



2022 BPI Annual Stockholders' Meeting

Chairman's Speech

Jaime Augusto Zobel de Ayala

Dear Shareholders,

As we look back to March 2020, the country's first lockdown seems like a distant past. But in the last two years, our takeaways from the COVID-19 pandemic have been invaluable. It is with deep gratitude that I thank you, our dear shareholders, for your trust and support that have allowed BPI to thrive in the new normal.

Together with our committed team of Unibankers, we have transformed our Bank into an industry leader in digital banking, anchored on operational resilience, commitment to sustainability and customer delight across unique financial journeys. The future of BPI is clear, building a better Philippines – one family, one community at a time.

Sustained Recovery in a Challenging Environment

We expected 2022 to be the year of sustained recovery as economies remained open and mobility restrictions were finally eased. It has, however, been a challenging year for the global economy as conflicts, inflation, food and energy crises, and the long tail of COVID-19 brought fears of recession and prompted major agencies to trim global growth expectations.

2022 was characterized, both globally and domestically, by high inflation leading to aggressive policy rate increases, which dampened economic growth. In the Philippines, full year GDP growth came in at 7.6%, just slightly lower than our expectations earlier in the year, but well ahead of projected global growth at 3.4%.

The BSP increased policy rates in 2022 by 350bps, mostly in the second half, especially as the peso depreciated, bringing the policy rate up to 5.5% by year end. Interest rates increased across the yield curve with higher increases seen on shorter tenors. But despite rising inflation and interest rates, we saw consumer demand improve remarkably over 2020 and 2021 levels. Mobility recovered exponentially especially after March 2022 when COVID-19 cases started to subside. This helped drive corporate growth. As a result, the country's economic output returned to pre-pandemic levels after growing by 5.6% in 2021 and 7.6% in 2022.



As a result, the banking industry benefited from a growing loan book and higher NIMs. Notwithstanding the higher interest rate environment, NPLs remained contained. Banks are one of the favored sectors expected to lead in the country's recovery.

2022: A Record Year for BPI

The Bank's renewed strength is reflected in our 2022 results. BPI delivered a solid performance characterized by sustained recovery in loan demand, client activities and asset quality amidst a challenging operating environment.

The Bank's profitability continued to improve on the back of strong loan growth, higher margins, and lower loss provisions, notwithstanding the acceleration in operating expenses. We closed 2022 with a record net income of PHP 39.6 billion, up 65.8% year-on-year.

Our fee income remained stable, with some businesses showing stronger fee growth than others. Worth noting are the outstanding performances of the following:

- (1) Our credit cards business, owing to the growth in billing income, cross-border transactions, membership fees, and other charges;
- (2) Foreign exchange trading, with higher gains on dollar-peso trading and flows from Corporate, SME, and Retail clients, as well as outward remittance transactions driven by continuing market recovery; and
- (3) Transaction banking services, attributable to increased revenues from trade, supply chain, and short-term receivable financing.

These gains tempered our investments in an aggressive campaign for credit card acquisition and towards our digital initiatives.

Total assets reached PHP 2.6 trillion, reflecting a 7.5% growth year-on-year, while loan growth exceeded that of peer banks and industry averages. As of Dec. 31, 2022, total loans stood at PHP 1.7 trillion, up 15.3% from the previous year, led by growth in the credit card, corporate/ SME and auto portfolios of 31.1%, 15.5%, and 14.0%, respectively. Total deposits expanded to PHP2.1 trillion, up 7.2% year-on-year, while CASA increased 3.5%. The CASA Ratio stood at 74.4% and the Loan-to-Deposit Ratio at 81.2%.



Asset quality continued to improve, with sequential quarterly improvements in asset quality metrics, remaining more favorable than industry averages. The NPL ratio eased to 1.76% from 2.49% the prior year, which is just about 10 basis points above its pre-pandemic level. In addition, NPL cover is at 180%, well above the pre-pandemic level of 100%. With the macro-economic environment and asset quality improving through the course of 2022, we provisioned less for the year, bringing our credit cost down to 58 basis points from 93 basis points last year.

We maintained our strong capital position despite an increase in dividend payout and credit risk-weighted assets. Our Common Equity Tier 1 Ratio stood at 15.1% and the Capital Adequacy Ratio of 16.0%, both well above regulatory requirements.

On the last trading day of 2022, BPI's share price closed at PHP 102.00, 6.7% higher than a year ago and with a total shareholder return of 13.1% when factoring in cash dividends, reflecting the markets' recognition of the Bank's strong operating results. We continue to be the most valued among listed banks in terms of price-to-book.

It comes as no surprise then that all three major international Credit Rating Agencies reaffirmed their investment grade credit rating for the Bank: S&P Global Ratings at BBB+, which is the same as the Philippine Sovereign; Moody's Investors Service at Baa2, and Fitch Ratings at BBB-. S&P Global Ratings also revised its Outlook on BPI from Negative to Stable.

Elevating Financial Inclusion

Our robust financials anchor our mission to elevate financial inclusion through our digital and sustainability initiatives.

We made remarkable progress in our digital strategy, particularly in onboarding, engagement, and partnerships. This accelerated the growth of the BPI ecosystem, improved customer experience, and generated new revenue streams. Since its launch, we have directly acquired about 150,000 new-to-bank clients and about 180,000 new-to-product accounts with the seamless, safe and fully digital onboarding process in our platforms. In addition, we've acquired about half a million clients through our collaboration with GCash, where we have various BPI products on GSave, GInvest, and GInsure.

BPI further strengthened its leadership in Environmental, Social and Governance or ESG initiatives. To date, BanKo has assisted 274,000 self-employed



micro-entrepreneurs (SEMEs) with disbursed loans reaching PHP 37.6 billion, while BPI Business Banking has helped over 132,000 SMEs with total loan releases reaching almost PHP 400 billion. Our Sustainable Development Finance has funded a total of 398 energy efficiency, renewable energy, green building, climate resilience, and sustainable agriculture projects, amounting to PHP 252.3 billion. We ended 2022 with 51% of our corporate and SME portfolio supporting the UN Sustainable Development Goals (SDGs).

We are honored that various award-giving bodies recognized these ESG contributions and other pioneering initiatives of the Bank. BPI garnered a record number of 10 ESG accolades in 2022 alone.

In Closing

Finally, we made a very important announcement in October 2022. We disclosed plans for a merger with the Robinsons Bank Corporation (RBC), with BPI as the surviving entity. We have already secured Board and Shareholder approvals for the merger which will expand our reach, grow our portfolio, and unlock various synergies across the ecosystems of both banks. We are very excited to see the outcome of this merger and look forward to all the great things ahead.

Once more, I extend my thanks to our management and employees for their hard work and resilience; our Board of Directors for their insightful guidance in future-proofing the Bank in the new normal; and you, our shareholders and stakeholders for your unwavering trust and support.