	66,594	76,046	73,200
Retail Customers				

Credit Cards	68,057	76,048	99,680	116,643
Real Estate Mortgages	140,552	153,303	158,137	162,755
Auto Loans	51,045	51,182	58,009	64,605
Others	11,616	11,952	16,675	21,335
Total	**1,450,208**	**1,528,630**	**1,756,757**	**1,775,655**
Accrued interest receivable	8,976	7,819	11,189	10,680
Unearned discount/income	(5,013)	(6,158)	(7,189)	(7,912)
	1,454,171	**1,530,291**	**1,760,757**	**1,778,423**
Allowance for impairment	(46,758)	(53,764)	(57,767)	(57,895)
Loans and Advances, net	**1,407,413**	**1,476,527**	**1,702,990**	**1,720,528**

Industry concentration

The real estate, manufacturing, wholesale and retail trade, financial institutions and consumer sectors have in general represented the largest sectors of the Bank's loan portfolio, 22.7%, 16.1%, 10.9%, 8.6% and 10.6%, respectively, of the Bank's loan portfolio as of 30 June 2023.

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, 2020, 2021 and 2022, the Bank was fined ₱822.0 million, ₱797.9 million, and ₱829.9 million, respectively, for its failure to fully comply with Agri-Agra mandated lending.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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	121,593	8.4%	123,035	8.1%	161,282	9.2%	187,835	10.6%
Manufacturing	216,884	15.0%	238,369	15.7%	287,220	16.4%	284,332	16.1%
Real estate, renting and other related activities	367,527	25.4%	389,874	25.6%	401,850	23.0%	402,188	22.7%
Wholesale and retail	159,144	11.0%	163,205	10.7%	191,244	10.9%	192,134	10.9%
Agriculture, fishing and forestry	36,502	2.5%	29,614	1.9%	33,602	1.9%	33,661	1.9%
Electricity, gas and water	169,824	11.8%	174,679	11.5%	221,756	12.7%	213,368	12.1%
Transport and storage	28,234	2.0%	35,751	2.3%	40,724	2.3%	40,126	2.3%
Information and communication	73,428	5.1%	100,571	6.6%	151,332	8.7%	167,167	9.4%
Construction	32,752	2.3%	39,378	2.6%	29,375	1.7%	28,141	1.6%
Financial intermediaries	128,683	8.9%	123,369	8.1%	162,332	9.3%	151,677	8.6%
Others	110,624	7.6%	104,628	6.9%	68,851	3.9%	67,114	3.8%
Total	**1,445,195**	**100.0%**	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,767,743**	**100.0%**

Loan Maturity Profile

As of 30 June 2023, 36.8% 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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Within one year[(1)]	517,224	35.8%	519,047	34.1%	675,706	38.6%	651,004	36.8%
More than one year	927,971	64.2%	1,003,425	65.9%	1,073,862	61.4%	1,116,739	63.2%
Total	**1,445,195**	**100.0%**	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,767,743**	**100.0%**

Note:

(1) Includes past due loans.

Foreign Currency Denominated Loans

As of 30 June 2023, 91.9% of the Bank's loan portfolio was denominated in Pesos while 8.1% was denominated in a foreign currency, 95.5% 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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Philippine Peso	1,314,080	90.9%	1,402,793	92.1%	1,603,780	91.7%	1,625,300	91.9%
Foreign Currency	131,115	9.1%	119,679	7.9%	145,788	8.3%	142,443	8.1%
U.S. Dollars	*120,709*	*92.1%*	*113,229*	*94.6%*	*139,617*	*95.8%*	*136,074*	*95.5%*
Others	*10,406*	*7.9%*	*6,450*	*5.4%*	*6,171*	*4.2%*	*6,369*	*4.5%*
Total	**1,445,195**	**100.0%**	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,767,743**	**100.0%**

Interest Rates

As of 30 June 2023, 89.3% 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 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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Repricing	1,293,264	89.5%	1,360,526	89.4%	1,560,086	89.2%	1,547,978	87.6%
Up to one year	*489,033*	*37.8%*	*484,920*	*35.6%*	*979,374*	*62.8%*	*959,825*	*62.0%*
Over 1 up to 3 years	*223,545*	*17.3%*	*310,278*	*22.8%*	*290,057*	*18.6%*	*312,827*	*20.2%*
Over 3 years	*580,686*	*44.9%*	*565,328*	*41.6%*	*290,655*	*18.6%*	*275,326*	*17.8%*
Non-repricing	151,931	10.5%	161,946	10.6%	*189,482*	*10.8%*	219,765	12.4%
Total Loans	**1,445,195**	**100.0%**	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,767,743**	**100.0%**

(b) ***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 June 2023, 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 June 2023, the Bank's ten largest individual borrowers accounted for 13.3% of the Bank's total outstanding loan portfolio. As of 30 June 2023, the Bank's ten largest borrower groups in the aggregate accounted for 26.3% 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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Secured	512,761	35.5%	443,248	29.1%	525,500	30.0%	521,623	29.5%
Real estate mortgage	*257,311*	*50.2%*	*268,427*	*60.6%*	*281,974*	*53.7%*	*286,907*	*55.0%*
Chattel mortgage	*51,821*	*10.1%*	*51,878*	*11.7%*	*58,862*	*11.2%*	*65,689*	*12.6%*

Others	203,629	39.7%	122,943	27.7%	184,664	35.1%	169,027	32.4%
Unsecured	932,434	64.5%	1,079,224	70.9%	1,224,068	70.0%	1,246,120	70.5%
Total	**1,445,195**	**100.0%**	**1,522,472**	**100.00%**	**1,749,568**	**100.0%**	**1,767,743**	**100.0%**

As of 30 June 2023, 70.5% of the Bank's total loans are unsecured.

(c) ***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 June 2023, DOSRI loans amounted to 0.8% 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 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 are 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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Classified	61,706	4.2%	58,532	3.8%	53,961	3.1%	53,597	3.0%
Especially mentioned	15,468	1.1%	18,346	1.2%	7,648	0.4%	7,256	0.4%
Substandard secured	21,812	1.5%	12,440	0.8%	18,209	1.0%	17,274	1.0%
Substandard unsecured	14,019	1.0%	13,712	0.9%	6,757	0.4%	9,578	0.5%
Doubtful	4,605	0.3%	9,830	0.6%	15,623	0.9%	13,853	0.8%
Loss	5,802	0.4%	4,204	0.3%	5,724	0.3%	5,636	0.3%
Unclassified	1,392,465	95.8%	1,471,759	96.2%	1,706,796	96.9%	1,724,826	97.0%
Total	**1,454,171**	**100.0%**	**1,530,291**	**100.0%**	**1,760,757**	**100.0%**	**1,778,423**	**100.0%**

(d) ***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 June
	2020	2021	2022	2023
	(₱ millions, except percentages)			
Total Loans (gross)	1,445,195	1,522,472	1,749,568	1,767,743
Non-performing loans (NPLs), gross[(1)]	38,753	37,956	30,879	33,280
Non-performing loans (NPLs), net[(1)]	24,270	20,384	9,464	12,235
ROPA, Gross	5,788	6,197	7,139	7,484
ROPA, Net	2,971	3,282	3,760	4,179
Total non-performing assets (NPAs), net	27,241	23,666	13,224	16,414
Total assets	2,233,443	2,421,915	2,603,961	2,684,670
NPAs to total assets	1.2%	1.0%	0.5%	0.6%
Allowance for impairment and credit losses (total)	47,465	54,577	57,767	57,895
Allowance for credit losses (loans)	44,648	51,663	55,566	55,725
Allowance for impairment losses (ROPA)	2,817	2,914	3,379	3,305
Allowance for credit losses (loans) to total non-performing loans, gross	115.2%	136.1%	180.0%	167.4%
Allowance for impairment and credit losses (total) to total non-performing assets	106.6%	123.6%	151.9%	142.0%
Total restructured loans	15,875	28,441	28,970	27,819
Restructured loans to total loans (gross)	1.1%	1.9%	1.7%	1.6%
Loans – written off	5,243	5,263	3,998	1,629

Note:

(1) NPLs are based on BSP circular 941.

(e) ***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 June	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	9,905	25.6%	7,778	20.5%	6,463	20.9%	7,201	21.6%
Manufacturing (various)	3,040	7.8%	3,055	8.0%	2,024	6.5%	3,278	9.9%
Real estate, renting and other related activities	12,823	33.1%	11,342	29.9%	9,188	29.8%	8,452	25.4%

Wholesale and retail	3,632	9.4%	3,856	10.2%	3,605	11.7%	4,481	13.5%
Agriculture, fishing and Forestry	939	2.4%	1,108	2.9%	1,127	3.6%	1,341	4.0%
Electricity, gas and water	341	0.9%	310	0.8%	356	1.2%	335	1.0%
Transport and storage	258	0.7%	327	0.9%	326	1.1%	430	1.3%
Information and communication	666	1.7%	465	1.2%	352	1.1%	191	0.6%
Construction	1,038	2.6%	5,803	15.3%	4,532	14.7%	4,771	14.3%
Financial intermediaries	300	0.8%	144	0.4%	152	0.5%	142	0.4%
Others	5,811	15.0%	3,768	9.9%	2,754	8.9%	2,658	8.0%
Total	**38,753**	**100.0%**	**37,956**	**100.0%**	**30,879**	**100.0%**	**33,280**	**100.0%**

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 Strategic Asset Management and Sales **(SAMS).** The legal affairs and dispute resolution division provides SAMS with any legal assistance that may be required for investment property management. SAMD also provides case-to-case assistance to the SAMS in cases where investment property management may require account management approaches and solutions.

SHAREHOLDERS, DIRECTORS, AND MANAGEMENT

The section below discusses changes to the shareholders, directors and management of the Bank after the date of the Offering Circular and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time.

Shareholders

The following table shows the principal shareholders of the Bank and the corresponding number of shares held as at 30 June 2023:

Name of Shareholder	Number of Shares	% of Total Shares
Ayala Corporation	1,515,177,686	30.64%
Liontide Holdings, Inc.	823,218,041	16.65%

Changes in the Board of Directors

Romeo L. Bernardo resigned from his post effective 12 September 2023 in view of his appointment to the Monetary Board of the BSP. Subject to approval of the Monetary Board, he will be replaced by Mr. Fernando Zobel de Ayala as Director, who was also appointed as member of the Executive Committee and Personnel and Compensation Committee

The following is a brief description of the business experience of each of the newly-appointed Directors:

Karl Kendrick T. Chua, Filipino, 44, is a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He has extensive experience in the areas of economic and fiscal policy, statistical development, national identification, labor and social protection policy, poverty analysis, and digital transformation, among others.

He is currently an adviser for the World Bank's World Development Report and a member of the Selection Committee of the Asian Development Bank and International Economic Association Innovative Policy Research Award. He is also a board adviser to LH Paragon Group of Companies and consultant for the Bank of the Philippine Islands.

Mr. Chua was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the COVID-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program.

As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for twelve (12) years and was the senior economist for the Philippines.

Mr. Chua graduated from the Ateneo de Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D Economics (2011) from the University of the Philippines, and is currently studying data science at the Asian Institute of Management.

Rizalina G. Mantaring, Filipino, 63, is an independent director of Ayala Corporation, Ayala Land, First Philippine Holdings Corporation, Universal Robina Corporation, PHINMA Corporation, Maxicare Healthcare Corporation, GoTYME Bank and East Asia Computer Center Inc. She is also a director of Sun Life Grepa Financial Inc.

She was CEO & Country Head of Sun Life Financial Philippines from 2009 – 2018, Chief Operations Officer of Sun Life Financial Asia, responsible for IT & Operations across the region, from 2008-2009, President of the Management Association of the Philippines in 2019, and President of the Philippine Life Insurance Association in 2015. She is a Trustee of the Makati Business Club and Philippine Business for Education. She is also a Fellow of the Foundation for Economic Freedom.

Ms. Mantaring was recognized by prestigious award-giving bodies, among which were the Asia Talent Management award at CNBC's 2017 Asia Business Leader Awards, the 2018 Executive Champion of the Year from the Asia Insurance Review and the Asia Pacific Entrepreneurship Award (Financial Services, Philippines) in 2016. In 2010, on the occasion of the 100th anniversary of the UP College of Engineering, she was named one of the college's 100 Most Outstanding Alumni of the Past Century. In 2019 she received the PAX award, the highest award conferred by St. Scholastica's College to an outstanding alumna.

A graduate of the University of the Philippines with a B.S. Electrical Engineering degree (cum laude), Ms. Mantaring has an M.S. Computer Science from The State University of New York at Albany and is a Fellow of the Life Management Institute (with distinction).

Changes to the Executive Officers of the Bank

Ramon L. Jocson has retired from his last position as Executive Vice President and Chief Operating Officer of the Bank effective 1 January 2023.

Board of Directors for the Term 2023-2024

Name	Age (as of 2023 ASM)	Citizenship
Jaime Augusto Zobel de Ayala	64	Filipino
Cezar P. Consing	63	Filipino
Jose Teodoro K. Limcaoco	61	Filipino
Janet Guat Har Ang (Independent Director)	63	Singaporean
René G. Bañez	67	Filipino
Fernando Zobel de Ayala*	63	Filipino
Romeo L. Bernardo	68	Filipino
Ignacio R. Bunye (Independent Director)	78	Filipino
Karl Kendrick T. Chua	44	Filipino
Emmanuel S. de Dios (Independent Director)	68	Filipino
Octavio Victor R. Espiritu	79	Filipino
Rizalina G. Mantaring (Independent Director)	63	Filipino
Aurelio R. Montinola III	71	Filipino
Cesar V. Purisima (Independent Director)	63	Filipino
Jaime Z. Urquijo	34	Filipino
Maria Dolores B. Yuvienco (Independent Director)	75	Filipino

*****_will serve Mr. Romeo L. Bernardo's unexpired term_

List of Key Executive Officers of BPI:

Name	Rank/Title	Age (as of 2023 ASM)	Citizenship
Jose Teodoro K. Limcaoco	President & CEO	61	Filipino
Ma. Cristina L. Go	EVP	53	Filipino
Eric Roberto M. Luchangco	SVP & CFO	52	Filipino
Marie Josephine M. Ocampo	EVP	61	Filipino
Juan Carlos L. Syquia	EVP	56	Filipino

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. In its letter dated 3 February 2023, the SEC assessed penalties against the Bank for violation of Section 8.1 of the SRC in the amount of ₱134,622,017.59, for omitting to secure SEC's confirmation of exemption from registration for its 7-year Executive Stock Purchase Plan and Executive Stock Option Plan (**ESPP/ESOP**) launched in 2013. The PSE also cited the Bank for possible trading of unlisted shares in connection with the 2013-2019 ESPP/ESOP. The Bank was fined, and paid, ₱30 million in penalties each to the SEC and the PSE.

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, 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 guides election activities, appointments and re-composition of committee memberships as part of the succession planning process 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 Board's 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 Cezar P. Consing, 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 provides 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 approves the external auditor's annual audit plan and scope of work, and assesses its overall performance and effectiveness. In consultation with management, the Audit Committee also approves 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 Victor R. Espiritu and Cesar V. Purisima.

(e) Corporate Governance Committee

The Corporate Governance Committee assists the Board 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 No. 969, BSP Circular No. 900, SEC Memorandum Circular No. 19, series of 2016, as well as best practices espoused by the ASEAN Corporate Governance Scorecard (ACGS). This includes remedial action for regulatory compliance, policy development, oversight of the corporate governance framework and practices as well as compliance testing of the Bank's subsidiaries. The Committee also provides guidance with respect to regulatory matters concerning the BSP and the SEC. The committee is chaired by Emmanuel S. de Dios and its other members are Rizalina G. Mantaring and Jaime Z. Urquijo.

(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, Karl Kendrick T. Chua and Rizalina G. Mantaring.

(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 Rizalina G. Mantaring and its other members are Janet Guat Har Ang, Cezar P. Consing, Octavio Victor R. Espiritu, 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. It is the Board'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 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 the review of the Manual on Corporate Governance. Ms. Gealogo works closely with the Board 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 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 SEC 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 2020, 2021 and 2022, and Note 13 to the Bank's reviewed condensed financial statements as of and for the six months ended 30 June 2023.

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 June
	2020	2021	2022	2023
	(₱ millions, except percentages)			
Total outstanding DOSRI loans	15,675	15,230	19,571	14,457
Percentage of DOSRI loans to total loans	1.1%	1.0%	1.12%	0.82%
Percentage of unsecured DOSRI loans to total DOSRI loans	3.2%	3.1%	2.40%	3.11%

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 June
	2020	2021	2022	2023
Total outstanding DOSRI accounts (in ₱ millions)	15,675	15,230	19,571	14,457
Percent of DOSRI accounts to total loans ………………	1.1%	1.0%	1.12%	0.82%
Percent of DOSRI accounts to total capital	5.6%	5.2%	6.16%	4.30%
Percent of unsecured DOSRI accounts to total DOSRI loans	3.2%	3.1%	2.40%	3.11%
Percent of past due DOSRI accounts to total DOSRI loans	0.00%	0.01%	0.02%	0.05%
Percent of nonperforming DOSRI accounts to total DOSRI loans	0.00%	0.02%	0.03%	0.02%

The year-end balances as of 31 December 2020, 2021 and 2022 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	As of 31 December		
	2020	2021	2022
Loans and receivables	189	-	226
Deposit liabilities	7,942	11,383	5,972

The income and expenses for the years ended 31 December 2020, 2021 and 2022 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

Related Party Transactions

	For the year ended 31 December		
	2020	**2021**	**2022**
Interest income	21	5	5
Interest expense	21	5	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.

BANKING REGULATION AND SUPERVISION

The following is a summary of new laws and regulations in the Philippines applicable to the Bank, since the date of the Offering Circular. For further discussion on banking regulation and supervision considerations applicable to the Bank, please see Banking Regulation and Supervision on page 157 of the Offering Circular. 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.

Reserve Requirements

Beginning reserve week 30 June 2023, the BSP lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks for universal and commercial banks to 9.5% (from 12%) against demand deposits, NOW accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable 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).

Currency Rate Risk Protection Program Facility

On 18 April 2023, the BSP issued Circular No. 1172 amending the Currency Rate Risk Protection Program (**CRPP**) Facility and its implementing guidelines.

The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Under this amendment, the following transactions with payments/settlement/maturity within three (3) months from the date of application are considered eligible foreign exchange obligations/transactions:

a. BSP-approved/registered/reported private sector/public sector/publicly-guaranteed private sector foreign/ currency loans/borrowings;

b. Foreign merchandise trade transactions provided that, the transactions are duly compliant with relevant provisions, including documentary requirements, stipulated under the Manual of Regulations on Foreign Exchange Transactions (**FX Manual**);

c. Non-trade current account and resident to resident foreign exchange (**FX**) transactions enumerated under Appendix 156 of the MORB, provided, that the transactions are duly compliant with relevant provisions, including documentary requirements, stipulated under the FX Manual; and

d. Outward investments provided that, the transactions are duly compliant with relevant provisions, including documentary requirements, stipulated under the FX Manual.

Other changes in the CRPP facility rules include the change in the maximum tenor from ninety (90) days to three (3) months, and the change in the US dollar interest rate to be used in the computation of the price of non-deliverable forward contract to the relevant Bankers Association of the Philippines (**BAP**) weighted average rate for spot transactions or the weighted average rate of the last five (5) transactions mapped before the close of trading, whichever is higher, on deal date. If not available, the weighted average rate of the last five (5) transactions mapped at the BAP shall be used.

Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables

On 19 January 2023, the BSP issued Circular No. 1165 which amends the ceiling on interest or finance charges for credit card receivables to an annual rate of 36% from the 24% cap imposed by BSP Circular No. 1098, which was issued to alleviate the burden on Filipino consumers due to the COVID-19 pandemic.

The current circular provides that banks may now impose a maximum annual interest rate of 36% except for credit card installment loans which shall be subject to a monthly add-on rate not exceeding one percent (1%). For credit card cash advances, in addition to the foregoing interest rates, no other fee or charge shall be imposed apart from the maximum processing fee of ₱200.00 per transaction. These fees and rates are subject to the review by the BSP every six (6) months.

Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital

On 5 January 2023, the BSP issued Circular No. 1164 which amends the regulations on credit exposure limits to a single borrower and the definition of capital.

This circular removed the requirement for prior BSP approval for credit risk transfer arrangements in the form of a guarantee or credit derivative that complies with the minimum operational requirements enumerated therein, and this shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the single borrower's limit (**SBL**). However, those not covered by an effective credit risk transfer arrangement shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

The circular also amended the definition of capital. The following shall be added in the computation of capital:

1. Deposits for stock subscription recognized as equity pursuant to Section 123 of the MORB; and

2. Other instruments that meet the following criteria:

    a. It must be paid-in;
    b. It must have a minimum maturity of at least five (5) years;
    c. It may be callable/redeemable at the initiative of the issuer only after a minimum of five (5) years;
    d. It must be subordinated to depositors and general creditors of the bank; and
    e. It must have the ability to be converted to common shares or written off upon the occurrence of a trigger event. A trigger event occurs when a bank is considered non-viable as determined by the BSP. Non-viability is defined as a deviation from a certain level of CET1 Ratio. inability of the bank to continue business (closure), or any other event as may be determined by the Bangko Sentral, whichever comes earlier.

Aside from those enumerated in the MORB, the following shall also be deducted from capital:

a. Treasury stock;
b. Unbooked allowance for probable losses (which includes allowance for credit losses and impairment losses);
c. Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders, and their related interests (**DOSRI**) granted by the bank proper; and
d. Other capital adjustments as may be required by the BSP.

RTGS Fees

Effective 1 February 2023, the BSP resumed of the collection of settlement fees and other charges for the use of the Peso Real Time Gross Settlement (**RTGS**) System. The BSP previously waived all transaction fees charged for fund transfer instructions made with PhilPaSS beginning 1 April 2020 until the end of the enhanced community quarantine period.

Anti-Money Laundering Act 2001 and Related Laws

On March 30, 2023, BSP Circular No. 1170, s. 2023 was issued which amended the provisions of the Manual of Regulation for Banks on Customer Due Diligence (**CDD**). The circular provides that "where a covered person is unable to comply with the relevant CDD measures, considering risk based approach, it shall (a) not open the account, commence business relations, or perform the transaction; or (b) terminate the business relationship; but in both cases, it shall consider filing a suspicious transaction report (**STR**) in relation to the customer." The circular also includes the guidelines for the use Electronic Know Your Customer system as a method of electronically verifying the credentials of a customer.

Philippine Competition Act

On 24 February 2023, the Philippine Competition Commission (**PCC**) issued Resolution No. 04-2023, which increased the thresholds in relation to the Size of Party to ₱7,000,000,000.00 and the Size of Transaction to ₱2,900,000,000.00, effective 1 March 2023.

On 18 May 2023, the PCC issued the Non-Horizontal Merger Guidelines (**Guidelines**) that aim to strengthen the transparency of the analytical process undertaken by the PCC when reviewing mergers and acquisitions. The Guidelines on substantive non-horizontal merger analysis were issued pursuant to Section 16 of the Philippine Competition Act and are supplementary to the 2018 PCC Merger Review Guidelines. Among others, the Guidelines provide that the PCC will take certain considerations peculiar to the theories of harm arising from non-horizontal mergers in defining the market/s affected and assessing the competitive effects of the merger. This flexibility is necessary for assessing non-horizontal mergers in industries affected by emerging or fast-moving innovations that may render entirely independent markets as adjacent markets or complementary markets post-merger.

Electronic Banking Operations

On 7 February 2023, the BSP issued BSP Circular No. 1166 or the *Amendments to the Regulations on Electronic Money (E-Money) and the Operations of Electronic Money Issuers (EMI) in the Philippines*. The amended guidelines serve to cover BSFIs that issue E-money and engage in the E-money business in the Philippines. The guidelines define "e-money" as any electronically-stored monetary value that is:

1. maintained in a non-interest-bearing non-deposit transaction account;
2. denominated in or pegged to Philippine Peso or other foreign currencies;
3. pre-funded by customers to enable payment transactions;
4. accepted as a means of payment by the issuer and by other persons or entities including merchants/sellers;
5. issued against receipt of funds of an amount equal to the monetary value issued;
6. represented by a claim on its issuer; and
7. withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash.

Under BSP Circular No. 1166, banks may offer E-money services subject to prior approval of the BSP under an Electronic Payment and Financial Services (**EPFS**) license. The guidelines also establish minimum requirements for the issuance of e-money and rules on consumer protection. The guidelines provide for minimum disclosure requirements that BSFIs must include in the terms and conditions that customers must acknowledge prior to the availment of e-money services. Further, the guidelines require BSFIs to have sufficient liquidity requirements to meet E-money redemptions and provide minimum amounts for BSFIs with outstanding E-money balance of at least ₱100,000,000 and those with outstanding E-money balance below ₱100,000,000.

The BSP Circular also requires EMI banks to have minimum capitalization, which is the higher of the bank's required capitalization depending on its bank category or the bank's required capitalization based on EMI category. Large-scale EMI banks are required to have a minimum capital of ₱200,000,000, whereas small-scale EMI banks are required to have a minimum capital of ₱100,000,000.

Violations of the guidelines shall constitute grounds for imposition of sanctions on the BSFI and/or its directors/officers, with either a monetary penalty or a non-monetary penalty as may be authorized by the Monetary Board.

Other Laws and Regulations

1. *Guidelines on Integration of Sustainability Principles in Investment Activities of Banks*. On 23 August 2022, the BSP issued Circular No. 1149 which provides that banks shall consider E&S risks in defining credit risk appetite and in their investment activities to ensure that the investment does not contribute to sectors considered to have harmful effects to the environment or society. These guidelines cover all of a bank's investments in the trading and banking books. These guidelines do not apply to bank's (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements.

2. *Amendments to Derivatives Regulations of Banks, Quasi-Banks, and Trust Corporations*. On 7 June 2021, the BSP issued Circular No. 1119 which amended the derivatives regulations of banks, quasi-banks, and trust corporations. The Circular added the following derivatives activities where universal banks (**UBs**) and commercial bank (**KBs**) may engage in without need of prior BSP approval:

    1. Originate, distribute, or act as market maker for the following financial derivatives as long as the bank complies with applicable market conventions and mechanisms for transparency and disclosure, and observes the provisions of the MORB and other pertinent securities laws, rules, and regulations:
        a. Deliverable FX forwards, FX swaps, currency swaps, and analogous financial futures;
        b. Non-deliverable FX forwards and FX swaps; and
        c. Interest rate swaps, forward rate agreements, and analogous financial futures.
    2. As end-user, enter in any financial derivatives transactions for the purpose of hedging its own risks;
    3. As end-user, enter into financial derivatives transactions in order to take positions for its own account in the financial instruments mentioned in item (1);
    4. Global peso notes booked under the RBU; and
    5. Transactions involving warrants issued under the Republic of the Philippine's "Paired Warrants Program."

    Regular banking units (**RBUs**) and expanded foreign currency deposit units (**EFCDUs**) of UBs and KBs may now invest, for their own account, in different structured products (**SPs**) as long as, among others, the total carrying value of all investments in SPs shall not exceed 100% of the bank's qualifying Tier 1 capital. For activities not expressly listed above, a bank needs to apply for prior BSP approval of additional derivatives authority. A bank applying for additional derivatives authority/ies must have and maintain a risk management system commensurate to the additional authority/ies being applied for.

3. *Amendments to UITFs Regulations*. On 5 September 2022, the BSP issued Circular No. 1152 which further modified the guidelines for creation of UITFs. The BSP delineated between different kinds of UITFs (money market funds, fixed income funds, multi-asset funds, equity funds, and distributing funds). Trust Entities (**TEs**) are now allowed to create, administer, and manage UITFs with prior approval or notification to the BSP. Prior BSP approval is needed if the TE will create, for the first time, a fixed income fund, multi-asset fund, equity fund, fund-of-funds, feeder fund, multi-class fund, or distributing fund. If the TE will create a UITF that is the same category as any of its existing ones, then only prior notification to the BSP is needed. UITFs will need to be governed by a written trust agreement drawn by the trustee which shall be approved by the board of directors and submitted to the BSP for approval or notification, as the case may be. Further, any amendment to a UITF shall be the subject of a written notification to the BSP if the amendment involves any of the following aspects:

    A. Investment objectives, policies, or strategies;
    B. Risk profile;
    C. Benchmark;
    D. Target investors of a multi-class fund;
    E. Target fund/s of a feeder fund or a fund-of-funds;
    F. Income distribution policy of a distributing class/fund;
    G. Basis of the NAVPu computation;
    H. Fees and other charges to the fund;
    I. Custodian;
    J. Investment manager, if separate from the trustee; and/or
    K. Merger of funds.

    On 9 August 2023, the BSP issued Circular No. 1178 which provided for guidelines on the use of benchmarks for UITFs. These guidelines require the trustee to include a benchmark in the presentation of a UITF. Under the guidelines, a valid benchmark for a UITF has the following characteristics:

    a. Has a clearly defined objective;
    b. Appropriately reflects the market or sector it aims to represent;
    c. Is comprised of sufficiently diversified financial instruments that are liquid;
    d. Is objectively and consistently calculated;

e. Is a total return benchmark; and
f. Reflects returns that are net of taxes.

The trustee must ensure that its chosen benchmark reflects the investment mandate, objective, or strategy of the UITF and possesses the characteristics of a valid benchmark. It must also ensure that the underlying securities of the benchmark are identifiable and priced in accordance with BSP guidelines or international financial reporting standards on the valuation of assets. Trustees are required to prepare a Key Information and Investment Disclosure Statement (**KIIDS**) which shall contain the key features of the UITF, the fund performance against a benchmark, and the fund's prospective and outstanding investments. The KIIDS shall be updated and made available to participants at least every calendar quarter and made publicly available not later than forty-five (45) calendar days from the reference period.

In presenting the fund performance against a benchmark, the following minimum information shall be disclosed in the KIIDS:

a. The description and key characteristics of the benchmark, and its use relative to the fund's objective or investment strategy (e.g., whether the fund aims to track the performance of the benchmark or to outperform the same);
b. For a customized benchmark (i.e., a benchmark created by the trustee via the combination of multiple benchmarks), the description of each component benchmark and its corresponding weight as well as the rebalancing frequency, if any;
c. If the benchmark is managed or administered by a related party of the trustee, how the trustee and the benchmark manager/administrator manage existing and potential conflicts of interest;
d. If there are misalignments between the risk-return profile and/or characteristics of the UITF and those of the benchmark, the reason/s for and the extent of the misalignments; and
e. If there has been a change in the benchmark, the date the benchmark was changed, as well as the description of and reason for the change in the benchmark. These details and the illustrative presentation of performance against the old and new benchmarks shall be disclosed in the KIIDS for a minimum of one (1) year from the date of adoption of the new benchmark.

4. *Amendment to Guidelines on Securities Borrowing and Lending Transactions*. On 5 February 2019, the BSP issued Circular No. 1030 which amended Circular No. 611 to govern foreign exchange transactions. Foreign loans and borrowings, as well as foreign currency loans from banks operating in the Philippines to be obtained by the public sector as well as the private sector that will be publicly-guaranteed shall require prior BSP approval unless otherwise exempted. Private sector foreign loans and borrowings that are not publicly guaranteed shall be registered with the BSP if these will ultimately be serviced with foreign exchange resources of authorized agent banks or their affiliate forex corporations. The BSP also now allows private sector foreign/foreign currency loans/borrowings to be obtained to refinance outstanding foreign/foreign currency loans/borrowing, provided that the obligations to be refinanced are duly registered or reported (as may be required) to the BSP.

5. *Amendment to the Regulations on Personal Equity and Retirement Account (PERA)*. On 21 February 2023, the BSP issued Circular No. 1168 which reduced the rate for the security for the faithful performance of Personal Equity and Retirement Account (**PERA**) Administrators' duties and to increase the amount for the maximum annual PERA contribution. The PERA Administrator is required to hold eligible government securities, equivalent to at least zero percent (0.0%) of the book value of the total volume of PERA assets administered, earmarked in favor of the BSP starting 1 January 2023. The submission of the Quarterly Report on Compliance with the Basic Security Deposit requirement shall no longer be required starting with the reference period of 31 March 2023 in view of the zero rate for the security for the faithful performance of PERA Administrators' duties.

6. *Maharlika Investment Fund Act of 2023*. On 18 July 2023, *Republic Act No. 11954* was enacted which provides that for the first and second fiscal years upon effectivity of the law, 100% of the BSP's total declared dividends will be remitted to the National Government for the capitalization of the Maharlika Investment Corporation (**MIC**), in the amount not exceeding fifty billion pesos (₱50,000,000,000.00) for the initial subscription of the National Government to the capitalization of the MIC. Thereafter, the dividends of the BSP shall be remitted to the National Government to fund the increase in the capitalization of the BSP.

INDEX TO THE FINANCIAL STATEMENTS

ISSUER
Bank of the Philippine Islands
25/F Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City 1226, Philippines

REGISTRAR AND TRANSFER AGENT
Philippine Depository & Trust Corp.
29th Floor, BDO Equitable Tower,
8751 Paseo de Roxas,
Makati City, Philippines

LEGAL ADVISERS

To the Issuer as to Philippine law

SyCip Salazar Hernandez & Gatmaitan
105 Paseo de Roxas
Makati City 1226
Metro Manila, Philippines

To the Joint Lead Arrangers as to Philippine law

Romulo Mabanta Buenaventura
Sayoc & de los Angeles
21/F AIA Tower
8767 Paseo de Roxas
Makati City, Philippines

INDEPENDENT AUDITORS OF THE ISSUER
Isla Lipana & Co.
29/F, Philamlife Tower
8767 Paseo de Roxas
1226 Makati City, Philippines

JOINT LEAD ARRANGERS AND SELLING AGENTS

BPI Capital Corporation
23/F Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Philippines 1229

ING Bank N.V., Manila Branch
22nd Floor, Arthaland Century Pacific Tower,
5th Avenue, Cor. 30th Street, Bonifacio Global City,
Taguig City, Philippines 1634