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

₱33,700,000,000.00
BPI Sustainable, Environmental,
and Equitable Development Bonds
("BPI SEED Bonds")
under BPI's ₱100.0 Billion Bond Program

Issue Price: 100% of Face Value
Interest Rate: 6.2000% p.a.

Joint Lead Arrangers and Selling Agents

The date of this pricing supplement is 09 August 2024.

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 (the **Third Tranche Pricing Supplement**) relating to the ₱33,700,000,000.00 Philippine Peso-denominated Sustainable, Environmental, and Equitable Development Bonds (the **BPI SEED Bonds**), under the ₱100.0 Billion Bond Program (the **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, the Offering Circular dated 5 January 2023 (the **Offering Circular**), and the pricing supplement for the second tranche of the Bond Program dated 13 November 2023 (the **Base Second Tranche Pricing Supplement**). This Third Tranche Pricing Supplement contains the terms of this Offer and the BPI SEED Bonds, and must be read in conjunction with the Offering Circular and the specific (and not the full contents thereof) information only as expressly mentioned and referenced herein of the Base Second Tranche Pricing Supplement (where such specific (and not the full contents thereof) information only as expressly mentioned and referenced herein shall be referred to as the **Second Tranche Pricing Supplement** and together with the Offering Circular and this Third Tranche Pricing Supplement, the **Pricing Supplement**). Full information on the Bank and the Offer is contained in the Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. All information contained in the Offering Circular and the Second Tranche Pricing Supplement are deemed incorporated by reference in this Third Tranche Pricing Supplement, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement. In case of conflict between the provisions of this Third Tranche Pricing Supplement and the Trust Agreement, the provisions of the Trust Agreement shall prevail.

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No person is or has been authorised by the Bank to give any information or to make any representation other than those contained in the Pricing Supplement or any other information supplied in connection with the BPI SEED 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 (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) as to the accuracy or completeness of the information contained or incorporated in the Pricing

Supplement or any other information provided by the Bank in connection with the BPI SEED Bonds. By receiving the Pricing Supplement, investors acknowledge that they have not relied solely on 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, and each of their respective directors, officers, employees, representatives, agents and advisers) in connection with investigating the accuracy of such information or their investment decision. Nothing contained in the Pricing Supplement is, or shall be relied upon, as a promise or representation, from 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), whether as to the past or the future.

If a jurisdiction requires that the offering be made by a licensed arranger or selling agent and an arranger, selling agent or any affiliate thereof, which is a licensed arranger or selling agent in that jurisdiction, the offering shall be deemed to be made by such arranger, selling agent or such affiliate on behalf of the Bank in such jurisdiction.

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Neither the delivery of the Pricing Supplement nor the offering, sale or delivery of any BPI SEED 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 BPI SEED 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 BPI SEED Bonds or to advise any investor in the BPI SEED Bonds of any information coming to their attention. Neither the delivery of the Pricing Supplement, nor any offering, sale or delivery made in connection with the issue of the BPI SEED 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 thereof or the date upon which the 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 thereof or the date upon which the Pricing Supplement has been most recently amended or supplemented. Investors should review, inter alia, the most recently published documents incorporated by reference into the Pricing Supplement when deciding whether or not to purchase any BPI SEED 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 2021, 2022 and 2023 and *reviewed condensed consolidated financial statements* as of and for the three months ended 31 March 2023 and 2024 included in the 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 2021, 2022 and 2023 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 three months ended 31 March 2023 and 2024 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 the 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 the Pricing Supplement, the information contained in the 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 the 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 the Pricing Supplement with respect to the same. Unless otherwise indicated, all information in the Pricing Supplement is as of the date of the Pricing Supplement. Neither the delivery of the Pricing Supplement nor any sale made pursuant to the 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 the Pricing Supplement.

In the 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 the 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 the 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 the 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 the Pricing Supplement.

CONTENTS

EXECUTIVE SUMMARY

This section discusses events after the date of the Offering Circular and the Second Tranche Pricing Supplement, and must be read in conjunction with the Offering Circular and the Second Tranche Pricing Supplement. Full information on the Bank and the Offer is contained in the 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 the Pricing Supplement. All information contained in the Offering Circular and the Second Tranche Pricing Supplement are deemed incorporated by reference in this Third Tranche Pricing Supplement, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement.

Description of the Bank

BPI is a universal bank with an expanded banking license. Together with its subsidiaries, the Bank offers a wide range of financial services that include institutional 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 corporations, small-and-medium sized enterprises (**SMEs**) and individuals.

According to data available from the BSP, the Bank is the third largest publicly listed universal bank in the country in terms of total assets which stood at ₱3.1 trillion as of 31 March 2024. 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, as of 31 March 2024, the Bank is the Philippines' second largest in terms of gross customer loans, with a market share of 15.8%, and second largest in terms of deposits, with a market share of 12.7%. 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.

The Bank enjoys recognition from various award giving bodies, and in 2023 its institutional awards 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. In the first quarter of 2024, the Bank received "Best Bank in the Philippines" from FinanceAsia Awards 2024.

The Bank's Common Equity Tier 1 (**CET1**) ratio stood at 14.7% while its Capital Adequacy Ratio (**CAR**) stood at 15.6%, as of 31 March 2024. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 31 March 2024, the Bank had a market capitalisation on the PSE of ₱621.11 billion (based on the closing price on the PSE of ₱118.10 per share on 29 March 2024).

Competitive Strengths

Over its long history, the Bank 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 recognized 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 and Robinsons Retail Holdings, 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 26.8% from 9.5 million as of 31 March 2023 to 12.1 million as of 31 March 2024. 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.

In 2024, two major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In April 2024, Fitch affirmed its Long-term Issuer Default Rating of "BBB-" (investment grade). Most recently, in May 2024, Moody's affirmed its Baseline Credit Assessment of "baa2" which is one notch above investment grade. In September 2023, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" which is two notches above investment grade (same as the agency's rating for the Philippine Sovereign).

Strong track record of profitability and cost management

Historically, the Bank has been known as a cost-efficient bank with one of the lowest operating leverage in the industry. As of 31 March 2024, its cost-to-income ratio stood at 45.6% and its cost-to-assets ratio at 2.4%, 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 31 March 2024, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 15.69% and 2.02% 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 generating earnings for its shareholders, annually, for the past 20 years.

Well-capitalised with sufficient liquidity

As of 31 March 2024, the Bank's CET1 ratio of 14.7% and CAR of 15.6% 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, mainly common equity, provides sufficient protection to its 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 31 March 2024, at 5.3% (calculated as bills payable and other borrowed funds over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 195.1% and leverage ratio at 11.2% as of 31 March 2024, which are well above the minimum prescribed ratios set by the BSP of 100% and 5%, respectively.

High quality and diversified asset base driven by prudent risk management

As of 31 March 2024, 74.4% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From ₱1.94 trillion as of 31 December 2023 to ₱2.03 trillion as of 31 March 2024, the Bank's loan growth has primarily been driven by corporate loans, which grew at a 5-year compounded annual growth rate (**CAGR**) of 7.6% for that period, as compared to the Bank's retail loans, which grew by 10.2% over the same period. The Bank likewise registered a loan growth of 19.3% year-on-year as of 31 March 2024. The Bank expects the merger with Robinsons Bank Corporation (**RBC)** to contribute to further loan growth through expanding its reach to the network of the Gokongwei group of companies, especially in the SME market segment.

The Bank's strong risk management framework coupled with its prudent approach to growth has allowed it to maintain its asset quality metrics. 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%. NPL ratio remained at 1.8% while NPL coverage ratio decreased to 156.1% as of 31 December 2023. As of 31 March 2024, because of the initiative of the bank to grow its consumer loan portfolio, NPL ratio slightly increased to 2.1% and NPL cover slightly dipped to 136.2%.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, consumer, electricity, gas and water, wholesale and retail, among others. The Bank extends loans to several sectors in the Philippines. As of 31 March 2024, (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) electricity, gas, and water, and (v) wholesale and retail trade, represent 23.7%, 14.7%, 12.2%, 10.6% and 10.3%, respectively, of the Bank's loan portfolio.

As of 31 March 2024, the Bank's top 20 clients comprised 20.5% of the Bank's loan book. Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3.0% of the Bank's loan book as of 31 March 2024.

Stable and diversified revenue sources

The Bank's net interest income grew 22.7% to ₱104.35 billion in 2023 from ₱85.07 billion in 2022, driven by growth in average assets and high interest rate environment. In 2022, net interest income increased 22.3% from ₱69.58 billion in 2021. The Bank's net interest margin (**NIM**) expanded by 50 bps to 4.09% in 2023 from 3.59% in 2022. This was a continuation of the 29 basis points NIM expansion seen in 2022 from 3.30% in 2021.

As of 31 March 2024, the Bank's net interest income of ₱29.85 billion is 23.5% higher than same period last year, driven by growth in average assets and high interest rate environment. The Bank's NIM expanded by 25 bps to 4.19% during the first quarter of 2024 from 3.94% in the first quarter of 2023.

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. The Bank's fee generation is backed by strong performance of its largest businesses, namely (i) the Bank's card business, with 2.7 million cards in circulation as of 31 March 2024 and market position of 19.3% based on the data from the Credit Card Association of the Philippines; (ii) Wealth Management's assets under management stood at ₱1.32 trillion as of 31 March 2024; and (iii) the Bank's 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 will continue to provide a stable source of income that will complement income from its core deposit taking and lending businesses.

Accelerated digital transformation

As early as 2016, the Bank embarked on its digital transformation journey. This was BPI Digital 1.0, where a technology foundation was established for the Bank's digital aspirations. A 24/7 cyber security operations center was set up, core banking systems were upgraded, and digital infrastructure was rebuilt, including delayering of architecture.

The Bank's digital roadmap to becoming the "Everyday Bank" examined opportunities around three major themes:

- Moonshots: beyond banking partnerships and ecosystems
- White spaces: penetrating new and underserved markets
- Transforming the core: transitioning to a digital operating model

In the medium term, it is the Bank's core focus to make banking easier and more convenient for clients through its digital customer engagement platforms, with designs aiming to provide useful, easy to navigate and intuitive user-experience on aesthetically appealing platforms to maximise user interface, customer loyalty and revenue generation.

Each of these platforms is designed with a particular customer segment in mind. For the individuals – the affluent; the broad market; and self-employed micro-entrepreneurs (**SEMEs**) – these platforms will allow customers 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, the Bank's one-stop shop for the digital needs of its 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 Bank continues to lead in Philippine open banking, and is among the Philippine banks with the most number of brands and services, and successful monetization. By creating and launching a diverse range of Application Programming Interfaces (**APIs**), the Bank has been actively forming various fintech partnerships, ranging across e-wallets, utility providers, remittance centers, e-commerce platforms and even government agencies. The Bank also has an integrated fraud management solution to reduce the risk of fraud in open banking transactions.

Other agile off-app capabilities the Bank makes available online are local remittance, quick pay, eGov, insurance, and electronic auto-debit arrangements.

To enhance processes to support the Bank's digital channels, create back-office efficiencies and build resiliency, the Bank's Enterprise Operations group has endeavored to digitalize and automate operational and financial processes where possible, aided by the established enterprise robotic process automation infrastructure, resources, and tools.

With the full support of BPI's Board of Directors, a significant amount of capital is committed to the Bank's continuing digital transformation journey. These investments in technology not only sustain platform growth and modernize capabilities, but also allow for the broadening of the digital ecosystem to deepen client relationships.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,378 branch licenses (which include full-service branches and branch-lite units) as of 31 March 2024. In terms of geographic distribution (excluding BanKo, which is the Bank's microfinance arm that serves SEMEs), 436 of the branches were located in Metro Manila, 239 were in Luzon (excluding Metro Manila), 98 were in Visayas and 66 were in Mindanao.

The Bank's overseas network includes one office 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 some of the Bank's products and services. The Bank has two remittance centres in Hong Kong and maintains 125 remittance tie-ups and correspondent relationships with 58 active nostro accounts with 32 banks and financial institutions globally.

The Bank's branch network is supported by a network of 2,151 ATMs (including 494 ATMs provided by Euronet) and 361 CAMs as of 31 March 2024, which together provide cash-related banking services to customers 24/7, located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's interconnection with Euronet and Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 25,000 ATMs across the Philippines as of 31 March 2024. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

The Bank also provides 24-hour banking services through its call centre.

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

The Bank's primary source of funding has been its depositors. Deposits' share of the Bank's funding base averaged about 90% over the past five years.

The Bank has been successful in increasing client base, which reached 12.1 million as of 31 March 2024, from 9.5 million as of 31 March 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 31 December 2023, the Bank's CASA ratio stood at 67.0%, up 5.8 percentage points 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, and was mainly driven by the Bank's extensive omnichannel distribution network, providing easy access and high quality services to depositors. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity, due to the Bank's best-in-class value propositions offered through its physical and digital distribution network.

As of 31 March 2024, the Bank's CASA ratio stood at 64.8%.

The evolving regulatory landscape has also presented alternative funding opportunities. With lower reserve requirements on bond issuances vis-à-vis peso deposits, the Bank continues to explore issuances in the domestic and foreign debt markets as opportunities arise. This allows for funding cost efficiencies while offering clients attractive investment opportunities. In 2023, there was strong demand from the debt capital markets, which led to the successful completion of the following transactions:

- On 31 July 2023, BPI entered into a facility agreement for an unsecured syndicated term loan amounting to US$300 million. The three-year loan, which was drawn down on 24 August 2023, bears a floating interest payable on a quarterly basis.

- On 25 August 2023, BPI issued a green bond amounting to US$250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semi-annual basis. The bond is unconditional, unsecured and unsubordinated and is scheduled to mature on 25 August 2026.

- On 13 November 2023, BPI issued ₱36.7 billion fixed rate bonds due 2025 that have a term of 1.5 years and bear an interest payable on a quarterly basis. The net proceeds were used for general corporate purposes, including funding source diversification. To meet strong investor demand, the final issue size of these bonds was increased from the initial target of ₱5.0 billion to over seven times.

- On 19 March 2024, BPI successfully tapped the international capital markets with a public USD bond issuance for the first time since 2019, with its offering of US$400 million 5-year Reg S senior unsecured notes ("Notes"). The Notes were issued under BPI's US$3 billion Medium Term Notes Programme, and the net proceeds will be used for refinancing and general corporate purposes. The 5-year Notes were priced at U.S. Treasury spread of T+105 basis points (bps) with a coupon of 5.25%, representing the tightest ever spread on a 5-year bond from a non-sovereign Philippine issuer, adding another milestone to BPI's long list of achievements.

Experienced management and strong performance culture

The qualification, diversity and independence of the Bank's Board of Directors is one of the important factors accounting for its long-term growth and success. For its Directors, the Bank emphasizes diversity in terms of skills and experience, age and gender. The Bank also values 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 and above) 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 short and long term incentives, and competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programmes and activities from which employees benefit throughout the course of their careers with the Bank. These programmes range from workshops for new hires to advanced leadership programmes for officers as well as courses on data literacy and agile methodology.

Strategies

Establish BPI as the undisputed leader in digital banking

The Bank is dedicated to redefining banking excellence through its digitalization efforts, which go beyond customer-facing platforms. It is committed to expanding its digital ecosystem by facilitating seamless digital customer onboarding, providing a diverse range of digital products and services, and fostering open banking collaborations. This initiative encompasses agile core systems and data-driven decision-making to ensure the robustness and security of the Bank's digital infrastructure.

The Bank envisions its seven customer engagement platforms to be a major vehicle for client acquisition, financial inclusion and business growth. Growth was sustained across all platforms, with highlights as follows:

- VYBE by BPI – the Bank's e-wallet and rewards app in one, where anyone can be a customer – ended the first quarter 2024 with more than 900,000 sign ups since its inception in October 2022.

- The new BPI mobile app, which features an improved user experience and where clients can start banking instantly with its new-to-bank and new-to-product features, is the first banking app in the Philippines to feature AI-powered tracking and insights. The app offers financial advice, payment reminders and actionable advice on financial wellness. This new BPI app is key to the Bank's "phygital" approach to make the Bank more accessible to Filipinos through a combination of physical branches, as well as digital channels and platforms. There are about 7.0 million enrollees in BPI online and mobile as of 31 March 2024.

- BPI Trade launched a new institutional website as the new hub for the Bank's equities trading business. Customers will be able to access the new trading platform, financial educational material, announcements, account opening, and more.

- BanKo Mobile continues the mission to be the digital arm for the Bank's microfinance segment, with over 320,000 registered users for the year, a 96% surge of new registered users versus the previous year.

- BizKo enjoyed 56% annual growth in customer enrollment year-on-year, with said customers enjoying free access to the various digital solutions catered to small businesses.

- Bizlink, for large corporations, multi-national companies, and conglomerates, has a 41% penetration rate on an expanding client base, and 64% increase year-on-year on number of transactions.

- BPI Wealth Online, targeted at high net-worth individuals, was launched in April 2024, and completes the Bank's suite of seven digital engagement platforms. Roll-out of BPI Wealth Online will be done in phases, starting with about 25% of client base. The platform will enable clients to have a holistic view of investments and placements with BPI and its subsidiaries, invest with ease, access exclusive personalized insights and expert advice, and contact their relationship manager directly using the platform.

BPI continues to invest in and grow its API capabilities in support of open banking – which is also aligned with BSP's push for open finance to usher financial inclusion in the country.

To-date, the Bank, through open banking, has expanded its reach to and engagement with clients through 106 partners covering a vast category of brands and services totaling almost 15,000. Major partners include GCash, Maya, Lazada, Shopee, Grab, and aggregators like ECPay, Bayad, DragonPay, Paynamics, and Xendit.

BPI also recently launched VYBE, an eWallet and rewards app. As an eWallet, it allows clients to easily and securely perform P2M (payment-to-merchant) and P2P (peer-to-peer) transactions using the interoperable QR Ph codes. It also offers cardless withdrawals. Meanwhile, the rewards component allows clients to earn and redeem BPI Rewards points from various BPI products and services.

The BPI Flagship Store in Lazmall was officially launched in 2023, making the Bank the first and still the only bank in Southeast Asia to offer its products and services in the Lazada platform.

Increased digitalisation and strong digital adoption of the Bank's customers expanded the Bank's client base to 12.1 million and enabled efficiently servicing 1.5x of the total transaction count and 2.4x of the total transaction value, with smaller branch footprint and leaner organization with a headcount of 19,522 as of December 2023 compared to 19,150 as of beginning-2019. Headcount, however, has increased to 21,682 as of 31 March 2024, largely due to additional headcount from BPI-RBC merger effective 1 January 2024.

Grow the share of consumer and business banking loans

In July 2023, the Government's declaration of the end of the pandemic in the Philippines further spurred the socio-economic recovery that was already well underway, setting the ideal stage for the Bank's to accelerate growth in its consumer and SME lending businesses while keeping appropriate credit underwriting policies and processes, ensuring asset quality preservation and upholding prudent risk management of its exposures.

In 2023, the Bank enjoyed broad-based growth in its consumer loans: 106.3% in personal loans, 38.8% in credit cards, 29.5% in microfinance, 23.9% in auto and 8.4% in mortgage. Meanwhile, the Bank's SME loans grew by 4%. Market share growth was noted across all segments.

As of 31 March 2024, consumer loans grew 36.2% year on year: 143.9% in personal loans, 77.3% in microfinance, 22.9% in SME loans, 31.5 % in auto, 28.4% in credit cards, and 33.3% in mortgage.

Notwithstanding the gains in volume and market share, asset quality improved with NPL amount, NPL ratio, NPL cover at more favorable levels than at the height of the pandemic.

The Bank's recent merger with RBC will also expand its reach to the network of the Gokongwei group of companies, especially in the SME market segment. The Bank's integration with RBC is expected to increase shareholder value by opening opportunities for the Bank 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. The addition of RBC's loan book, which is 45% consumer, and the strong growth expected from motorcycle loans and teacher's loans, boost confidence that the loan mix will continue to shift in favor of consumer over time.

Close the gap in funding leadership

As of 31 December 2023, total deposits stood at ₱2.3 trillion, an increase of 17.4% from 2021. Growth has been predominantly from time deposits, which increased by 68.7%, as clients shift to higher yielding products following the increases in interest rates.

As of 31 March 2024, total deposits stood at P2.42 trillion, a 12.8% increase from same period last year. Time deposits grew 33.7%, while CASA grew 3.9%.

Becoming the main operating bank of corporate clients is a key imperative to achieving funding leadership. The Bank engages its corporate clients through the BizLink digital platform designed to help them manage their accounts with BPI. Positive progress in client engagements via BizLink was noted in 2023, taking into stock that transaction count was double that of 2019, as well as seeing record count and volume in financial transactions, payroll, and automatic debit facilities.

Also crucial to the Bank's funding leadership is optimizing funding costs and efficient balance sheet management, which entails regular rationalization of deposit products, which now include RBC deposit products, and exploration of alternative funding sources for capital market maturities, ensuring the Bank's prudent position taking. The Bank aims to be well-poised to seize trading opportunities in the market as they arise.

Redefine the new role of branches

The Bank continues to believe in the value of physical branches, opening branches where needed and where there has not been branch presence before, even while consolidating and co-locating existing branches in oversaturated areas, keeping a constant eye to not losing territory coverage. From December 31, 2019 to March 31, 2024, the Bank has co-located 135 branches, bringing total physical branches to 867 including branches acquired from RBC merger. Moreover, the merger with RBC, with BPI as the surviving entity, was approved by the regulators and took effect on 1 January 2024, providing the Bank with another avenue to expand its physical presence.

Select branches have also been redesigned to incorporate the best of physical and digital customer service elements, unlocking the power of "Phygital" banking. As of 31 December 2023, 19 branches have been transformed to Phygital branches – with a concierge and a quick transact area that will ensure enrollment of more customers in the Bank's digital platforms, educating them on how to use the various mobile and online applications to further enhance their banking experience. There will be meeting pods and meeting rooms equipped with virtual conferencing capabilities for customers to be able to access product specialists who provide expert advice. The Bank intends to ramp up the number of branches for phygital transformation moving forward.

As of 31 March 2024, BanKo, the Bank's microfinance arm, has 349 branches and branch-lite units, 49 of which were opened since 2019. Legazpi Savings Bank (**LSB**) has 27 branches as of 31 March 2024.

In 2022, the Bank introduced partnerships with convenient stores, department stores, supermarkets, gas stations, and pharmacies, among others, to make the Bank's products available to the customers served by our partners. The Bank's partner agencies instantly expanded the Bank's physical network from 1,243 branches to over 6,000 locations with 5,794 new partner outlets as of 31 March 2024.

Many of these outlets are in municipalities and towns where the Bank does not have a presence and are open on weekends and holidays, 24/7, allowing accessibility beyond regular banking hours.

The Bank's partner agencies group aims to integrate banking in its customers' daily lives through new channels to extend the Bank's capability to reach, acquire and serve more customers in more communities. With customer convenience at the forefront, the Bank's partner agency marketing caravans create awareness about the presence of the Bank in partner agency stores to drive customers to the stores already in their community. From "come to us", the Bank now "will go to you."

The Bank's partner agencies group matches the right technology enablers, such as APIs, digital linkages and the Bank's own platform, to its partner agencies' business requirements. Currently, a BPI tent card with the unique QR codes of available BPI products is displayed by its partner agencies. 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 Bank's partner agencies currently offer loans, credit cards and insurance products and eventually will effectively operate like a branch which can process deposits, withdrawals, cash-in, cash-out transactions and bills payment.

By becoming another channel for simple banking transactions, these partner agency outlets help the Bank's branches operate more efficiently by reducing the transactional processing load, which the Banks views as an ideal complement to its strategy of redefining the new role of branches.

Champion sustainable banking

As part of the BPI Sustainability Agenda, the Bank's over-all sustainability strategy is built on the two pillars of "Responsible Banking" and "Responsible Operations", as supported by Risk Management and Compliance. The Bank's sustainability strategy is guided by its unique formula "ESG + E_2", which stands for "Environment, Social, Governance + Economic Benefits", emphasizing the need for Economic Benefits (E_2) as the Bank integrates ESG principles in the way it does business.

The Bank's Sustainability Agenda is ultimately governed by the Board of Directors, through the following Board-level committees: Corporate Governance and Sustainability Committee, Executive Committee, and Risk Management Committee. The Bank also has a senior management-level Sustainability Council chaired by its Chief Sustainability Officer, overseeing the implementation of the Bank's Sustainability Agenda, as supported by a dedicated Sustainability Office. Reporting to the Sustainability Council is the Sustainable Funding Committee overseeing the implementation of the Sustainable Funding Framework.

The Bank's Responsible Banking initiatives are centered on the integration of ESG principles to its products and services, such as but not limited to the Bank's Sustainable Development Finance (SDF) Program. As part of the SDF Program, the Bank offers free technical advisory services on sustainable financing solutions from consultants trained and accredited by the International Finance Corporation (IFC). Being the first and only bank to do so, the Bank has accumulated over 400 SME and corporate loans financing renewable energy, energy efficiency, green buildings, and sustainable agriculture.

In 2023, highlights of the Bank's financing portfolio for sustainability include:

- ₱827 billion of the Bank's outstanding corporate and SME portfolio is in support of the UN Sustainable Development Goals (**SDGs)**, representing 52% of the Bank's total corporate and SME portfolio as of 31 December 2023;

- ₱24 billion new loan disbursements in 2023 (upping the cumulative total to P277 billion) were funded under the Bank's Sustainable Development Finance (**SDF**) Program, financing renewable energy, energy efficiency, green building, and sustainable agriculture projects;

- ₱198 billion of new agribusiness loans disbursed in 2023; and

- ₱15 billion of new microfinance loans disbursed under BPI BanKo in 2023, serving approximately 213,000 SEMEs.

In 2023, the Bank also pursued various inclusive, innovative and pioneering banking solutions that champion sustainability such as:

- raising ESG-focused funding, including: (1) the US$250 million IFC Green Financing Deal – the largest deal of IFC with a Philippine bank, (2) the ₱20.3 billion RISE Bonds or Reinforcing Inclusive Support for MSMEs – a social bond, the proceeds of which are allocated to eligible MSMEs, and (3) the ₱10 billion Green Saver Time Deposits – the proceeds of which are allocated to projects with clear environmental benefits;

- introducing new products for underbanked segments, including: (1) the e'Nay app empowering sari-sari store owners to quickly, easily, and conveniently order, manage, and pay for their inventory, (2) the Micro Agri Loan rewarding on-time loan repayments, which started as a pilot financing program for small scale onion farmers of Jollibee Foods Corporation, (3) InstaCashKo Line providing bridge financing for SEMEs, and (4) Max500, a term loan supporting the expanding operations of SEMEs requiring higher loan amounts;

- financing and arranging ESG-focused deals in 2023, including: (1) ₱11 billion sustainability-linked loan (**SLL**) financed with ADB for ACEN Corporation, and (2) ₱25 billion green preferred shares arranged as well for ACEN Corporation; and

- furthering its initiatives for Responsible Operations: (1) shifting two of its corporate offices to 100% renewable energy, bringing the total to three offices, and (2) having six new EDGE-certified bank branches, bringing the total to 11.

Sustainability also means financial inclusion that promotes growth across all sectors. BanKo, the Bank's microfinance arm, has enhanced its efforts to provide SEMEs access to easy, convenient and affordable products and services, via the Bank's digital and traditional distribution channels. The Bank also grew its BanKo branch count given the importance of physical presence in this segment.

The Bank is on-track to meet its commitment on halving its 2020 coal power generation portfolio by 2026, and on zeroing out the same by 2032. The Bank is also steadfast in its milestone commitment of no additional greenfield coal power generation projects. Preparations for the Bank's Net Zero strategy roadmap is 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 the Bank's employees volunteer to help local communities.

Focus on customers

The Bank's culture is anchored on its "NICE" core values of "being Nurturing, acting with Integrity, being Customer Obsessed, and pursuing Excellence". For the second year in a row, an internal summit involving hundreds of the Bank's senior officers was once again held to renew this commitment, followed by a nation-wide roll out to all its employees. Seizing the momentum from being appointed in 2022, the Bank's Customer Delight Officers delivered various customer delight projects that immediately addressed low-hanging fruit opportunities to improve internal and external customer experiences. To reinforce that customer obsession is a key result area of every employee's performance, "Delight-o-Meter" surveys were completed after internal meetings as a constant reminder that everything done across the organisation should be in the best interest of customers.

In a relentless pursuit of customer satisfaction, the Bank achieved first place in net promoter score in 2023 and its highest historical customer count.

Moving forward, the Bank's theme is "MORE with BPI," encompassing "BE MORE", "DO MORE", "SHARE MORE", and "INSPIRE MORE".

"BE MORE" focuses on nurturing the Bank's employees through people initiatives like wellness programs and learning opportunities which will empower them to reach their full potential. The "CHANGE" leadership competencies were also launched to guide everyone to "lead Customer Obsession, inspire High Performance, set Aspirations, lead with Nurturing Spirit, lead with a Growth Mindset, and lead with Excellence".

"DO MORE" highlights the Bank's commitment to its customers, offering relevant digital solutions and excellent customer service.

"SHARE MORE" embodies the Bank's dedication to giving back, supporting sustainable advocacies and charities, and fostering a culture of caring and equity.

"INSPIRE MORE" drives everyone in the Bank to share stories of success and sustainable initiatives, inspiring others to take action for the betterment of the nation.

Recent Developments

Issuance of US$400 million 5-Year Reg S Senior Unsecured Notes

On 26 March 2024, the Bank issued 5-year Reg S Senior Unsecured Notes with an interest rate of 5.25% per annum. The Notes were issued under BPI's US$3 billion Medium Term Notes Programme, the net proceeds of which will be used for refinancing and general corporate purposes.

Sale of shares in GoTyme Bank Corporation (GoTyme Bank)

On 20 March 2024, the Board of Directors of BPI approved the sale of its 752,056,290 common shares representing all of its stakes in GoTyme Bank Corporation to GoTyme Financial Pte. Ltd. (744,099,587 common shares) and Giga Investment Holdings Pte. Ltd., (7,956,703 common shares) at ₱1.20 per share, subject to BSP approval. On 1 April 2024, the deeds of absolute sale of shares covering the abovementioned sale of GoTyme Bank shares were signed by the authorized representatives of BPI.

The Go Tyme Shares were acquired by BPI pursuant to the merger between BPI and RBC with BPI as the surviving bank. The sale is intended to address any potential conflict of interest created by the significant overlap in and similarity of product offerings of GoTyme Bank and BPI**.**

GoTyme Bank is a joint venue among Tyme Investments Pte. Ltd. and members of the JG Summit Group and Robinsons Retail Holdings, Inc. and is one of the six banks with a digital banking license from the BSP. The subject of the sale is the 752,056,290 common shares held by BPI in GoTyme Bank, which comprise approximately 15% of the outstanding capital stock of GoTyme Bank and which were acquired by BPI as the successor-in-interest of RBC upon the effectivity of the merger between BPI and RBC.

Closing and Effectivity of Merger with RBC

All corporate and regulatory approvals having been obtained, RBC and BPI merged, effective 1 January 2024.

The Board of Directors of BPI in its meeting held on 30 September 2022, approved the merger of BPI and RBC, with BPI as the surviving bank, subject to shareholders' and regulatory approvals and executed the Merger Agreement, subject to the fulfillment of conditions precedent to closing.

Subsequently, the following approvals of the merger were secured:

- By stockholders representing at least 2/3 of the outstanding common shares on 17 January 2023.
- By the Philippine Competition Commission (**PCC**) on 9 March 2023 contained in a decision released by the Commission on 13 September 2023.
- By the Monetary Board (**MB**) of the Bangko Sentral ng Pilipinas (**BSP**) on 14 December 2023.
- By the Securities and Exchange Commission (**SEC**) on 29 December 2023.

The SEC likewise issued a Certificate of Filing of the Articles and Plan of Merger, Certificate of Filing of the Amended Articles of Incorporation, and Certificate of Approval of Increase of Capital Stock on 29 December 2023.

Please refer to page 7-16 of the Offering Circular and pages 7-18 of the Second Tranche Pricing Supplement.

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 Third Tranche Pricing Supplement and the section entitled "Description of the Bank" in the Pricing Supplement. The selected financial information presented below as of and for the years ended 31 December 2021, 2022 and 2023 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 three months ended 31 March 2023 and 2024 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

	For the years ended 31 December			For the three months ended 31 March	
	2021	**2022**	**2023**	**2023 (reviewed)**	**2024 (reviewed)**
	(₱ millions, except for earnings per share) (audited)			**(₱ millions, except for earnings per share)**	
Interest income on					
Loans and advances	72,225	84,909	120,900	26,604	37,324
Investment securities	10,436	16,863	21,737	5,060	6,389
Deposits with BSP and other banks	1,956	1,496	2,935	764	859
	84,617	103,268	145,572	32,428	44,572
Interest and finance charges					
Deposits	10,168	14,821	36,027	7,101	12,662
Bills payable and other borrowed funds	4,866	3,381	5,195	1,169	2,063
	15,034	18,202	41,222	8,270	14,725
Net interest income	**69,583**	**85,066**	**104,350**	24,158	29,847
Impairment losses	**13,135**	**9,167**	**4,000**	1,000	1,500
Net interest income after impairment losses	**56,448**	**75,899**	**100,350**	**23,158**	**28,347**
Other income					
Fees and commissions	11,204	11,339	12,717	3,079	3,392
Income from foreign exchange trading	2,384	2,617	3,223	519	1,002
Income attributable to insurance operations	1,854	1,379	1,843	180	802
Trading gain on securities	97	857	1,919	720	631
Net gains (losses) on disposals of investment securities at amortized cost	1,513	214	2	5	1
Other operating income	10,770	17,053	14,267	3,053	3,849
	27,822	33,459	33,971	7,556	9,677
Other expenses					
Compensation and fringe benefits	18,528	19,528	23,221	5,462	6,618
Occupancy and equipment-related expenses	16,010	18,761	22,012	4,824	4,984
Other operating expenses	16,195	19,701	23,877	4,777	6,409
	50,733	57,990	69,110	15,063	18,011
Income before income tax	**33,537**	**51,368**	**65,211**	**15,651**	**20,013**
Provision for income tax					
Current	8,328	12,438	13,934	3,288	4,066
Deferred	1,099	(906)	(635)	158	600
	9,427	11,532	13,299	3,446	4,666
Net income after tax	**24,110**	**39,836**	**51,912**	**12,205**	**15,347**
Income Attributable to:					

Selected Consolidated Financial Information

	For the years ended 31 December			For the three months ended 31 March	
	2021	2022	2023	2023 (reviewed)	2024 (reviewed)
	(₱ millions, except for earnings per share) (audited)			(₱ millions, except for earnings per share)	
Equity holders of the Bank......................	23,880	39,605	51,687	12,134	15,263
Non-controlling Interests	230	231	225	71	84
Net income..	24,110	39,836	51,912	12,205	15,347

Selected Consolidated Financial Information

STATEMENTS OF CONDITION

	As of 31 December			As of 31 March
	2021	2022	2023	2024
		(₱ millions) (audited)		(₱ millions) (reviewed)
Resources				
Cash and other cash items	35,143	39,613	34,843	37,340
Due from BSP	268,827	182,869	199,619	239,774
Due from other banks	34,572	45,190	36,292	39,140
Interbank loans receivable and securities purchased under agreements to resell	30,852	12,382	20,643	7,126
Financial assets at fair value through profit or loss	21,334	22,133	23,654	45,134
Financial assets at fair value through other comprehensive income	134,741	95,267	218,654	234,283
Investment securities at amortized cost, net	338,672	420,533	382,711	365,781
Loans and advances, net	1,476,527	1,702,990	1,882,007	1,981,303
Assets held for sale, net	3,282	3,760	4,743	7,055
Bank premises, furniture, fixtures and equipment, net	17,525	19,355	19,751	21,168
Investments in subsidiaries and associates, net	7,165	7,227	8,287	8,883
Assets attributable to insurance operations	17,563	19,060	19,067	18,610
Deferred income tax assets, net	15,819	16,752	18,185	19,917
Other assets, net	19,893	16,830	19,916	33,194
Goodwill	-	-	-	9,297
Total resources	2,421,915	2,603,961	2,888,372	3,068, 005
Liabilities and Capital Funds				
Liabilities				
Deposit liabilities	1,955,147	2,096,001	2,295,106	2,423,203
Derivative liabilities	3,632	4,297	2,821	2,934
Bills payable and other borrowed funds	95,039	97,503	137,104	142,052
Due to BSP and other banks	953	2,887	1,881	2,844
Manager's checks and demand drafts outstanding	6,931	6,755	8,463	9,041
Accrued taxes, interest and other expenses.	8,413	10,587	14,973	16,308
Liabilities attributable to insurance operations	13,242	14,919	15,202	14,406
Deferred credits and other liabilities	43,402	51,208	53,452	51,891
Total liabilities	**2,126,759**	**2,284,157**	**2,529,002**	2,662,679
Capital funds attributable to the equity holders of the Bank				
Capital stock	45,131	49,193	49,307	52,449
Paid-in-surplus	74,934	104,123	113,414	142,911
Treasury Shares	-	(33,043)	-	-
Reserves	564	644	643	591
Accumulated other comprehensive loss	(8,670)	(14,256)	(11,127)	(13,117)
Surplus	181,101	211,061	204,967	220,241
	293,060	**317,722**	**357,204**	**403,075**
Non-controlling interests	**2,096**	**2,082**	**2,166**	**2,251**
Total capital funds	295,156	319,804	359,370	405,326
Total liabilities and capital funds	**2,421,915**	**2,603,961**	**2,888,372**	**3,068,005**

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December			For the three months ended 31 March	
	2021	2022	2023	2023 (reviewed)	2024 (reviewed)
	(₱ millions) (audited)			(₱ millions)	
Net cash provided by (used in) operating activities	206,480	(43,418)	72,963	93,495	(10,341)
Net cash provided by (used in) investing activities	(104,437)	(40,718)	(79,269)	(36,249)	53,188
Net cash provided by (used in) financing activities	(66,676)	(8,697)	21,668	1,794	(10,369)
Cash and cash equivalents at beginning of the year	330,586	365,953	273,120	273,120	288,482
Cash and cash equivalents at end of the period	365,953	273,120	288,482	332,160	320,960

SELECTED CONSOLIDATED FINANCIAL RATIOS AND PER SHARE DATA

	As of and for the years ended 31 December			As of and for the three months ended 31 March	
	2021	2022	2023	2023	2024
	(audited)			(reviewed)	
Return on average assets[(1)]	1.1%	1.6%	1.9%	1.9%	2.0%
Return on average equity[(2)]	8.4%	13.1%	15.3%	15.4%	15.7%
Net interest margin[(3)]	3.3%	3.6%	4.1%	3.9%	4.2%
Cost-to-income ratio[(4)]	52.1%	48.9%	50.0%	47.5%	45.6%
Gross loans to deposits[(5)]	77.9%	83.5%	83.9%	79.5%	83.6%
Tier 1 capital adequacy ratio[(6)]	15.8%	15.1%	15.3%	15.7%	14.8%
Total capital adequacy ratio[(7)]	16.7%	16.0%	16.2%	16.5%	15.6%
Total tangible capital funds to total tangible assets[(8)]	12.1%	12.2%	12.4%	12.4%	13.0%
Total gross non-performing loans (90-day) to total gross loans[(9)]	2.5%	1.8%	1.8%	1.8%	2.1%
Allowances for credit losses to total gross loans[(10)]	3.5%	3.3%	3.0%	3.3%	3.0%
Allowances for credit losses to total gross non-performing loans (90-day)[(11)]	136.1%	180.1%	156.1%	176.7%	136.2%
Specific provisions to gross loans	3.5%	3.3%	3.0%	3.2%	3.0%
Dividend payout ratio[(12)]	37.9%	40.1%	40.2%	-	-
Dividend per Share (₱)	₱1.80	₱2.12	₱3.36	-	-
Basic and diluted earnings per share attributable to the equity holders of BPI during the year (₱)[(13)]	₱5.29	₱8.78	₱10.90	₱2.68	₱2.90

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 period ended 31 December 2021, 2022 and 2023 and 31 March 2024.

(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 period ended 31 December 2021, 2022 and 2023 and 31 March 2024.

(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 31 December 2023 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 and the Second Tranche Pricing Supplement. The following section is qualified in its entirety by, and should be read in conjunction with, the information found in the Offering Circular and the Second Tranche Pricing Supplement, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement.

An investment in the BPI SEED Bonds involves a number of foreseeable and unforeseeable risks and other investment considerations. You should carefully consider all the information contained in the Pricing Supplement including the investment considerations described below before any decision is made to invest in the BPI SEED 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 BPI SEED Bonds could decline due to any one of these risks, and all or part of an investment in the BPI SEED 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 BPI SEED 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 BPI SEED 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.

In its latest meeting, the Monetary Board opted to keep the BSP's Target Reverse Repurchase (RRP) Rate steady at 6.5%. The decision reflects ongoing concerns about inflation, with risks still leaning towards the upside. Key contributors to potential price pressures include higher transportation charges, increasing food prices, elevated electricity rates, and fluctuating global oil prices. Looking ahead, inflation may accelerate further in the next two months, but it is expected to decline sharply in the second half of the year. The primary factor influencing this trend is the price of rice, which appears to have already peaked. Once inflation falls within the BSP's target range, the central bank may consider cutting interest rates. However, any rate cuts are likely to be minimal, with only one or two reductions anticipated this year.

Finally, continued increases in market interest rates could adversely affect the liquidity levels of the Bank and the Philippine banking industry in general, which have in recent years been supported by the relatively low interest rate environment in the Philippines. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn adversely affect the Bank's business, financial condition and results of operations.

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

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

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

As part of its strategy, the Bank intends to:

- maintain its leading position in the corporate segment;
- diversify its asset base and improve risk-adjusted returns by prudently accelerating growth in higher margin small-and-medium-sized enterprise (**SME**) and consumer lending;
- enhance deposit franchise and delivery infrastructure;
- elevate its digital infrastructure to deliver superior customer experience and cost efficiencies; and
- maintain prudent balance sheet management.

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

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

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

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

The prevalence of smartphones and other connectivity devices and mobile data applications has increased the number of platforms providing online payment solutions, electronic money and wallets, and other similar services and products. 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. To date, the BSP has granted six 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 the Bank 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 the Bank 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, the Bank 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.

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 31 March 2024, the Bank's total credit exposures to borrowers were at ₱2.03 trillion. The Bank extends loans to several industries and sectors in the Philippines with no significant concentration. As of 31 March 2024, the Bank's loan exposures to the top five industries, namely, (i) real estate, renting, and other related activities, (ii) manufacturing, (iii) consumer (iv) electricity, gas, and water and (v) wholesale and retail trade, accounted for 71.5% of its total loan portfolio. The Bank's largest loan exposure is to real estate, renting, and other related activities, which accounted for 23.7% of its loan portfolio as of 31 March 2024. Although the Bank continues to adopt risk controls and diversification strategies to minimize any credit risk concentrations, financial difficulties in any of these industries and sectors could increase the level of non-performing loans and/or restructured assets, and adversely affect the Bank's business, its overall financial condition and results of operations.

The Bank may face increasing levels of non-performing loans (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 NPLs. The Bank’s total gross NPLs were equal to ₱37.96 billion, ₱30.88 billion, ₱35.44 billion and ₱42.96 billion as of 31 December 2021, 2022, and 2023 and 31 March 2024, respectively. For the years ended 31 December 2021, 2022 and 2023, the Bank’s provisions for credit losses were ₱13.14 billion, ₱9.17 billion, and ₱4.00 billion, respectively, representing approximately 19%, 11% and 4% of the Bank’s net interest income for these periods. As of 31 March 2024, the Bank’s provision for losses was at ₱1.5 billion, representing 5% of the Bank’s net interest income for the said period. 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 loan exposures to these riskier segments which are more susceptible to the Philippine’s volatile economic conditions. As a result, the Bank may continue to experience increasing levels of NPLs and provisions for impairment losses in the near future.

Volatile economic conditions and inflation risks in the Philippines and overseas, including volatile foreign exchange and interest rates, anticipated slowdown of global economic growth, and environmental and climate risks, may adversely affect many of the Bank’s customers, causing uncertainty regarding their ability to fulfil obligations under the Bank’s loan terms and agreements 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 loan portfolio in the near future. Any significant increase in the Bank’s NPLs or delinquencies in the Bank’s loan 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 31 March 2024, the Bank's secured loans represented 28.3% of the Bank's total loans, and 54.4% of the collateral on these secured loans consisted of real properties. Given that 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 or liquidation, there can be no assurance that the realised value of the collateral would be adequate to cover the Bank's loans in case these become non-performing in status.

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.

Further, 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 are in the form of inventories or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liabilities 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 guidelines, 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 additional associated expenses such as legal fees and taxes associated with such realisation. There can be no assurance that the Bank will be able to realise the full value, or any value, of any collateral on its loans.

The Bank's provisioning policies with respect to NPLs require quantitative and subjective determinations which may cause some variation in the application of such policies and methodologies.

BSP regulations require that Philippine banks classify NPLs based on four different categories corresponding to levels of risk: loans especially mentioned, substandard, doubtful and loss. Generally, classification depends on a combination of a number of qualitative as well as quantitative factors such as the number of months payment is in past due or arrears, the type of loan, the terms of the loan, the level of collateral coverage and the extent of collectability or recoverability (if still any). These requirements may continue to be subject to change by the BSP. Periodic examination by the BSP and external assurance auditors of these classifications may also result in changes being made by the Bank to such classifications and to the factors relevant thereto.

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

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

Certain accounting standards based on International Accounting Standards have been adopted in the Philippines. Effective 1 January 2018, banks adopted PFRS 9, which estimates provisioning based on Expected Credit Loss (**ECL**) model. This model poses a risk of variability of provisioning across banks due to the subjective assumptions, complex data, and unforeseen changes in macroeconomic conditions.

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

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

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

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

In support of government initiatives to strengthen rural development, Philippine banks, under Republic Act No. 11901 (**RA 11901**) or the Agriculture, Fisheries and Rural Development Financing (**AFRD**) Enhancement Act of 2022, are required to allocate 25% of their loanable funds to a range of borrowers in the agriculture, fisheries, and agrarian reform sectors and rural development. Failure to meet the specified level of loans may result in regulatory fines or penalties being assessed against a non-compliant bank. This fine is calculated based on the relevant rate multiplied by the prescribed AFRD loan amount shortfall. Prior to RA 11901, Philippine banks were mandated to set aside 10 per cent. of their lending portfolio for agrarian reform beneficiaries and 15 per cent. for agricultural activities. Given the greater flexibility in allocating the combined 25 per cent. mandatory credit quota to eligible borrowers, the Bank is deemed compliant with the prescribed percent of funds extended to eligible sectors and expanded type of financing aligned with the BSP regulations (BSP Circular 1159).

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

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

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

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

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

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

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

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

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

BPI's Board of Directors, in its meeting on 30 September 2022, approved the proposed merger between RBC and BPI, with BPI as the surviving bank, subject to shareholders' and regulatory approvals. The proposed merger is a statutory merger pursuant to Title IX of the Revised Corporation Code and Section 40(C)(2) of the National Internal Revenue Code, i.e. merger with the issuance of primary shares. The merger was completed on 1 January 2024, and the shareholders of RBC collectively held approximately 6% of the resulting outstanding capital stock of BPI at completion.

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

New tax and other revenue-raising measures are being considered by the Philippine legislature that may increase taxes on the Issuer, including by imposing a withholding tax on the BPI SEED Bonds.

Certain tax measures proposed under what is currently referred to as, the Passive Income and Financial Intermediary Taxation Act (**PIFITA**) are pending in the Philippine legislature. The House of Representatives' version of PIFITA, also known as House Bill No. 4339 has been approved in 2022. There are several versions of

PIFITA in the Senate which are pending committee hearings but no assurance can be given that the PIFITA will be adopted by the Senate without amendment, approved by the President without veto and become law in its current form, or if other tax measures may affect the Issuer's payments on the SEED Bonds, or when such changes would come into effect. If enacted into law, the PIFITA is expected to affect a broad range of Philippine taxes on passive income and financial instruments.

Specifically, the PIFITA proposes (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, (iii) 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), except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) the gradual reduction of the stock transaction tax until it reaches 0.1%. In relation to debt instruments, the current proposals would introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20%-25%), unless a treaty rate applies.

No assurance can be given that HB No. 4339 will be passed in its present form. Any increase in taxes on the Bank 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. Further, the expiration, non-renewal, revocation or repeal of any tax exemptions or tax incentives, the enactment of any new laws or increase in taxes, could have an effect on the Bank's business, financial condition and results of operations.

For other risks relating to the Bank and its Business, please refer to pages 23-30 of the Offering Circular and pages 23-27 of the Second Tranche Pricing Supplement.

Risks Relating to the Philippine Banking Industry

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

In December 2019, an outbreak of the disease COVID-19, caused by a novel coronavirus (SARS-CoV-2) was first reported to have surfaced in Wuhan, the People's Republic of China, later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic.

From 2020 to 2022, COVID-19 spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially. As of 21 January 2024, there have been over 774 million confirmed cases and over seven million deaths. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The disruption and uncertainty caused by COVID-19 has severely and adversely affected the Philippine economy, resulted in higher unemployment rates, closure of small businesses and significantly dampened outlook for large enterprises or conglomerates. These, together with the adverse effects on industries such as global airline, retail, tourism, real estate and logistics, and supply chains, led to slower deposit and loan growth in the banking industry and increased exposure of banks to greater credit risk, which led to higher NPLs particularly in the retail and tourism industries, SMEs, and unsecured borrowers. Further, Government stimulus policies such as interest rate cuts, the BSP moratorium on loan and interest repayments, waiver of late fees, and deferral of credit card payments, led to decreased margins for the banking industry and caused a decline in profitability. In addition, the measures implemented by the Philippine government to mitigate the negative impact of COVID-19 in the Philippine economy have caused disruption to businesses and economic activities. The Bank's business has been adversely affected by the COVID-19 pandemic and consequential economic downturn.

The Philippines has also experienced other public health epidemics or outbreaks of diseases, such as avian influenza or bird flu, African Swine Fever, dengue and polio, among others, which have adversely affected the local economy. For example, in 2019, the Department of Health declared a national dengue outbreak with 437,089 cases recorded for the year with 2,620 deaths. Furthermore, in September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur after 19 years recording no cases in the country.

There can also be no assurance that the policies and controls for outbreak prevention and disease recurrence, will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of bird flu, COVID-19 or any other contagious disease affecting the Philippines or elsewhere will not occur. There can also be no assurance that any current or future outbreak of contagious diseases will not have a material adverse effect on the Bank's business, financial condition, and results of operations. If the outbreak of the COVID-19 or any public health epidemic or pandemic becomes or continues to be widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition and results of operations.

Any future changes in PFRS may affect the financial reporting of the Group's business.

Subject to the Board of Accountancy's approval, PFRS 17 Insurance Contracts, will become effective on 1 January 2025. PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2023 can be found in Note 31.2 of the Bank's audited financial statements as at 31 December 2022 and 2023 and for the three years ended 31 December 2023 included elsewhere in this Third Tranche Pricing Supplement.

The Bank believes that other amendments and improvement to PFRS issued effective after 31 December 2023 will not have material impact on the Bank's future financial statements.

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 local 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. According to data published by the BSP, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines as of 31 March 2024.

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;

- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources; and

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

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

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

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

The Philippine banking industry 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 exclusive of interbank loans to 3.6% - 4.7% levels from September 2020 to August 2021. With the reopening and improvement of the economy, these figures gradually moved back down to the 3.6% level as of August 2022. As of 31 March 2024, the NPL ratio was at the 3.4% level.

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

The Bank's banking interests are regulated and supervised principally by the BSP, to which the Bank has reporting obligations. The Bank is also subject to banking, corporate, taxation, data privacy laws and other relevant laws and regulations in effect in the Philippines, administered by agencies such as the Bureau of Internal Revenue (the **BIR**), the Philippine SEC, the PSE, the National Privacy Commission (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 Manual. 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 "overnight deposit facility" with a current rate of 6.0% (as of 14 December 2023), and forms the lower bound of the IRC. Meanwhile, the rate for the "overnight lending facility", which replaced the previous repurchase facility, and forms the upper bound of the IRC, is currently at 7.0% (as of 14 December 2023). The BSP likewise introduced the "term deposit facility" 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 substitute liabilities, which, effective 6 January 2024, 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) 4.0% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 1.0% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market issued within one year from 6 January 2024; (e) 0% for bonds mentioned in (d) issued one year after 6 January 2024, effective for another 12 months, (f) 3.0% against bonds other than those in (d) and (e); and (g) 0% against basic deposit accounts as defined under Section 213 of the MORB and for interbank call loan transactions (**IBCL**).

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 and related standards in the Philippines may impose certain restrictions and stricter capital requirements affecting the Bank.

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 1 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 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 9 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 6 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 6 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 High-Quality Liquid Assets 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 March 31, 2024, the Bank had a CAR of 15.6% and a CET ratio of 14.7%. 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 the Bank or cause the Bank to alter its credit risk management systems, which may adversely affect the Bank's business, financial condition and results of operations.

Compliance with regulatory requirements may impact the Bank's ability to grow its business and may even require the Bank to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Bank's business, financial condition, and results of operations. Unless the Bank 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.

All Philippine banks, including the Bank, are required to comply with the requirements of Basel III and related standards, including ensuring that sound and robust capital management, recovery and resiliency plans are effectively in place and regularly stress-tested should there be a need to raise any adequate additional capital (or liquidity) in the future.

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

The sovereign credit ratings of the Philippines directly affect companies resident and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign.

The Philippines enjoys investment grade credit ratings from the following major agencies:

- Fitch Ratings – BBB (stable), which was affirmed on April 2024;
- Moody's Investors Service – Baa2 (stable), which was affirmed on May 2024; and
- Standard & Poor's – BBB+/A-2 (stable) which was affirmed on September 2023.

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, or the outlook for, 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 Government and Philippine companies, including the Bank, 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 risks 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 banking industry were 3.25% and 3.32% as at 31 December 2022 and 2023, respectively, and 3.42% and 3.47% as at 31 March 2023 and 2024, respectively.

If the Bank were not to comply with FATCA, this may cause material and adverse impact on the Bank 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 US$780 million in fines for their role in assisting U.S. citizens in evading income taxes. The 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 the 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 the 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.

On 24 February 2022, Russia launched a full-scale invasion of Ukraine that is resulting in massive humanitarian casualties from both sides, especially Ukraine, and in destruction of infrastructure, roads, and physical properties in Ukrainian cities and in the Crimean region which was annexed by Russia since 2014. Trade and supply chain disruptions continue to cause political and economic tensions amongst member nations of the European Union, in the U.S. and, to some extent, in some Asian and African countries.

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, geopolitical 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 also fell as the trend towards regionalization and global fragmentation continued.

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 U.S. and Switzerland both carry reputation as leading countries for banks and financial institutions. So far, the impact of these events on the Philippine banking industry has been minimal.

The upcoming US Presidential Election will be held on November 2024, with President Joe Biden and former President Donald Trump as the candidates. The results will have profound implications for the global economy and financial markets, with potential shifts in trade policies, tax regulations, and geopolitical stability. Economic policy changes will influence global supply chains and investment patterns, while adjustments in U.S. monetary and regulatory frameworks will affect global capital flows and market stability.

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. These uncertainties and other future events related to this conflict could continue to adversely impact the political and monetary policies of major economies, which in turn could have a negative impact in the Philippine market. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services.

For other risks relating to the Philippine Banking Industry, please refer to pages 30-37 of the Offering Circular and pages 28-34 of the Second Tranche Pricing Supplement.

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 a chief justice of the Supreme Court of the Philippines, a nullification of the appointment of another 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.

The Philippine general elections for national and local officials took place on 9 May 2022 with Ferdinand Marcos, Jr. being proclaimed President and Sara Duterte being proclaimed Vice-President. The mid-term national and local election, in which 12 senators, representatives of the House of Representatives and local officials will be elected, is set on 12 May 2025.

No assurance can be given that any changes in 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.

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. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. 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 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, the Netherlands, to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the UNCLOS. 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 apologised.

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.

Recent months have seen increased frequency of incidents as well as heighted intensity of confrontations between Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In August 2023, China Coast Guard vessels used water cannon against a Philippine resupply mission preventing one of the boats from delivering its cargo. On 24 September 2023, the Philippine Coast Guard reported that the Chinese Coast Guard has installed a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal. In a special operation conducted the following day, the Philippine Coast Guard confirmed that it has removed and cut the floating barrier. In October 2023, the Philippines has lodged a diplomatic protest with China in response to maneuvers by Chinese vessels that led to collisions with Philippine ships on a resupply mission to the BRP Sierra Madre on Ayungin Shoal (international name: Second Thomas Shoal). On April 30, 2024, while Philippine government vessels were distributing fuel and food to the fisherfolk in the Scarborough Shoal, China coast guard vessels attacked them using high-pressure water cannons, causing damage to the vessels. This caused the Philippine government to file another diplomatic protest against China. As of April 30, 2024, the Philippines has filed total of 153 diplomatic protests against China during President Marcos' tenure, with 20 of these protests filed exclusively in 2024.

United States President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. In February 2023, the Philippine and United States governments announced the designation of four new sites in connection with the implementation of the Enhanced Defense Cooperation Agreement. This expansion is viewed to make the alliance between the Philippines and the United States stronger and more resilient. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations.

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

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

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines requires the Bank to have at least two independent Directors or such number of independent Directors as is equal to 20.0% of the Board, whichever is the lower number. The Bank currently has six independent Directors. Many other jurisdictions may require more independent directors.

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

Fluctuation in the value of the Peso against the U.S. Dollar and other currencies may affect the Bank's business.

The Bank's revenues are predominantly denominated in Pesos, while some investment initiatives and certain expenses, including debt obligations, are denominated in other currencies (principally U.S. Dollars). To fund its foreign currency requirements, the Bank taps the international market to raise needed funds and capitalize on the offshore market's flexibility in volume and in pricing. The Bank only incurs foreign currency debt for foreign currency assets. To hedge against minimal foreign currency exposure, the Bank may utilize short to medium term hedges to protect itself from any Peso depreciation. Furthermore, the Bank also keeps short-term U.S. Dollar investment as part of its liquid assets.

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the Peso to be determined by the supply and demand of foreign exchange. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and the Group's financial condition and results of operation. As of 31 March 2024, according to the BSP reference exchange rate bulletin, the Peso was at ₱56.281 per US$1.00 from ₱54.429 and ₱51.960 per US$1.00 at the end of March 2023 and March 2022, respectively.

For other risks relating to the Philippines, please refer to pages37-43 of the Offering Circular and pages 34-37 of the Second Tranche Pricing Supplement.

Risks Relating to an Investment in the BPI SEED Bonds

Bonds issued as sustainability bonds may not be a suitable investment for all investors seeking exposure to green and/or social assets.

It is the intention of the Bank to apply the net proceeds of the BPI SEED Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in the Bank's Sustainable Funding Framework. Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in the BPI SEED Bonds together with any other investigation such investor deems necessary.

In connection with an issue of BPI SEED Bonds, the Bank may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a **Second Party Opinion**) confirming that such BPI SEED Bonds are in compliance with the Sustainability Bond Guidelines 2018 published by the International Capital Market Association, and the ASEAN Green Bond Standards, ASEAN Social Bond Standards, and ASEAN Sustainability Bond Standards published by the ASEAN Capital Markets Forum (collectively, the **Principles**).

In 2020, Sustainalytics provided a second-party opinion on the Sustainable Funding Framework's environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018, the Green Loan Principles, the ASEAN Green Bond Standards, the ASEAN Social Bonds Standards, and the ASEAN Sustainability Bonds Standards.

Investment Considerations

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

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

While it is the intention of the Bank to apply the net proceeds of the BPI SEED Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in the Bank's Sustainable Funding Framework, there can be no assurance that the Bank will be able to do so. In addition, there can be no assurance that any Eligible Sustainability Projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or similar) as originally expected or anticipated by the Bank. Neither the Bank nor the Joint Lead Arrangers and 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 undertaken, nor are any of them responsible for, any assessment of the eligibility criteria for Eligible Green and/or Social Projects, any verification of whether the Eligible Green and/or Social Projects meet such criteria, the monitoring of the use of proceeds of the BPI SEED Bonds or the allocation of the proceeds by the Bank to particular Eligible Green and/or Social Projects. The BPI SEED Bonds may not be a suitable investment for all investors seeking exposure to sustainable assets.

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

The Second Party Opinion is for information purposes only and neither the Bank nor the Joint Lead Arrangers and 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) make any representation as to the suitability or reliability for any purpose of any Second Party Opinion or whether the BPI SEED Bonds fulfil the relevant environmental and sustainability criteria nor accept any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of the Second Party Opinion and/or information provided in it. The Second Party Opinion is not, nor should be deemed to be, a recommendation by the Bank or the Joint Lead Arrangers and 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 buy, sell or hold the BPI SEED Bonds. Each potential investor of the BPI SEED Bonds should determine for itself the relevance of the information contained in the Pricing Supplement and its purchase of any BPI SEED Bonds should be based upon such investigation as it deems necessary. Prospective investors should have regard to BPI's Sustainable Finance Framework, the Second Party Opinion delivered in respect thereof, and any public reporting by or on behalf of the Bank in respect of the application of the proceeds of the BPI SEED Bonds for further information.

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

In the event that any such BPI SEED Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable", or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Joint Lead Arrangers and Selling Agents or any other person that such listing or admission satisfies (or would continue to satisfy), whether in whole or in part, any present or future investor expectations or requirements, taxonomies or standards or any other investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects related to, and uses of the net proceeds from the BPI SEED Bonds. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Joint Lead Arrangers and Selling Agents or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the BPI SEED Bonds. In the event that the BPI SEED Bonds are listed on any such exchange or securities market, any change to the listing or admission status of the BPI SEED Bonds may have a material adverse effect on the value of the BPI SEED Bonds or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

For other risks relating to investment in bonds, please refer to pages 43-50 of the Offering Circular.

GENERAL TERMS AND CONDITIONS OF THE BONDS

Please refer to pages 54-89 of the Offering Circular for the General Terms and Conditions relating to any tranche of the Bond Program.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the BPI SEED Bonds and is qualified in its entirety by the General Terms and Conditions in the Offering Circular, the Registry and Paying Agency Agreement, Trust Agreement, Program Agreement and other agreements. Please refer to pages 54-89 of the Offering Circular for the General Terms and Conditions relating to any tranche of the Bond Program.

Issuer	:	Bank of the Philippine Islands (**BPI**).
Issue	:	Peso-denominated BPI Sustainable, Environmental, and Equitable Development Bonds (**BPI SEED Bonds**) under the ₱100 Billion Bond Program.
Joint Lead Arrangers	:	BPI Capital Corporation (**BPI Capital**). Standard Chartered Bank (**SCB**)
Selling Agents	:	BPI Capital. SCB.
Trustee	:	Development Bank of the Philippines – Trust Banking Group.
Registrar, Depository and Paying Agent	:	Philippine Depository & Trust Corp. (**PDTC**).
Market Maker	:	SCB.
Instrument	:	Fixed rate bonds, constituting the direct, unconditional, unsecured and unsubordinated obligations of BPI.
Issue Size	:	₱33,700,000,000.00.
Use of Proceeds	:	The net proceeds from the BPI SEED Bonds will be used for the financing or refinancing of new or existing Eligible Green and/or Social Projects as defined under, and consistent with, BPI's Sustainable Funding Framework. In no case shall the unallocated proceeds from the BPI SEED Bonds be used to repay existing borrowings under general credit facilities of the Bank.
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 BPI SEED 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 BPI SEED 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	:	19 July 2024 to 1 August 2024, or such other dates as may be agreed upon by the Issuer and the Joint Lead Arrangers.

Summary of the Offer

Issue Date	9 August 2024 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	6.2000% p.a.
Interest Rate Setting Date	18 July 2024, 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 9, May 9, August 9, November 9 computed based on the outstanding balance of the BPI SEED Bonds. Interest on the BPI SEED 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 9 August 2024, 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 BPI SEED Bonds shall be issued in scripless form. Legal title to the BPI SEED Bonds shall be shown in the Registry of Bondholders to be maintained by the designated registrar for the BPI SEED Bonds. A Master Certificate of Indebtedness representing the BPI SEED Bonds shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders. The BPI SEED Bonds will be offered and sold in minimum principal amounts of ₱500,000.00 and in integral multiples of ₱100,000.00 in excess thereof.
Secondary Trading	The BPI SEED 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 BPI SEED 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 BPI SEED 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 who are in possession of or have access to material and non-

public information affecting the pricing and marketability of the BPI SEED Bonds or which substantially impacts an investor's decision to buy or sell the BPI SEED 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 BPI SEED 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 BPI SEED 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. Select 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, 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 BPI SEED 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 BPI SEED 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 BPI SEED 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 BPI SEED Bonds starting on the first (1^{st}) anniversary date of said BPI SEED 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 BPI SEED 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 BPI SEED 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 BPI SEED Bonds shall then be deemed fully redeemed and cancelled.
Final Redemption	:	All BPI SEED 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 BPI SEED 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 BPI SEED 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 BPI SEED 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 BPI SEED 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 BPI SEED Bonds for electronic trading and settlement on PDEx. Trading, transfer, and/or settlement of the BPI SEED Bonds shall be performed in accordance with the procedures set by PDEx and PDTC.
Governing Law	:	Philippine law.

SUSTAINABLE FUNDING FRAMEWORK

The Bank recognizes the importance of creating value not only for its businesses, but also for its stakeholders, the environment, and the communities in which it operates. It strives to have sustainability at the core of its corporate strategies, ultimately balancing its growth aspirations with its environmental and social responsibility.

The Bank promotes investments in businesses, industries, and projects that contribute to the United Nations (**UN**) Sustainable Development Goals (**SDGs**). BPI's largest shareholder, Ayala Corporation, is a founding member of the UN Global Compact Network Philippines. The Bank established a Sustainable Funding Framework under which it may issue Green, Social, and/or Sustainability Bonds and/or Loans to fund selected Eligible Green and Social Projects.

An amount equal to the aggregate net proceeds from the issuance of every BPI Green, Social, and Sustainability Bond/Loan will be used to finance or refinance, in whole or in part, projects under any of the Eligible Project Categories below. Projects financed or refinanced may be under BPI or under any of the BPI Group entities. With respect to refinancing, only financing originally made within two and a half years of the issue date of each relevant Green, Social, or Sustainability Bond/Loan will qualify.

1. Eligible Project Categories

a. Eligible Green Project Categories

Category	Sub-category	Description
Renewable energy	Energy production	Solar energy Wind energy Geothermal energy (direct emissions < 100g CO_2/kWh) Run-of-river hydro energy (without pondage)
	Transmission, distribution and smart grid	Building, operation and maintenance of, electric power distribution, transmission networks and smart metering systems, that contribute to: A. connecting renewable energy production units to the general network; and B. improving networks in terms of demand-size management and energy efficiency
Energy efficiency	Lighting Heating, Ventilation and Airconditioning Systems (HVAC) High Efficiency Motors (HEMS)	Refurbishment or renovation of properties in order to improve energy efficiency (at least 15% improvement or to comply with International Finance Corporation Excellence in Design for Greater Efficiencies (IFC EDGE standards)
Sustainable water & wastewater management	Wastewater treatment	Production and treatment of water
	Integrated water management	Water efficiency systems
	Sustainable urban drainage systems	Mains rehabilitation, leakage prevention

Pollution prevention & control	Not applicable	Waste management and recycling projects
Green buildings	Certified Leadership in Energy and Environmental Design (LEED); "Gold" Excellence in Design for Greater Efficiencies (EDGE) Certified or EDGE Compliant Buildings, as determined by a third party; Other national equivalent such as Building for Ecologically Responsive Design Excellence (BERDE)	Financing or refinancing of development, acquisition, renovation of otherwise completed residential, public and commercial properties that have or will receive (i) a design stage certification, (ii) a post-construction certification and/or (iii) an in-use certification in any of the following building certification schemes at the defined threshold level or better

The net proceeds of any BPI Green, Social, and Sustainability Bond and/or Loan shall not be used towards financing and/or refinancing of fossil fuel related assets and activities.

b. Eligible Social Project Categories

Category	**Description**
Financing MSMEs	Loans to MSMEs that meet any of the following classifications: • Benefit underdeveloped region/s; • Qualifications set in the Bangko Sentral ng Pilipinas' Manual of Regulations for Banks, and the Securities and Exchange Commission's Guidelines on the Issuance of Social Bonds under the ASEAN Social Bonds Standards in the Philippines; • Can otherwise be expected to support and promote underserved and under banked segments of the population; or • Benefit those negatively impacted by natural calamities, with significant consequences on the people, public health, infrastructure, assets, or the economy.

The net proceeds of any BPI Social and Sustainability Bond and/or Loan shall not be used towards financing and/or refinancing of activities related to alcohol, gambling, tobacco, and weaponry.

The Bank reserves the right to choose the most efficient way of transferring cash between entities to fund Eligible Green and Social Projects.

2. Process for Project Evaluation and Selection

On a semi-annual basis, the Bank's Sustainable Funding Committee (**SFC**) convenes to validate and approve historical enrolments or to move for the disenrollment or replacement of paid off or disqualified loans. SFC will likewise review the monitoring and reporting of issued Green, Social, and Sustainability Bonds/Loans and the deployment of net proceeds to reimbursed Eligible Green and Social Projects, until all proceeds are accounted for.

The Bank ensures that all loans included for allocation under the Green Finance Portfolio and the Social Finance Portfolio comply with national, local, and environmental laws, as applicable, at the time of issuance.

a. Green Projects

The Bank's Sustainable Development Finance Team (**SDF**) is responsible for identifying, evaluating and nominating potential Eligible Green Projects for inclusion in the Green Finance Portfolio to be financed. As part of the process, the Bank works with technical consultants to review and evaluate the project details and ensure that the project meets the eligibility requirements under the Sustainable Funding Framework.

The SDF Head validates and signs off on the list of Eligible Green Projects to be included in the Green Finance Portfolio.

b. Social Projects

The Bank's Business Banking Strategy and Portfolio Analytics Group is responsible for identifying, evaluating and nominating potential Eligible Social Projects for inclusion in the Social Finance Portfolio to be financed.

The Business Banking Segment Head or the Strategy and Portfolio Head validates and signs off on the list of Eligible Social Projects to be included in the Social Finance Portfolio.

3. Management of Proceeds

An amount equal to the net proceeds will be allocated to finance and/or refinance designated Eligible Green/Social Projects, as relevant, across the BPI Group, selected in accordance with the Eligibility Criteria, and using the evaluation and selection process mentioned above.

Payment of principal and interest on the Green, Social, and Sustainability Bonds/Loans will be made from the Bank's general funds and will not be directly linked to the performance of any one specific Eligible Green/Social Project.

Tracking of Proceeds

The Bank will monitor the allocation of an amount equal to the proceeds via internal information systems. A register has been created to facilitate the monitoring and reporting of the BPI SEED Bonds and the deployment of an amount equal to the net proceeds.

The register for any issued Green, Social, or Sustainability Bonds/Loans will include, among others:

i. Green, Social, and Sustainability Bond/Loan details: including ISIN, issue date, maturity date, principal amount and coupon;
ii. Eligible Green/Social Project list;
iii. Eligible Green/Social Project Categories;
iv. The regions in which the projects are located, as applicable;
v. The amount of net proceeds allocated to the projects;
vi. The date of allocation and foreign exchange rates; and
vii. Environmental certification of the project (if applicable).

Use of Unallocated Proceeds

Pending any allocation or reallocation, an amount equal to the net proceeds from the BPI SEED Bonds may be invested in cash or cash equivalents.

These funds will be managed according to the Bank's internal liquidity management policies and may be transferred to other entities within the BPI Group.

In no case shall the unallocated proceeds from the BPI SEED Bonds be used to repay existing borrowings under general credit facilities of the Bank.

Substitution of Assets

The Bank will allocate an amount equal to the net proceeds to assets or projects that comply with the Eligibility Criteria as soon as reasonably practicable, reallocating to replacement assets or projects in the event that a previously allocated asset or project is sold or no longer available.

4. Reporting

Allocation Reporting

At least annually, until an amount equal to the net proceeds has been allocated, and thereafter, in the event of material changes, the Bank will provide information on the allocation of an amount equal to the net proceeds of the BPI SEED Bonds on its website and/or in BPI's Annual Integrated Report. The information will contain at least the following details:

i. a list of approved Eligible Green/Social Projects, including amounts allocated (or aggregated in the case of MSME Lending); and

ii. remaining balance of unallocated proceeds.

Where possible, the Bank will also provide additional information, case studies or examples of select projects, subject to considerations such as competition and confidentiality agreements.

The annual reporting will be reviewed and approved by the Sustainable Funding Committee and the Bank's senior management.

For each Green, Social, and Sustainability Bond/Loan issuance, the Bank intends to engage an external auditor to provide independent verification on its reporting and management of proceeds in accordance with this Sustainable Funding Framework.

Impact Reporting

Where relevant and possible, the Bank will also report on selected impact metrics (per project or in aggregate for all projects financed by the proceeds of a Green, Social, and Sustainability Bond/Loan issuance), as outlined below:

Renewable energy	*Greenhouse Gas (GHG) emissions reduced/avoided (tCO_2e)*
Energy efficiency	• *Annual energy savings (kWh/MWh/GWh)* • *Reduction in energy demand (%)*
Green buildings	• *Annual energy avoided, compared to national building requirements (kWh/MWh)* • *Level of certification or compliance achieved by the Green Building* • *Annual GHG emissions reduced/ avoided (tCO2e reduced)*
Pollution Prevention and Control	*Waste management* • *Number of tons processed in the facility (Metric ton)* • *Energy saving attributable to the investment (kWh/MWh/GWh)* • *Estimated reduction in CO2e emissions (tCO2e equivalents)*
Sustainable water management	*Water & wastewater management* • *Annual water savings (l/m3)* • *Annual volume of wastewater treated or avoided (l/m3)*
MSME lending	*Lending to MSMEs* • *Number of loans to MSMEs* • *Total amount of loans made to MSMEs*

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as at 31 March 2024. This table should be read in conjunction with the Bank's reviewed condensed consolidated financial statements as of 31 March 2024 and the notes presented elsewhere herein.

	As of 31 March 2024 Actual (₱ millions)
Short-term liabilities	
Deposit liabilities	1,496,963
Derivative liabilities	1,871
Bills payable	46,926
Due to BSP and other banks	2,844
Manager's checks and demand drafts outstanding	9,041
Accrued taxes, interest and other expenses	16,308
Liabilities attributable to insurance operations	9,476
Deferred credits and other liabilities	41,113
Total short-term liabilities	1,624,542
Long-term liabilities	
Deposit liabilities	926,240
Derivative liabilities	1,063
Bills payable	95,126
Liabilities attributable to insurance operations	4,931
Deferred credits and other liabilities	10,777
Total long-term liabilities	1,038,137
Total liabilities	**2,662,679**
Capitalisation	
Capital stock	52,449
Paid-in surplus	142,911
Treasury Shares	0
Reserves	591
Surplus	220,241
Accumulated other comprehensive loss	(13,117)
Non-controlling interests	2,251
Total capital funds	405,326
Total capitalisation and indebtedness	**3,068,005**

Capital Ratios(1)	
Common Equity Tier 1 ratio	14.74%
Tier 1 capital ratio	14.74%
Total capital ratio	15.57%

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 the Second Tranche Pricing Supplement, and must be read in conjunction with the Offering Circular (pages 91-92) and the Second Tranche Pricing Supplement (pages 46-47). Full information on the Bank and the Offer is contained in the 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 Third Tranche Pricing Supplement as well as the section on "Risk Management" in the Offering Circular, the Second Tranche Pricing Supplement, and this Third Tranche 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								
	2021			2022			2023		
	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	270,746	1,572	0.58	269,274	740	0.27	237,641	1,292	0.54
Interbank loans receivable and securities purchased under agreements to resell	37,643	384	1.02	28,288	756	2.67	22,981	1,643	7.15
Investment securities.........	430,739	10,436	2.42	539,008	16,863	3.13	591,708	21,737	3.67
Loans and advances	1,366,920	72,225	5.28	1,534,079	84,909	5.53	1,669,592	120,900	7.11
Total interest-earning assets..............................	**2,106,049**	**84,617**	**4.02**	**2,370,650**	**103,268**	**4.36**	**2,551,920**	**145,572**	**5.70**
Deposit liabilities	1,733,232	10,168	0.59	2,012,713	14,821	0.74	2,139,598	36,027	1.68
Derivative instruments: subordinated debt, bills payable, and other borrowings	121,622	4,866	4.00	87,283	3,381	3.87	105,356	5,195	4.93
Total interest-bearing liabilities........................	**1,854,854**	**15,034**	**0.81**	**2,099,996**	**18,202**	**0.87**	**2,244,954**	**41,222**	1.84

	For the three months ended 31 March					
	2023			2024		
	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	243,552	369	0.62	262,757	407	0.62
Interbank loans receivables and securities purchased under agreements to resell	21,113	395	7.58	26,280	452	6.92
Financial investments	580,599	5,060	3.53	626,062	6,389	4.10
Loans and advances......................................	1,639,426	26,604	6.58	1,949,013	37,324	7.70
Total interest-earning assets	**2,484,690**	**32,428**	**5.29**	**2,864,114**	**44,572**	**6.26**
Deposit liabilities..	2,085,320	7,101	1.38	2,402,697	12,662	2.12
Derivative instruments:						
Subordinated debt, bills payable, and other borrowings	105,612	1,169	4.49	135,716	2,063	6.11
Total interest-bearing liabilities	**2,190,932**	**8,270**	**1.53**	**2,538,413**	**14,725**	**2.33**

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 2023 compared to the year ended 31 December 2022, for the year ended 31 December 2022 compared to the year ended 31 December 2021 and for the three months ended 31 March 2024 compared to the three months ended 31 March 2023. 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 2021 compared to the year ended 31 December 2022			For the year ended 31 December 2022 compared to the year ended 31 December 2023		
	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	6,427	108,270	0.71	4,874	52,699	0.55
Loans and advances	12,684	167,159	0.25	35,991	165,512	1.58
Deposits with BSP and other banks	(460)	(10,827)	(0.13)	1,439	(36,941)	0.62
Interest expense on:						
Deposits	4,653	279,481	0.15	21,206	126,885	0.95
Bills payable and other borrowings	(1,485)	(34,340)	(0.13)	1,814	18,074	1.06
Net interest income	**15,483**	**19,460**	**0.28**	**19,284**	**36,312**	**0.38**

	For the three months ended 31 March 2024 compared to the three months ended 31 March 2023		
	Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate
	(₱ millions)		
Interest income on:			
Financial investments	1,329	45,643	0.57
Loans and advances	10,720	309,587	1.12
Deposits with BSP and other banks	95	24,372	0.02
Interest expense on:			
Deposits	5,561	317,377	0.74
Bills payable and other borrowings	894	30,104	1.62
Net interest income	**5,689**	**31,941**	**0.25**

DESCRIPTION OF THE BANK

This section updates and discusses additional information to those stated in the Offering Circular and the Second Tranche Pricing Supplement. 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 (pages 93-118), and the Second Tranche Pricing Supplement (pages 48-66).

Overview

The Bank is a Philippine-based universal bank with an expanded banking license. Founded in 1851, the Bank is the country's oldest bank. In the post-World War II era, the Bank evolved, largely through a series of mergers and acquisitions during the 1980s and 1990s, from a purely commercial bank to a fully diversified universal bank with activities encompassing traditional commercial banking as well as investment and consumer banking.

Together with its subsidiaries, the Bank offers a wide range of financial services that include institutional 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 corporations, SMEs and individuals.

According to data available from the BSP, the Bank is the third largest publicly listed universal bank in the country in terms of total assets which stood at ₱3.1 trillion as of 31 March 2024. 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, as of 31 March 2024, the Bank is the Philippines' second largest in terms of net customer loans, with a market share of 15.8%, and second largest in terms of deposits, with a market share of 12.7%. 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.

The Bank enjoys recognition from various award giving bodies, and in 2023 its institutional awards 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. In the first quarter of 2024, the Bank received "Best Bank in the Philippines" from FinanceAsia Awards 2024.

The Bank's CET1 ratio stood at 14.7% while its CAR stood at 15.6%, as of 31 March 2024. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 31 March 2024, the Bank had a market capitalisation on the PSE of ₱621.11 billion (based on the closing price on the PSE of ₱118.10 per share on 29 March 2024).

History of the Bank

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.

Please refer to pages 48-49 of the Second Tranche Pricing Supplement.

Recent Developments

Issuance of US$400 million 5-Year Reg S Senior Unsecured Notes

On 26 March 2024, the Bank issued 5-year Reg S Senior Unsecured Notes with an interest rate of 5.25% per annum. The Notes were issued under BPI's US$3 billion Medium Term Notes Programme, and the net proceeds of such issuance will be used for refinancing and general corporate purposes.

Sale of shares in GoTyme Bank Corporation (GoTyme Bank)

On 20 March 2024, the Board of Directors of BPI approved the sale of its 752,056,290 common shares representing all of its stakes in GoTyme Bank Corporation to GoTyme Financial Pte. Ltd. (744,099,587 common shares) and Giga Investment Holdings Pte. Ltd., (7,956,703 common shares) at ₱1.20 per share, subject to BSP approval. The Go Tyme Shares were acquired by BPI pursuant to the merger between BPI and RBC with BPI as the surviving bank. The sale is intended to address any potential conflict of interest created by the significant overlap in and similarity of product offerings of GoTyme Bank and BPI**.**

GoTyme Bank is a joint venue among Tyme Investments Pte. Ltd. and members of the JG Summit Group and Robinsons Retail Holdings, Inc. and is one of the six banks with a digital banking license from the BSP. The subject of the sale is the 752,056,290 common shares held by BPI in GoTyme Bank, which comprise approximately 15% of the outstanding capital stock of GoTyme Bank and which were acquired by BPI as the successor-in-interest of RBC upon the effectivity of the merger between BPI and RBC.

Closing and Effectivity of Merger with RBC

All corporate and regulatory approvals have been obtained, and RBC and BPI merged, effective 1 January 2024. The Board of Directors of BPI in its meeting held on 30 September 2022, approved the merger of BPI and RBC, with BPI as the surviving bank, subject to shareholders' and regulatory approvals and executed the Merger Agreement, subject to the fulfillment of conditions precedent to closing.

Subsequently, the following approvals of the merger were secured:

- By stockholders representing at least 2/3 of the outstanding common shares on 17 January 2023.
- By the Philippine Competition Commission (**PCC**) on 9 March 2023 contained in a decision released by the Commission on 13 September 2023.
- By the Monetary Board (**MB**) of the Bangko Sentral ng Pilipinas (**BSP**) on 14 December 2023.
- By the Securities and Exchange Commission (**SEC**) on 29 December 2023.

The SEC likewise issued a Certificate of Filing of the Articles and Plan of Merger, Certificate of Filing of the Amended Articles of Incorporation, and Certificate of Approval of Increase of Capital Stock on 29 December 2023.

Subsequent to the approval of the merger of BPI and RBC, with BPI as surviving bank, and after all corporate and regulatory approvals have been obtained, BPI and RBC merged, effective 1 January 2024.
Mergers, Acquisitions, Offers and Recent Milestones ***History***

For many years after its founding, the Bank was the only domestic commercial bank in the Philippines. The Bank'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 BSP) allowed the Bank 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 the Bank absorbing an investment house, a stock brokerage, a leasing company, a savings bank, a retail finance company, and bancassurance platforms.

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

In 2011, the Bank 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, the Bank completed a strategic partnership with Tokyo Century Corporation (**TCC**), one of the largest leasing companies in Japan, to form BPI Century Tokyo Lease & Finance Corp. (**BPI CTL**), with the Bank retaining 51% of ownership at the time. This strategic partnership helped the Bank 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, the Bank 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, the Bank provided enhanced services to its card customers, as well as to its merchant clients. The partnership with GPN remained 49% owned by the Bank.

In August 2016, the Bank 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 organisations that specialise in microfinance.

Effective 20 September 2016, the Bank took 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 Philippine SEC approved change of the corporate name to BPI Direct BanKo, Inc., A Savings Bank, after BPI Direct Savings Bank, the Philippines' first internet bank, absorbed the entire assets and liabilities of BPI BanKo, the Philippines' first mobile savings bank.

On 29 December 2016, the Bank 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 1 February 2017. BPI AMTC has been renamed to BPI Wealth – A Trust Corporation since February 2023.

The Bank 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 (2021-2024)

In December 2021, the Philippine SEC approved the merger of BPI and its wholly-owned subsidiary BPI Family Savings Bank, Inc. with BPI as the surviving entity effective 1 January 2022.

In September 2022, BPI and Robinsons Bank announced plans to merge their operations to form a leading lender based on market capitalisation. In November 2022, BPI's board of directors has approved the proposed merger with Robinsons Bank. The merger was completed on 1 January 2024. For further details, see "*Strategies—Grow the share of consumer and business banking loans*."

Subsequent to the approval of the merger of BPI and RBC, with BPI as surviving bank, and after all corporate and regulatory approvals have been obtained, BPI and RBC merged, effective 1 January 2024.

On 20 March 2024, the Board of Directors of BPI approved the sale of its 752,056,290 common shares representing all of its stakes in Go Tyme Bank Corporation to Go Tyme Financial Pte. Ltd. and Giga Investment

Holdings Pte. Ltd. At ₱1.20 per share, subject to BSP approval. The Go Tyme shares were acquired by BPI pursuant to the merger between BPI and RBC with BPI as the surviving bank.

Competitive Strengths

Over the course of its long history, the Bank 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.

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 26.8% from 9.5 million as of 31 March 2023 to 12.1 million as of 31 March 2024. 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 the highest price-to-book multiple during the COVID-19 pandemic.

In 2024, two major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In April 2024, Fitch affirmed its Long-term Issuer Default Rating of "BBB-" (investment grade). Most recently, in May 2024, Moody's affirmed its Baseline Credit Assessment of "Baa2" which is one notch above investment grade. In September 2023, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" which is two notches above investment grade (same as the agency's rating for the Philippine Sovereign).

Strong track record of profitability and cost management

Historically, the Bank has been known as a cost-efficient bank with one of the lowest operating leverage in the industry. As of 31 March 2024, its cost-to-income ratio stood at 45.6% and its cost-to-assets ratio at 2.4%, 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 31 March 2024, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 15.7% and 2.0% 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 generating earnings for its shareholders, annually, for the past 20 years.

Well-capitalised with sufficient liquidity

As of 31 March 2024, the Bank's CET1 ratio of 14.7% and CAR of 15.6% 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 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 31 March 2024, at 5.3% (calculated as bills payable and other borrowed funds over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 195.1% and leverage ratio at 11.2% as of 31 March 2024, which are well above the minimum prescribed ratios set by the BSP of 100% and 5%, respectively.

High quality and diversified asset base driven by prudent risk management

As of 31 March 2024, 74.4% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From ₱1.94 trillion as of 31 December 2023 to ₱2.03 trillion as of 31 March 2024, the Bank's loan growth has primarily been driven by corporate loans, which grew at a 5-year compounded annual growth rate (**CAGR**) of 7.6% for that period, as compared to the Bank's retail loans, which grew by 10.2% over the same period. The Bank likewise registered a net loan growth of 19.3% year-on-year as of 31 March 2024. The Bank expects the merger with Robinsons Bank Corporation (**RBC)** to contribute to further loan growth through expanding its reach to the network of the Gokongwei group of companies, especially in the SME market segment.

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%. NPL ratio remained at 1.8% while NPL coverage ratio increased to 156.1% as of 31 December 2023. As of 31 March 2024, because of the initiative of the bank to grow its consumer loan portfolio, NPL ratio slightly increased to 2.1% and NPL cover slightly dipped to 136.2%.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, wholesale and retail, utilities and financial intermediaries, among others. The Bank extends loans to several sectors in the Philippines. As of 31 December 2023, (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) wholesale and retail trade and (v) electricity, gas, and water, were the largest sectors in the Bank's loan portfolio, representing 23.1%, 15.5%, 11.4%, 11.2%, and 10.3%, respectively. As of 31 March 2024, (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) electricity, gas, and water, and (v) wholesale and retail trade, representing 23.7%, 14.7%, 12.2%, 10.6% and 10.3%, respectively, of the Bank's loan portfolio as of 31 March 2024.

As of 31 March 2024, the Bank's top 20 clients comprised 20.5% of the Bank's loan book. Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3.0% of the Bank's loan book as of 31 March 2024.

Stable and diversified revenue sources

The Bank's net interest income grew 22.7% to ₱104.35 billion in 2023 from ₱85.07 billion in 2022, driven by growth in average assets and high interest rate environment. In 2022, net interest income increased 22.3% from ₱69.58 billion in 2021. The Bank's net interest margin (**NIM**) expanded by 50 bps to 4.09% in 2023 from 3.59% in 2022. This was a continuation of the 29 bps NIM expansion seen in 2022 from 3.30% in 2021.

As of 31 March 2024, the Bank's net interest income of P29.85 billion is 23.5% higher than same period last year, driven by growth in average assets and high interest rate environment. The Bank's NIM expanded by 25 bps to 4.19% during the first quarter of 2024 from 3.94% in the first quarter of 2023.

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. The Bank's fee generation is backed by strong performance of its largest businesses, namely (i) the Bank's card business, with 2.7 million cards in circulation as of 31 March 2024 and market position of 19.3% based on the data from the Credit Card Association of the Philippines; (ii) BPI Wealth, which has assets under management at ₱1.32 trillion as of 31

March 2024; and (iii) the Bank's 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 will continue to provide a stable source of income that will complement income from its core deposit taking and lending businesses.

Accelerated digital transformation

As early as 2016, the Bank embarked on its digital transformation journey. This was BPI Digital 1.0, where a technology foundation was established for the Bank's digital aspirations. A 24/7 cyber security operations center was set up, core banking systems were upgraded, and digital infrastructure was rebuilt, including delayering of architecture.

The Bank's digital roadmap to becoming the "Everyday Bank" examined opportunities around three major themes:

- Moonshots: beyond banking partnerships and ecosystems
- White spaces: penetrating new and underserved markets
- Transforming the core: transitioning to a digital operating model

In the medium term, it is the Bank's core focus to make banking easier and more convenient for clients through its digital customer engagement platforms, with designs aiming to provide useful, easy to navigate and intuitive user-experience on aesthetically appealing platforms to maximise user interface, customer loyalty and revenue generation.

Each of these platforms is designed with a particular customer segment in mind. For the individuals – the affluent; the broad market; and self-employed micro-entrepreneurs (**SEMEs**) – these platforms will allow customers 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, the Bank's one-stop shop for the digital needs of its 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 Bank continues to lead in Philippine open banking, and is among the Philippine banks with the most number of brands and services, and successful monetization. By creating and launching a diverse range of Application Programming Interfaces (**APIs**), the Bank has been actively forming various fintech partnerships, ranging across e-wallets, utility providers, remittance centers, e-commerce platforms and even government agencies. The Bank also has an integrated fraud management solution to reduce the risk of fraud in open banking transactions.

Other agile off-app capabilities the Bank makes available online are local remittance, quick pay, eGov, insurance, and electronic auto-debit arrangements.

To enhance processes to support the Bank's digital channels, create back-office efficiencies and build resiliency, the Bank's Enterprise Operations group has endeavored to digitalize and automate operational and financial processes where possible, aided by the established enterprise robotic process automation infrastructure, resources, and tools.

With the full support of BPI's Board of Directors, a significant amount of capital is committed to the Bank's continuing digital transformation journey. These investments in technology not only sustain platform growth and modernize capabilities, but also allow for the broadening of the digital ecosystem to deepen client relationships.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,378 branch licenses (which include full-service branches and branch-lite units) as of 31 March 2024. In terms of geographic distribution (excluding BanKo, which is the Bank's microfinance arm that serves SEMEs), 436 of the branches were located in Metro Manila, 239 were in Luzon (excluding Metro Manila), 98 were in Visayas and 66 were in Mindanao.

The Bank's overseas network includes one office 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 some of the Bank's products and services. The Bank has two remittance centres in Hong Kong and maintains 125 remittance tie-ups and correspondent relationships with 58 active nostro accounts with 32 banks and financial institutions globally.

The Bank's branch network is supported by a network of 2,151 ATMs (including 494 ATMs provided by Euronet) and 361 CAMs as of 31 March 2024, which together provide cash-related banking services to customers 24/7, located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's interconnection with Euronet and Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 25,000 ATMs across the Philippines as of 31 March 2024. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

The Bank also provides 24-hour banking services through its call centre.

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

The Bank's primary source of funding has been its depositors. Deposits' share of the Bank's funding base averaged about 90% over the past five years.

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 31 December 2023, the Bank's CASA ratio stood at 67.0%, up 5.8 percentage points 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, and was mainly driven by the Bank's extensive omnichannel distribution network, providing easy access and high quality services to depositors. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity, due to the Bank's best-in-class value propositions offered through its physical and digital distribution network.

As of 31 March 2024, the Bank's CASA ratio stood at 64.8%.

The evolving regulatory landscape has also presented alternative funding opportunities. With lower reserve requirements on bond issuances vis-à-vis peso deposits, the Bank continues to explore issuances in the domestic and foreign debt markets as opportunities arise. This allows for funding cost efficiencies while offering clients attractive investment opportunities. In 2023, there was strong demand from the debt capital markets, which led to the successful completion of the following transactions:

- On 31 July 2023, BPI entered into a facility agreement for an unsecured syndicated term loan amounting to US$300 million. The three-year loan, which was drawn down on 24 August 2023, bears a floating interest payable on a quarterly basis.

- On 25 August 2023, BPI issued a green bond amounting to US$250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semi-annual basis. The bond is unconditional, unsecured and unsubordinated and is scheduled to mature on 25 August 2026.

- On 13 November 2023, BPI issued ₱36.7 billion fixed rate bonds due 2025 that have a term of 1.5 years and bear an interest payable on a quarterly basis. The net proceeds were used for general corporate purposes, including funding source diversification. To meet strong investor demand, the final issue size of these bonds was increased from the initial target of ₱5.0 billion to over seven times.

- On 19 March 2024, BPI successfully tapped the international capital markets with a public USD bond issuance for the first time since 2019, with its offering of US$400 million 5-year Reg S senior unsecured notes ("Notes"). The Notes were issued under BPI's US$3 billion Medium Term Notes Programme, and the net proceeds will be used for refinancing and general corporate purposes. The 5-year Notes were priced at U.S. Treasury spread of T+105 basis points (bps) with a coupon of 5.25%, representing the tightest ever spread on a 5-year bond from a non-sovereign Philippine issuer, adding another milestone to BPI's long list of achievements.

Experienced management and strong performance culture

The qualification, diversity and independence of the Bank's Board of Directors is one of the important factors accounting for its long-term growth and success. For its Directors, the Bank emphasizes diversity in terms of skills and experience, age and gender. The Bank also values 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 and above) 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 short and long term incentives, and competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programmes and activities from which employees benefit throughout the course of their careers with the Bank. These programmes range from workshops for new hires to advanced leadership programmes for officers as well as courses on data literacy and agile methodology.

For a complete discussion on the Bank's competitive strengths, please refer to pages 97-101 of the Offering Circular.

Strategies

Establish BPI as the undisputed leader in digital banking

The Bank is dedicated to redefining banking excellence through its digitalization efforts, which go beyond customer-facing platforms. It is committed to expanding its digital ecosystem by facilitating seamless digital customer onboarding, providing a diverse range of digital products and services, and fostering open banking collaborations. This initiative encompasses agile core systems and data-driven decision-making to ensure the robustness and security of the Bank's digital infrastructure.

The Bank envisions its seven customer engagement platforms to be a major vehicle for client acquisition, financial inclusion and business growth. Growth was sustained across all platforms, with highlights as follows:

- VYBE by BPI – the Bank's e-wallet and rewards app in one, where anyone can be a customer – ended the first quarter 2024 with more than 900,000 sign ups since its inception in October 2022.

- The new BPI mobile app, which features an improved user experience and where clients can start banking instantly with its new-to-bank and new-to-product features, is the first banking app in the Philippines to feature AI-powered tracking and insights. The app offers financial advice, payment reminders and actionable advice on financial wellness. This new BPI app is key to the Bank's "phygital" approach to make the Bank more accessible to Filipinos through a combination of physical branches, as well as digital channels and platforms. There are about 7.0 million enrollees in BPI online and mobile as of 31 March 2024.

- BPI Trade launched a new institutional website as the new hub for the Bank's equities trading business. Customers will be able to access the new trading platform, financial educational material, announcements, account opening, and more.

- BanKo Mobile continues the mission to be the digital arm for the Bank's microfinance segment, with over 320,000 registered users for the year, a 96% surge of new registered users versus the previous year.

- BizKo enjoyed 56% annual growth in customer enrollment year-on-year, with said customers enjoying free access to the various digital solutions catered to small businesses.

- Bizlink, for large corporations, multi-national companies, and conglomerates, have a 41% penetration rate on an expanding client base, and 64% increase year-on-year on number of transactions.

- BPI Wealth Online, targeted at high net-worth individuals, was launched in April 2024, and completes the Bank's suite of seven digital engagement platforms. Roll-out of BPI Wealth Online will be done in phases, starting with about 25% of client base. The platform will enable clients to have a holistic view of investments and placements with BPI and its subsidiaries, invest with ease, access exclusive personalized insights and expert advice, and contact their relationship manager directly using the platform.

BPI continues to invest in and grow its API capabilities in support of open banking – which is also aligned with BSP's push for open finance to usher financial inclusion in the country.

To-date, the Bank, through open banking has expanded its reach to and engagement with clients through 106 partners covering a vast category of brands and services totaling to almost 15,000. Major partners include GCash, Maya, Lazada, Shopee, Grab, and aggregators like ECPay, Bayad, DragonPay, Paynamics, Xendit.

BPI also recently launched VYBE, an eWallet and rewards app. As an eWallet, it allows clients to easily and securely perform P2M (payment-to-merchant) and P2P (peer-to-peer) transactions using the interoperable QR Ph codes. It also offers cardless withdrawals. Meanwhile, the rewards component allows clients to earn and redeem BPI Rewards points from various BPI products and services.

The BPI Flagship Store in Lazmall was officially launched in 2023, making the Bank the first and still the only bank in Southeast Asia to offer its products and services in the Lazada platform.

Increased digitalisation and strong digital adoption of the Bank's customers expanded the Bank's client base to 12.1 million and enabled efficiently servicing 1.5x of the total transaction count and 2.4x of the total transaction value, with smaller branch footprint and leaner organization with a headcount of 19,522 as of December 2023 compared to 19,150 as of beginning-2019. Headcount, however, has increased to 21,682 as of 31 March 2024, largely due to additional headcount from BPI-RBC merger effective 1 January 2024.

Grow the share of consumer and business banking loans

In July 2023, the Government's declaration of the end of the pandemic in the Philippines further spurred the socio-economic recovery that was already well underway, setting the ideal stage for the Bank's to accelerate growth in its consumer and SME lending businesses while keeping appropriate credit underwriting policies and processes, ensuring asset quality preservation and upholding prudent risk management of its exposures.

As of 31 March 2024, consumer loans grew 36.2% year on year: 143.9% in personal loans, 77.3% in microfinance, 22.9% in SME loans, 31.5 % in auto, 28.4% in credit cards, and 33.3% in mortgage. Market share growth was noted across all segments.

Notwithstanding the gains in volume and market share, asset quality improved with NPL amount, NPL ratio, NPL cover at more favorable levels than at the height of the pandemic.

The Bank's recent merger with RBC will also expand its reach to the network of the Gokongwei group of companies, especially in the SME market segment. The Bank's integration with RBC is expected to increase shareholder value by opening opportunities for the Bank 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. The addition of RBC's loan book, which is 45% consumer, and the strong growth expected from motorcycle loans and teacher's loans, boosts confidence that the loan mix will continue to shift in favor of consumer over time.

Close the gap in funding leadership

As of 31 December 2023, total deposits stood at ₱2.3 trillion, an increase of 17.4% from 2021. Growth has been predominantly from time deposits, which has increased by 69%, as clients shift to higher yielding products following the increases in interest rates.

As of 31 March 2024, total deposits stood at P2.42 trillion, a 12.8% increase from same period last year. Time deposits grew 33.7%, while CASA grew 3.9%.

Over the same period, the Bank's market share in total deposits also grew, though the increase was focused on managing deposits by tempering time deposits growth. This was a deliberate strategy to manage excess deposits over loans to keep funding costs in check.

Becoming the main operating bank of corporate clients is a key imperative to achieving funding leadership. The Bank engages its corporate clients through the BizLink digital platform designed to help them manage their accounts with BPI. Positive progress in client engagements via BizLink was noted in 2023, taking into stock that transaction count was double that of 2019, as well as seeing record count and volume in financial transactions, payroll, and automatic debit facilities.

Also crucial to the Bank's funding leadership is optimizing funding costs and efficient balance sheet management, which entails regular rationalization of deposit products, which now include RBC deposit products, and exploration of alternative funding sources for capital market maturities, ensuring the Bank's prudent position taking. The Bank aims to be well-poised to seize trading opportunities in the market as they arise.

Redefined the new role of branches

The Bank continues to believe in the value of physical branches, opening branches where needed and where there has not been branch presence before, even while consolidating and co-locating existing branches in oversaturated areas, keeping a constant eye to not losing territory coverage. From 2019 to 2024, the Bank has co-located 135 branches, bringing total physical branches to 867 including branches acquired from RBC merger. Moreover, the merger with RBC, with BPI as the surviving entity, was approved by the regulators and took effect on 1 January 2024, providing the Bank with another avenue to expand its physical presence.

Select branches have also been redesigned to incorporate the best of physical and digital customer service elements, unlocking the power of "Phygital" banking. As of 31 December 2023, 19 branches have been transformed to Phygital branches – with a concierge and a quick transact area that will ensure enrollment of more customers in the Bank's digital platforms, educating them on how to use the various mobile and online applications to further enhance their banking experience. There will be meeting pods and meeting rooms equipped with virtual conferencing capabilities for customers to be able to access product specialists who provide expert advice. The Bank intends to ramp up the number branches for phygital transformation moving forward.

As of 31 March 2024, BanKo, the Bank's microfinance arm, has 349 branches, 49 of which were opened since 2019. LSB has 27 branches as of 31 March 2024.

In 2022, the Bank introduced partnerships with convenient stores, department stores, supermarkets, gas stations, and pharmacies, among others, to make the Bank's products available to the customers served by our partners. The Bank's partner agencies instantly expanded the Bank's physical network from 1,243 branches to over 6,000 locations with 5,794 new partner outlets as of 31 March 2024.

Many of these outlets are located in municipalities and towns where the Bank does not have a presence and are open on weekends and holidays, 24/7, allowing for accessibility beyond regular banking hours.

The Bank's partner agencies group aims to integrate banking in its customers' daily lives through new channels to extend the Bank's capability to reach, acquire and serve more customers in more communities. With customer convenience at the forefront, the Bank's partner agency marketing caravans create awareness about the presence of the Bank in partner agency stores to drive customers to the stores already in their community. From "come to us", the Bank now "will go to you."

The Bank's partner agencies group matches the right technology enablers, such as APIs, digital linkages and the Bank's own platform, to its partner agencies' business requirements. Currently, a BPI tent card with the unique QR codes of available BPI products is displayed by its partner agencies. 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 Bank's partner agencies currently offer loans, credit cards and insurance products and eventually will effectively operate like a branch which can process deposits, withdrawals, cash-in, cash-out transactions and bills payment.

By becoming another channel for simple banking transactions, these partner agency outlets help the Bank's branches operate more efficiently by reducing the transactional processing load, which the Bank views as an ideal complement to its strategy of redefining the new role of branches.

Champion sustainable banking

As part of the BPI Sustainability Agenda, the Bank's over-all sustainability strategy is built on the two pillars of "Responsible Banking" and "Responsible Operations", as supported by Risk Management and Compliance. The Bank's sustainability strategy is guided by its unique formula "ESG + E_2", which stands for "Environment, Social, Governance + Economic Benefits", emphasizing the need for Economic Benefits (E2) as the Bank integrates ESG principles in the way it does business.

The Bank's Sustainability Agenda is ultimately governed by the Board of Directors, through the following Board-level committees: Corporate Governance and Sustainability Committee, Executive Committee, and Risk Management Committee. The Bank also has a senior management-level Sustainability Council chaired by its Chief Sustainability Officer, overseeing the implementation of the Bank's Sustainability Agenda, as supported by a dedicated Sustainability Office. Reporting to the Sustainability Council is the Sustainable Funding Committee overseeing the implementation of the Sustainable Funding Framework.

The Bank's Responsible Banking initiatives are centered on the integration of ESG principles to its products and services, such as but not limited to the Bank's Sustainable Development Finance (SDF) Program. As part of the SDF Program, the Bank offers free technical advisory services on sustainable financing solutions from consultants trained and accredited by the International Finance Corporation (IFC). Being the first and only bank to do so, the Bank has accumulated over 400 SME and corporate loans financing renewable energy, energy efficiency, green buildings, and sustainable agriculture.

In 2023, highlights of the Bank's financing portfolio for sustainability include:

- ₱827 billion of the Bank's outstanding corporate and SME portfolio is in support of the UN SDGs, representing 52% of the Bank's total corporate and SME portfolio as of 31 December 2023;

- ₱24 billion new loan disbursements in 2023 (upping the cumulative total to ₱277 billion) funded under the Bank's Sustainable Development Finance (SDF) Program, financing renewable energy, energy efficiency, green building, and sustainable agriculture projects;

- ₱198 billion of new agribusiness loans disbursed in 2023; and

- ₱15 billion of new microfinance loans disbursed under BPI BanKo in 2023, serving approximately 213,000 SEMEs.

In 2023, the Bank also pursued various inclusive, innovative and pioneering banking solutions that champion sustainability such as:

- raising ESG-focused funding, including: (1) the US$250 million IFC Green Financing Deal – the largest deal of IFC with a Philippine bank, (2) the ₱20.3 billion RISE Bonds or Reinforcing Inclusive Support for MSMEs – a social bond, the proceeds of which are allocated to eligible MSMEs, and (3) the ₱10 billion Green Saver Time Deposits – the proceeds of which are allocated to projects with clear environmental benefits;

- introducing new products for underbanked segments, including: (1) the e'Nay app empowering sari-sari store owners to quickly, easily, and conveniently order, manage, and pay for their inventory, (2) the Micro Agri Loan rewarding on-time loan repayments, which started as a pilot financing program for small scale onion farmers of Jollibee Foods Corporation, (3) InstaCashKo Line providing bridge financing for SEMEs, and (4) Max500, a term loan supporting the expanding operations of SEMEs requiring higher loan amounts;

- financing and arranging ESG-focused deals in 2023, including: (1) ₱11 billion sustainability-linked loan (**SLL**) financed with ADB for ACEN Corporation, and (2) ₱25 billion green preferred shares arranged as well for ACEN Corporation; and

- furthering its initiatives for Responsible Operations: (1) shifting two of its corporate offices to 100% renewable energy, bringing the total to three offices, and (2) had six new EDGE-certified bank branches, bringing the total to 11.

Sustainability also means financial inclusion that promotes growth across all sectors. BanKo, the Bank's microfinance arm, has enhanced its efforts to provide SEMEs access to easy, convenient and affordable products and services, via the Bank's digital and traditional distribution channels. The Bank also grew its BanKo branch count given the importance of physical presence in this segment.

The Bank is on-track to meet its commitment on halving its 2020 coal power generation portfolio by 2026, and on zeroing out the same by 2032. The Bank is also steadfast in its milestone commitment of no additional greenfield coal power generation projects. Preparation for the Bank's Net Zero strategy roadmap is 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 the Bank's employees volunteer to help local communities.

Focus on customers

The Bank's culture is anchored on its "NICE" core values of "being Nurturing, acting with Integrity, being Customer Obsessed, and pursuing Excellence". For the second year in a row, an internal summit involving hundreds of the Bank's senior officers was once again held to renew this commitment, followed by a nation-wide roll out to all its employees. Seizing the momentum from being appointed in 2022, the Bank's Customer Delight Officers delivered various customer delight projects that immediately addressed low-hanging fruit opportunities to improve internal and external customer experiences. To reinforce that customer obsession is a key result area of every employee's performance, "Delight-o-Meter" surveys were completed after internal meetings as a constant reminder that everything done across the organisation should be in the best interest of customers.

In a relentless pursuit of customer satisfaction, the Bank achieved first place in net promoter score in 2023 and its highest historical customer count.

Moving forward, the Bank's theme is "MORE with BPI," encompassing "BE MORE", "DO MORE", "SHARE MORE", and "INSPIRE MORE".

"BE MORE" focuses on nurturing the Bank's employees through people initiatives like wellness programs and learning opportunities which will empower them to reach their full potential. The "CHANGE" leadership competencies were also launched to guide everyone to "lead Customer Obsession, inspire High Performance, set Aspirations, lead with Nurturing Spirit, lead with a Growth Mindset, and lead with Excellence".

"DO MORE" highlights the Bank's commitment to its customers, offering relevant digital solutions and excellent customer service.

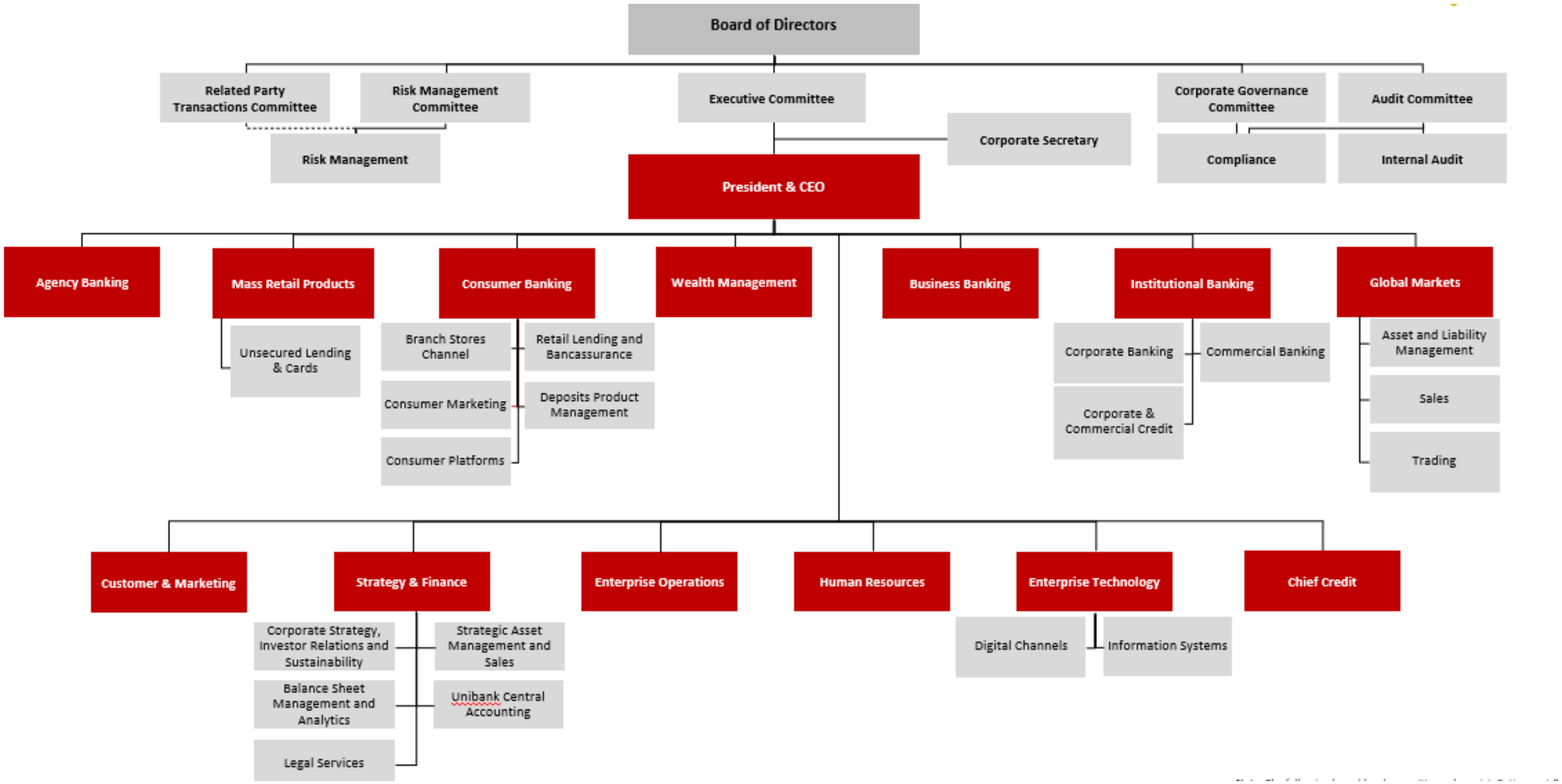
"SHARE MORE" embodies the Bank's dedication to giving back, supporting sustainable advocacies and charities, and fostering a culture of caring and equity.

"INSPIRE MORE" drives everyone in the Bank to share stories of success and sustainable initiatives, inspiring others to take action for the betterment of the nation.

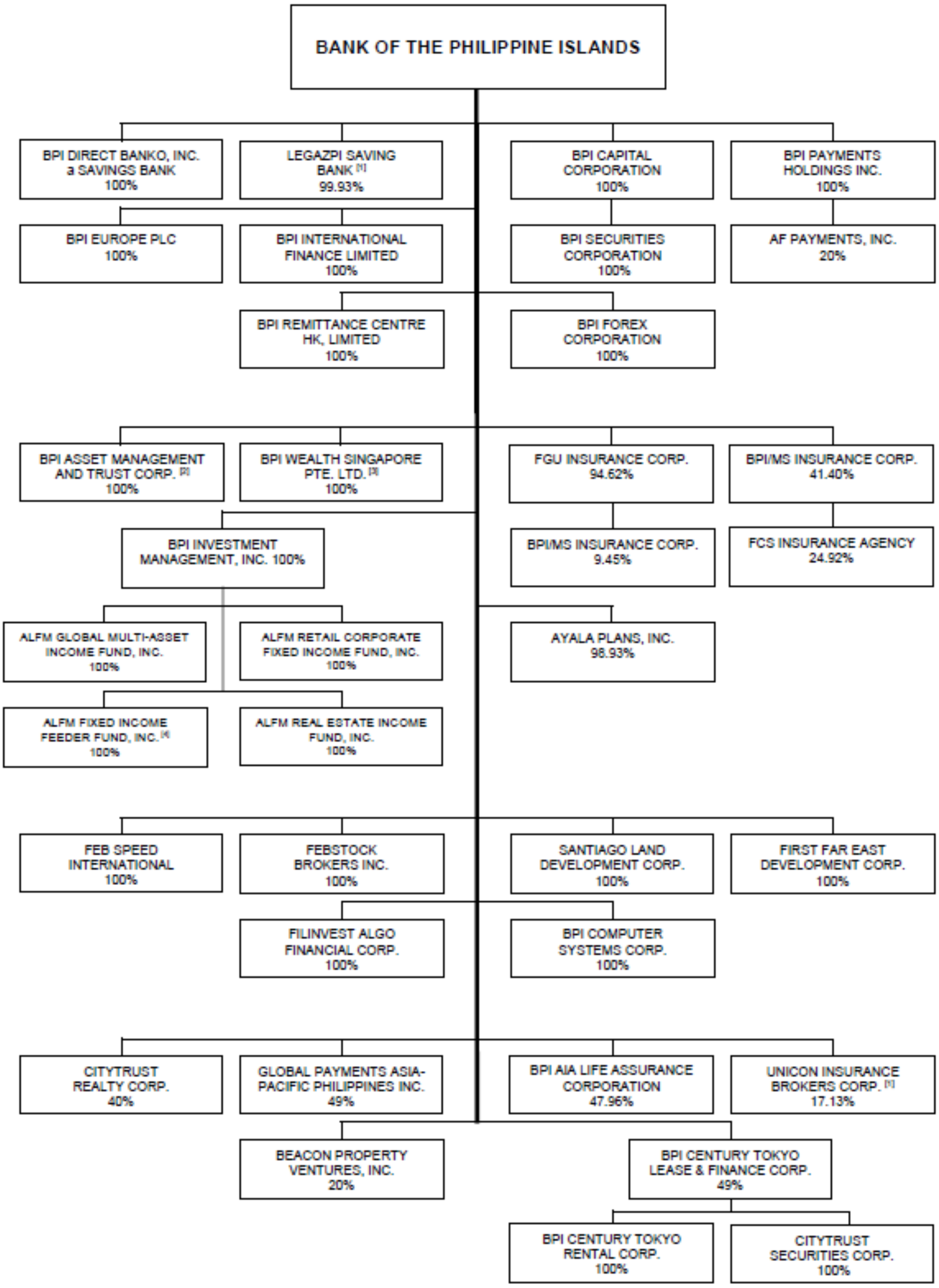
For a complete discussion on the Bank's strategies, please refer to pages 101-105 of the Offering Circular.

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 March 2024.



Notes:
[1] *Acquired on January 1, 2024 as a result of the merger between BPI and Robinsons Bank Corporation*
[2] *Doing business under the trade name and style of BPI Wealth – A Trust Corporation*
[3] *Incorporated on June 20, 2023 with the Accounting and Corporate Regulatory Authority of Singapore; with Capital Market Services license application still pending approval by the Monetary Authority of Singapore*
[4] *Formerly ALFM Principal Preservation Fund, Inc.*

Client Management Groups of the Bank

The Bank's primary client management groups are composed of (i) institutional banking, (ii) business banking for SMEs, (iii) consumer banking, (iv) SEMEs, and (v) wealth management. 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.

Institutional Banking

The institutional banking segment of the Bank is a diversified unit that covers specific client segments as well as manages certain products and services of the Bank. The Relationship Management (**RM**) Groups include (1) the Top Corporates/Multi-national Corporations (**MNCs**)/Sectors RM Group (which will be renamed Institutional 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).

Business Banking

The business banking group focuses on the needs of the 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.

Consumer Banking

The consumer 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. Products under consumer banking include, among others, (1) deposits, (2) auto loans, (3) housing loans and (4) bancassurance.

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) preferred banking for its mass affluent customers, (ii) personal banking for its regular customers and (iii) overseas Filipinos for its overseas Filipino customers. 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 61.3% of the Bank's total deposit base as of 31 March 2024.

Self-Employed Micro-Entrepreneurs

BanKo, the Bank's microfinance subsidiary, provides the financing for productive and business purposes of SEMEs. BanKo offers quick access to credit facilities through its 349 branches and branch-lite units across the Philippines as of 31 March 2024. The Bank also recently made application easier through its mobile banking application.

Wealth Management

In recent years, BPI Wealth reorganized for growth, creating one team that brought together the trust business, the private banking business, the mutual funds business, and the offshore wealth business of the Bank. It has consolidated its fund management operations, solidifying its position as the Philippines' dominant institutional fund manager.

BPI Wealth prides itself on its team-based approach, leveraging the collective wisdom and expertise of its highly trained investment professionals to provide unparalleled wealth advisory services. It offers clients a wide range of investment solutions across various asset classes, including equities, bonds, loans, hybrids, private equity, real estate, alternatives, and structured products. Furthermore, the launch of sustainability funds in 2022 empowers clients to align their financial goals with their values by directing capital towards companies prioritizing environmental, social, and governance considerations.

The private banking business has also been rebranded into BPI Private Wealth, a brand that embodies its promise to go beyond banking and provide bespoke wealth management solutions shaped around the unique needs of the Bank's important clients.

Please refer to pages 56-72 of the Second Tranche Pricing Supplement.

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 most of the its 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 31 March 2024, net interest income accounted for 75.5% of net revenues while other income accounted for the remaining 24.5% 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

Specialised Lending

The two relationship management groups of this segment are responsible for delivering all of the relevant services of the Bank to their clients. For this purpose, these groups are the main touch points of the Bank's corporate client relationships. While the relationship management 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 institutional banking relationship management groups are the main originating and structuring units for corporate lending.

The institutional banking team's corporate credit products group carries the following specialised 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.

Transaction Banking

Cash Management services are handled by BPI Institutional Banking. The Bank's main digital cash management platform, BizLink, enables corporate clients to conveniently pay the Bank 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. The Bank'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 multinational corporates.

The Bank was awarded Best Trade Finance Bank in the Philippines in the Alpha Southeast Asia 17th Annual Best Financial Institution Awards 2023.

*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 customised solutions such as door-to-door services, direct credit to debit card account, and gift remittances.

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 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 SME 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.

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 and vertical 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 fixing terms of one to ten years. The Bank requires home mortgage borrowers to obtain both fire insurance and mortgage redemption insurance.

As of 31 March 2024, home mortgage loans to individuals on average amount to ₱4.2 million. Interest rates on the Bank's home mortgage loans range from 7% to 10.25% over the same period, depending on the loan fixing term, which ranges from one to ten years. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods until the maturity of the loan, which ranges from one to 30 years.

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 31 March 2024, the Bank's auto loans on average amount to approximately ₱950,000 in principal amount and have average terms of between 12 and 60 months. The Bank 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 31 March 2024, the prevailing effective interest rates of the Bank's auto loans range from 9% to 15%, 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 ₱3,000,000 or 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 installment plans. The Bank gives its customers wise spending options and the best value for money via low foreign exchange conversion, exclusive retail promotions and special installment plan deals with its credit card.

Through BPI Credit Card, the Bank offers low foreign exchange conversion, exclusive retail promotions and Special Installment Plan (**SIP**) deals. As part of its drive towards digitalization, the Bank provides electronic statements of account to facilitate ease of monitoring statements and managing finances while reducing carbon footprint. As a companion card to BPI deposit accounts, the BPI Debit Mastercard provides global acceptance in-store and online on top of local point-of-sale (**POS**) purchases and withdrawals. To complement the wider acceptance, the Bank enhanced the card's security features, with BPI Card Control now having an e-commerce sub-limit toggle to enable higher e-commerce spending, the capability to request for new and replacement debit cards digitally, and improved transaction descriptions to include merchant names and ATM locations for debit transactions.

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 the Bank's clients used by majority for online spending and as a substitute product for getting a deposit account. In 2021, the Bank 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.

BPI Personal Loans is a no-collateral, multi-purpose loan with low interest. The loan size is up to three times a client's monthly income, and is repaid in flexible monthly installments.

As of 31 March 2024, the Bank had 2.7 million credit cards issued, 7 million active debit cards, and about 244,000 personal loans customers. The total value of transactions executed with the Bank's credit and debit cards was ₱127 billion in billings. The combined credit card and personal loans portfolio amounted to ₱163.16 billion in total.

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 pesos 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, the Bank is an industry leader in providing services beyond traditional remittance.

*Inward Cross-Border Remittance (**ICBR**)*

The Bank's ICBR service allows transfer of funds from anywhere in the world to beneficiaries in the Philippine, catering to the needs of overseas Filipinos and corporate organizations. Settlement modes include credit-to-account, cash pick-up, gift remittance (e.g. Jollibee Padala), bills payment, door-to-door delivery, and credit-to-other bank's account. The Bank's remittance network has locations in key areas worldwide so OFWs can remit to the Philippines in almost realtime. The Bank's overseas network includes one office location in Hong Kong. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote some of the Bank's products and services. In addition, the Bank has two remittance centres in Hong Kong and maintains 126 remittance tie-ups and correspondent relationships with 60 accounts with 29 banks and financial institutions globally.

*Outward Cross-Border Remittance (**OCBR**)*

The Bank's OCBR service allows transfer of funds from the Bank to anywhere in the world, enabling 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. Multiple currencies are accepted including U.S. dollar and various major third currencies.

Domestic Remittance

The Bank's domestic remittance service allows local transfer of funds to and from the Bank, with a major initiative called Interbank Funds Transfer (**IBFT**). National Retail Payment System (**NRPS**) is an initiative of BSP that allows customers to send and receive funds to/from other local banks/financial institutions (via Instapay and Pesonet) through the various bank channels (i.e. online and mobile banking, BizLink and branch network). Other products being offered under Domestic Remittance are Philippine Domestic Dollar Transfer (**PDDTS**), Real-Time Gross Settlement (**RTGS**) and Gross Settlement Real-Time (**GSRT**).

The Bank's key initiatives and programs, especially the focus on digital, has enabled its growth to outpace the industry and meet the important needs of its clients in the Philippines and abroad. The Bank 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 fundraising 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 Alpha Southeast Asia, Asian Banking and Finance, IHAP and PDS Group. In 2024, BPI Capital received six awards, which include "Best Equity House in the Philippines" and "Best M&A House in the Philippines" from Alpha Southeast Asia. In addition, BPI Capital's participation in various deals also received accolades: "Philippine Domestic Project Finance Bank of the Year" for the Unity Digital Infrastructure, Inc. acquisition finance and "Mergers and Acquisitions Deal of the Year - Philippines" for the BPI-Robinsons Bank merger - awarded by Asian Banking and Finance and; "Cesar E.A Virata Best Securities House" and "Top Corporate Issue Manager/Arranger" by PDS Group.

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

BPI Asset Management and Trust Corporation, operating as BPI Wealth – A Trust Corporation, stands as the largest standalone trust corporation in the Philippines. In 2017, BPI Wealth became the first trust entity to be spun off from BPI, establishing itself as a standalone trust corporation with a robust capital position and an independent trust management structure. With 33 Unit Investment Trust Funds, four Personal Equity and Retirement Funds, and a diverse range of investment solutions, BPI Wealth takes pride in offering an innovative and comprehensive array of products in the Philippine banking industry. The company has successfully rebranded to BPI Wealth, a name that better connects with various client segments and sharpens the focus on the breadth of expertise as the trusted leader in the wealth management space. BPI Wealth leads in digitalizing financial literacy and investor education, actively contributing to the promotion of financial inclusion in the Philippines.

BPI Wealth is a multi-awarded fund house consistently recognised by numerous prestigious institutions in the local and global investment management community. In 2023, it won Best Overall Asset & Fund Manager (seventh win in eight years) and Best Asset Manager (Fixed Income Funds) at the Alpha Southeast Asia's Fund Management Awards. It was accorded Best Asset Manager – Philippines by the International Finance Awards 2023 for the seventh time since becoming a standalone trust corporation. Lastly, the Chartered Financial Analyst Society of the Philippines touted BPI Wealth as the Best Managed Fund of the Year in the Peso Balanced Fund category (Odyssey Diversified Balanced Fund).

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.

Life Insurance

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 the Bank's aspirations. From an annualised new premium (**ANP**) of ₱659 million in 2010, it grew to ₱4.75 billion in 2023. Based on Philippine Insurance Commission's March 2024 data, BPI AIA recorded a 6.2% market share in the overall insurance industry. As of 31 March 2024, BPI AIA generated ₱1.16 billion ANP and is continuously working on plans and initiatives to go back to pre-pandemic level of production.

BPI AIA's strategy remains to be aligned with the Bank to becoming physical plus digital in delivering personalised and meaningful customer experience.

Non-Life Insurance

BPI MS Insurance (**BPI MS**) is a joint venture of the Bank and Mitsui Sumitomo Insurance Company, one of the largest non-life insurance companies in Japan and a global insurance player, with 15 branches and satellite offices nationwide as of 31 March 2024.

BPI MS 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 2023 and the first quarter of 2024, the partnership generated average monthly premiums of ₱7.9 million and ₱8.3 million respectively.

Leasing

BPI CTL is a joint venture formed in 2014 between the Bank and TCC, one of the biggest leasing companies in Japan. In December 2020, TCC acquired from the Bank an additional 2% stake in BPI CTL, paving the way for TCC to direct the growth of the rental business under BPI CTL's subsidiary, BPI Century Tokyo Rental Corporation. It aims to be the leader in asset financing through its overseas lease and full service operating lease products.

Treasury

The Bank's treasury team 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, the treasury team takes advantage of opportunities to generate interest differential by managing liquidity and interest rate gaps; and maximises returns by tapping efficient funding sources. The treasury team also generates income for the Bank through its trading and market-making activities.

Human Resources

The Bank's human resources team strengthens its 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 which delivers a new employee orientation for freshly onboarded hires, a six-month curriculum for training new officers and provides various in-person and virtual continuing-education programs for all its employees.

Information Technology Systems

The Bank's information systems team (**ISG**) leads its transformation into a digital bank. It develops and maintains proprietary applications, network and data centres, enterprise-wide computer systems, and telecommunications facilities. 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.

Competition

With 44 universal and commercial banks operating in the Philippines as of 31 March 2024, 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, as of 31 March 2024, the Bank is the Philippines' second largest in terms of gross customer loans, with a market share of 15.8%, and second largest in terms of deposits, with a market share of 12.7%. The Bank believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Employees and Labour Relations

The Bank has 21,124 employees (excluding BPI CTL, BPI MS, and LSB). 43% of the Bank's population is unionized and covered by existing Collective Bargaining Agreements (CBA), which contain economic and non-economic provisions.

Economic provisions cover salaries, allowances, benefits, and work conditions of the employees, while non-economic provisions cover leaves, rights and responsibilities of parties, rules of engagement on strikes and lock-outs, check-off, and grievance procedures.

CBAs have a five-year term on non-economic provisions. On the other hand, economic provisions are renegotiated within sixty (60) days prior to the expiry of the third anniversary of an existing CBA.

The Bank's management believes it has a good relationship with its staff. Just recently, BPI management and the employees' union inked the CBA covering the period 2024-2026. It was the Bank's first time to hold a single negotiation for all five unions, which was completed in just three (3) days. Further, the Bank maintains an amicable labour relations with its employees, and had no material employee related lawsuits that may adversely affect its operations.

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

	As of 31 December			As of 31 March
	2021	2022	2023	2024
Staff	12,504	11,500	6,740	8,261
Officers	6,677	6,701	11,003	12,863
Total	**19,181**	**18,201**	**17,743**	**21,124**

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 in place an executive stock purchase plan (**ESPP**), which allows qualified participants to purchase the Bank's common shares pursuant to the terms of the stock purchase plan. The ESPP has a three-year vesting period with one-third of the subscription being vested at the end of each year from grant date and has a 10-year payment period.

Corporate Social Responsibility

BPI Foundation, the social development arm of the Bank, aims to create a financially inclusive Philippines where every Filipino can live a better life. By partnering with like-minded organizations, it promotes financial wellness in underserved communities. Its guiding principle is "Kasama Lahat sa Pag-Unlad," focusing on three main areas: Financial Education, Financial Inclusion, and Enterprise Development and Livelihood.

Key programs include Sinag, which supports the social enterprise ecosystem; TechVoc, providing vocational training for the unemployed and underemployed; SEAL, aiding small and micro-enterprises; and Farm to Table, assisting farmers and fisherfolk. Additionally, FinEd Unboxed teaches personal finance management to various sectors, while the BPI-DOST Innovation Awards encourage financial wellness among students. BPI BAYANihan is a disaster response program that aids affected communities, and BPI Bayan is a volunteer program that encourages 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 the Bank reinvents itself in the advent of new technology, an evolving regulatory landscape, and ever changing customer needs. Therefore, 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 31 March 2024, the Bank (excluding BanKo) owned 238 branch locations, leased an additional 471 branches, and co-located 130 branches. The following table provides the geographic breakdown of the Bank's Philippine branch network (excluding BanKo) as of 31 March 2024:

Location*	**Number of Branches**							
	Owned		**Leased**		**Co-Located**		**Total**	
Metro Manila	103	12%	250	30%	83	10%	436	52%
Provincial	135	16%	221	26%	47	5%	403	48%
Total	**238**	**28%**	**471**	**56%**	**130**	**15%**	**839**	**100%**

Note:

* Excluding 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". As of the date of this Third Tranche Pricing Supplement, 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. Neither the Bank, nor any of 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, which are or might be material in the context of the BPI SEED Bonds.

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 Third Tranche 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 31 March 2024:

	Effective Ownership[1]	**Activity**
Subsidiaries		
BPI Capital Corporation	100%	Investment house
BPI Direct BanKo, Inc., A Savings Bank..................................	100%	Banking
Legazpi Savings Bank	99.93%	Banking
BPI International Finance Limited	100%	Financing
BPI Europe, Plc	100%	Banking (deposit)
BPI Securities Corporation	100%	Securities dealer
BPI Asset Management and Trust Corporation (*doing business under the trade name and style of* BPI Wealth – A Trust Corporation)	100%	Asset management
BPI Investments, Inc. (formerly BPI Investment Management Inc.)	100%	Investment management
BPI/MS Insurance Corporation	50.85%	Non-life insurance
Associates		
BPI AIA Life Assurance Corporation	47.96%	Life insurance
BPI Century Tokyo Lease and Finance Corporation	49%	Leasing
AF Payments, Inc.	20%	Financing
Global Payments Asia-Pacific Philippines Inc.	49%	Financing
Unicon Insurance Brokers Corp	40%	Insurance Broker

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 (**BanKo**) serves microfinance customers through branch, digital, and partnership channels. Founded in July 2009 as BPI Globe BanKO, BanKo is currently wholly owned by the Bank, following a September 2016 purchase of stakes owned by Ayala Corp. (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 1 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, doing business under the trade name and style of BPI Wealth – A Trust Corporation (**BPI Wealth**), is a standalone trust corporation serving both individual and institutional investors with a full suite of local and global investment solutions. BPI Wealth commenced operations on 1 February 2017.

BPI Investments Inc. (formerly BPI Investment Management, Inc., is a wholly owned subsidiary of the Bank and serves as the principal distributor and transfer agent of the ALFM and PAMI Mutual Funds – open-end investment companies registered with, and regulated by, the Philippine SEC.

Legazpi Savings Bank, Inc. is focused on providing financial assistance to teachers. The bank was incorporated and registered with the SEC on May 8, 1976. It was acquired by Robinsons Bank on December 26, 2012. On January 1, 2024, the merger between the Ayala-led BPI and RBC took effect, with the former as the surviving entity, making Legazpi Savings Bank, Inc. a subsidiary of BPI.

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. The Bank's current shareholding is 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.

Please refer to pages 119-123 of the Offering Circular and pages 67-71 of the Second Tranche Pricing Supplement.

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 thorough credit evaluation, appropriate loan approvals, administration, management, and continuous monitoring and control of risk exposures such as borrower (or counterparty) default risk, facility, collateral, residual, industry, and credit concentration risks relating to each loan account individually and on an aggregated portfolio basis. For consumer loans, credit risk management is additionally supported by established portfolio and credit risk scoring models. The Bank's entire credit risk management system is governed by prudent credit underwriting policies and risk rating parameters, and lending procedures, standards, and methodologies which are regularly reviewed and updated given evolving regulatory requirements and market developments. The Bank's loan portfolio is continuously measured, monitored, and risk-controlled, and reported as to overall asset quality, credit risk ratings, loan loss reserves coverage, credit concentration, and utilization of internal and prudential limits, amongst others.

Market and liquidity risk management involves a common structure and process but uses separate conceptual and measurement frameworks that are complementary 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 cashflow mismatches, 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 a systematic method of identifying, assessing, mitigating and reporting on operational and IT risks, thereby 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's 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 default or 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 and or otherwise exposed through actual or implied contractual agreements. Non-payment by borrowers, counterparties or issuers, failed settlement of transactions resulting in default on contracts may occur resulting in some loan assets of the Bank declining in value.

The Bank drives credit risk management fundamentally via its suite of well-established credit policies, processes, methodologies, and standards (collectively, credit policy manuals) the provisions of which are regularly reviewed and updated to reflect changing risk and business conditions. The credit policy manuals define the principles, parameters and standards governing credit activities, ensuring that each account's credit worthiness is thoroughly assessed, understood, regularly monitored and reviewed. Relationship managers assume overall responsibility for management of the credit exposures while middle and back office/operations 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), credit oversight and 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 (**NPA**s). 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 and related issuances, the Bank has developed and continues to review and calibrate its internal credit risk rating system aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains collaterals, securities, and credit enhancements, 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 risks 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 the 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 refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It is inherent in all banking products and services and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences IT risk is the risk of any potential adverse outcome arising from the use of or reliance on IT (i.e., computer hardware, software, devices, systems, applications, and networks). 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:

- Operational Risk Management (RMO), which designs the operational risk management tools used by the business units to identify and manage risks. Some of the tools that are employed by ORM in the discharge of its functions are the: Risk and Control Self-Assessment (RCSA) which is being conducted to evaluate the inherent risk, effectiveness of key controls, and residual risk; Key Risk Indicators (KRIs) which are metrics that provide an insight into the Bank's emerging or current key risk exposures; and Incident Management which is needed to rapidly detect incidents, minimize loss and destruction, and mitigate the weaknesses exploited and restore services. The ORM implements various risk awareness and appreciation programs;

- Enterprise Information Security Management (EISM), which develops and implements the information security program, including the governance structure, framework and risk management processes to ensure that information assets are adequately protected;

- Internal audit, which provides independent assurance to the Board on the quality and effectiveness of the Bank's operational risk management framework, including the implementation of the operational risk management policies and processes;

- Compliance office, which oversees and monitors the overall implementation of the Bank's compliance program;

- Legal and Dispute Resolution Division, which plays a critical role in helping the business units carry out their operations while minimizing legal issues and risks;

- 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 Group, which ensures that the Bank's risk management framework to manage people risk and ensures that policies and controls are in place for HR-related processes, such as succession plans, competency building and assessment programs, 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 (CRC) providing oversight on the proper implementation of the Business Continuity Management System and serves as the focal decision point during a crisis. The CRC is responsible for steering the Bank's BCM program, developing the Business Continuity Plan and strategies necessary for the continuity of critical business functions. Furthermore, the Bank has an established Cyber Security Operations Center (CSOC) 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 operational risk loss appetite..

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 ORM 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

The following section discusses updates to the Management's Discussion and Analysis or Plan of Operations after the date of the Offering Circular and the Second Tranche Pricing Supplement, and must be read in conjunction with the Offering Circular and the Second Tranche Pricing Supplement.

Financial Condition as of 31 March 2024 versus 31 December 2023

Total resources at ₱3.07 trillion, was up ₱179.63 billion, or 6.2%, led by the increase in **loans and advances, net** by ₱99.30 billion, or 5.3%, ending at ₱1.98 trillion, with all segments posting strong growth.

Other material increases are as follows:

- **Due from Bangko Sentral ng Pilipinas** at ₱239.77 billion, was also up ₱40.15 billion or 20.1% on higher placements with BSP.
- **Financial Assets at Fair Value through Profit or Loss** at ₱45.13 billion, was also up ₱21.48 billion, or 90.8%, due to increase in holdings of securities intended for trading.
- **Financial Assets at Fair Value through OCI** at ₱234.28 billion, was also up ₱15.63 billion, or 7.1% on higher government issued foreign currency denominated debt securities purchased.
- **Other Resources, net** at ₱33.19 billion was up ₱13.28 billion or 66.7% on higher deferred charges and miscellaneous assets.
- **Goodwill** at ₱9.30 billion on merger with Robinsons Bank.
- **Due from Other Banks** at ₱39.14 billion was up ₱2.85 billion or 7.8% on higher balances maintained with foreign correspondent banks.
- **Cash and Other Cash Items** at ₱37.34 billion was up ₱2.50 billion or 7.2% on higher cash balance.
- **Assets Held for Sale, net** at ₱7.06 billion was up ₱2.31 billion or 48.7%, due to the increase in foreclosed properties.
- **Deferred Income Tax Assets, net** at ₱19.92 billion was up ₱1.73 billion or 9.5% on higher reserves.
- **s, Furniture, Fixtures and Equipment, net** at ₱21.17 billion was up ₱1.42 billion or 7.2% on additional premises from the merger.
- **Investments in Subsidiaries and Associates, net** at ₱8.88 billion, up ₱596.47 million, or 7.2%, on higher equity income from the Bank's insurance affiliates.

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

- **Financial assets at amortized cost** at ₱365.78 billion, down ₱16.93 billion, or 4.4%, due to maturities.
- **Interbank loans receivable and securities purchased under agreements to resell** at ₱7.13 billion, declined by ₱13.52 billion, or 65.5%, due to lower volume of interbank loans booked.

Total liabilities at ₱2.66 trillion, increased ₱133.68 billion, or 5.3%, mainly from the ₱128.10 billion, or 5.6%, increase in **total deposits,** ending at ₱2.42 trillion, mostly from higher Time deposits.

Other material increases are as follows:

- **Other Borrowed Funds** at ₱142.05 billion, up ₱4.95billion or 3.6%, on higher bills payable.
- **Accrued taxes, interest and other expenses** at ₱16.31 billion, up ₱1.34 billion, or 8.9%, on higher interest payable accruals on time certificate of deposits and income taxes.
- **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** at ₱2.84 billion, up ₱ 962.13 million or 51.1%, due to higher cash received from counterparties as collateral for certain transactions, and higher set-up of estimated liability for the cost of maintaining appropriate supervision and examination by the Bangko Sentral.
- **Manager's Checks and Demand Drafts Outstanding** at ₱9.04 billion, up ₱578.63 million or 6.8%, on account of higher volume of manager's checks issued.

The above increases were partly tempered by declines in the following:

- **Deferred credits and other liabilities** at ₱51.89 billion, declined by ₱1.56 billion, or 2.9%, on lower acceptances outstanding.
- **Liabilities attributable to insurance operations** at ₱14.41 billion, down ₱796.35 million, or 5.2% owing to lower reserves of the Bank's insurance affiliates.

Total capital at ₱403.07 billion, increased ₱45.96 billion, or 12.8%, on movements in the following:

- **Share premium** at ₱142.91 billion was up ₱29.50 billion, or 26.0%, due to issuance of new shares to owners of Robinsons Bank.
- **Surplus** of ₱220.24 billion was ₱15.27 billion or 7.5% higher, on accumulation of three months' income.
- **Share Capital** at ₱52.45 billion was also up by ₱3.14 billion or 6.4% due to issuance of new shares to owners of Robinsons Bank.
- **Accumulated Other Comprehensive Loss** at ₱12.53 billion was ₱2.37 billion or 12.6% higher on cumulative losses from net changes in fair value of FVOCI securities.
- **Reserves** of ₱590.47 million declined ₱53.16 million or 8.3% on payment of Employee Stock Option Plan (ESOP).

RESULTS OF OPERATIONS

For the Quarters Ended March 31, 2024 and March 31, 2023

Net income of ₱15.26 billion for the first quarter of 2024 was up ₱3.13 billion or 25.8%, on the back of double-digit growth of both **net interest income** and **non-interest income.**

Net interest income at ₱29.85 billion, was up ₱5.69 billion, or 23.5%, as net interest margin (NIM) expanded 25 basis points (bps), driven by recovery of asset yields.

Interest income, net of GRT stood at ₱44.57 billion, up ₱12.14 billion, or 37.4%, on the back of the following increases in interest income on:

- **Loans and advances** at ₱37.32 billion, up ₱10.72 billion or 40.3%, on higher average asset volume coupled with higher yields;
- **FA at FV through OCI** at ₱2.46 billion, up ₱1.33 billion or 117.6%, also on higher average asset volume coupled with higher yields;
- **Deposits with BSP and other banks** at ₱859.52 million, up ₱94.98 million or 12.4%, on higher average asset volume;
- **FA at FV through profit or loss** at ₱215.61 million, up ₱59.93 million or 38.5%, on account of higher yields despite lower average asset volume.

Interest expense at ₱14.72 billion, up ₱6.45 billion, or 78.1%, mostly due to the increase in interest expense **on deposits** at ₱12.66 billion, up ₱5.56 billion, or 78.3%, due to higher cost and average volume. Interest expense **on bills payable and other borrowings** at ₱2.06 billion, was also up by ₱893.73 million or 76.5%, also due to higher cost and higher average volume.

Other income, net of GRT at ₱9.68 billion, was ₱2.12 billion or 28.1% higher versus same period last year due to the following movements:

- **Other operating income** at ₱3.85 billion, up ₱795.50 million or 26.1%, on higher credit card, trust fee and miscellaneous income.
- **Income attributable to insurance operations** at ₱802.19 million was ₱621.84 million or 344.8% up on higher income of the Bank's insurance affiliate and subsidiaries.
- **Income from foreign exchange trading** at ₱1.00 billion, up ₱482.72 million or 93.0% on favorable opportunities on FX SWAP trading from same period last year.
- **Fees and commissions** at ₱3.39 billion, up ₱313 million, or 10.2%, on higher service charges and bank commissions.
- **Trading gain on securities** at ₱632.26 million, down ₱93.22 million or 12.8%, on higher gains last year.

Other expenses at ₱18.01 billion, up ₱2.95 billion, or 19.6%, due to the increases in the following:

- **Other operating expenses** at ₱6.41 billion, up ₱1.63 billion, or 34.2%, on account of higher transaction servicing, regulatory, marketing and litigation expenses.
- **Compensation and fringe benefits** at ₱6.62 billion, up ₱1.16 billion, or 21.2%, attributable to increase in headcount from the merger with Robinsons Banks, annual salary increases and performance bonuses.
- **Occupancy and equipment-related expenses** at ₱4.98 billion, up ₱160.09 million, or 3.3%, due to increase in technology spend.

Impairment losses at ₱1.50 billion, higher by ₱500 million, or 50.0%, coming from the ₱1.00 billion level in 2023.

Provision for income tax at ₱4.67 billion, up ₱1.22 billion or 35.4%. **Current income tax** at ₱4.07 billion, up ₱778.54 million or 23.7%, on higher taxable revenue. **Deferred income tax** at ₱600.00 million was also up ₱442.06 million or 279.9% on higher write-offs.

Income attributable to non-controlling interest at ₱84.05 million, up ₱13.46 million, attributable to higher income contribution from the Bank's non-life insurance subsidiary.

Total comprehensive income at ₱13.36 billion, lower by ₱583.77 million, as the increase in **net income before minority interest** was offset by the decline in **total other comprehensive income, net of tax effect** at ₱1.99 billion loss compared to same period last year's income of ₱1.74 billion, or a decline of ₱3.73 billion or 214.4%. 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 ₱1.97 billion loss, deteriorated by ₱3.39 billion or 237.9% from last year's ₱1.43 billion income on account of lower market valuation of the Bank's investment securities.
- **Share in other comprehensive income of associates** at ₱81.79 million loss, down ₱361.07 million, from last year's income of ₱279.27 million, on lower valuation of the life insurance affiliates' investments compared to last year's movement.
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱12.94 million loss, weakened by ₱76.72 million, or 120.3%, from last year ₱63.78 million income, as a result of lower market valuation of investment funds of the Bank's insurance affiliates.
- **Currency translation differences** at ₱126.55 million, higher by ₱339.33 million from last year's ₱212.77 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 ₱69.93 million loss, deteriorated ₱220.21 million, from last year's income of ₱150.28 million, on higher losses of the Bank's insurance affiliate.
- **Actuarial gains on defined benefit plan, net of tax effect** at ₱15.23 million declined by ₱16.03 million from last year's ₱31.26 million on lower gains from the Bank's insurance subsidiary's retirement plan.

Income attributable to non-controlling interest at ₱85.33 million, lower by ₱22.17 million, on lower fair value reserve on investments of the Bank's insurance subsidiaries.

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:

	31 March 2024	31 March 2023
Return on Equity (%)	15.69	15.36
Return on Assets (%)	2.02	1.88
Net Interest Margin (%)	4.19	3.94
Operating Efficiency Ratio (%)	45.57	47.50
Capital Adequacy Ratio (%) – Basel III*	15.57	16.54

Return on equity (ROE), the ratio of net income to average equity at 15.69%, was higher compared to last year's 15.36%, 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 2.02%, compared to last year's 1.88%, 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 4.19%, 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, lower at 45.57%, as the growth in revenues outpaced the growth in operating expenses.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was at 15.57%, lower versus prior year's 16.54%. The CET 1 ratio at 14.74%, was also lower than the 15.66% from the same period last year. The decline in capital ratios is due to the growth in risk weighted assets outpacing the growth in qualifying capital. Both of the Bank's capital ratios are above the BSP's minimum requirement.

Financial Condition as of 31 December 2023 versus 31 December 2022

The highlights of the balance sheet and income statement of BPI for each year and the compounded growth rate over the three-year period (2020-2023) are shown below:

In Million Pesos	**2020**	**2021**	**2022**	**2023**	**CAGR**
Assets	2,233,443	2,421,915	2,603,961	2,888,372	8.9%
Loans (Net)	1,407,413	1,476,527	1,702,990	1,882,007	10.2%
Deposits	1,716,177	1,955,147	2,096,001	2,295,106	10.2%
Capital	279,835	293,060	317,722	357,204	8.5%

As of December 31, 2023, **total resources** stood at ₱2.89 trillion, up ₱284.41 billion, or 10.9%, from last year's ₱2.60 trillion. **Total deposits** at ₱2.30 trillion, went up by ₱199.10 billion or 9.5%, mainly from increase in Time Deposits of ₱219.89 billion or 40.9%, to ₱757.48 billion. CASA deposits declined ₱20.78 billion, or 1.3%, to ₱1.54 trillion. **Other borrowed funds** at ₱137.10 billion, was up ₱39.60 billion or 40.6%, on new bond issuances. **Accrued taxes, interest and other expenses** at ₱14.97 billion, was up ₱4.38 billion, or 41.4%, on higher accrued interest on time deposits, income tax and performance bonus. **Manager's checks and demand drafts outstanding** at ₱8.46 billion, was up ₱1.71 billion or 25.3%, on higher non-negotiated manager's checks issued. Meanwhile, **derivative financial liabilities** at ₱2.82 billion, declined ₱1.48 billion, or 34.4%, due to lower market valuation of certain derivative products. **Due to Bangko Sentral ng Pilipinas and other banks** at ₱1.88 billion, was also lower by ₱1.01 billion or 34.9% on lower marginal cash deposit.

Capital funds of ₱357.20 billion increased ₱39.48 billion, or 12.4% higher than last year's ₱317.72 billion. **Treasury shares** were up ₱33.04 billion or 100% on distribution of common shares as property dividends. **Share premium** at ₱113.41 billion was up ₱9.29 billion due to the excess over the market price of the treasury shares cost distributed as property dividend. **Accumulated other comprehensive loss** of ₱11.13 billion was lower by ₱3.13 billion, or 21.9%, on lower losses on FVOCI securities.

On the asset side, **loans and advances, net,** at ₱1.88 trillion, grew by ₱179.02 billion, or 10.5%, on increases in all portfolios. **Financial assets at fair value through other comprehensive income** at ₱218.65 billion, increased by ₱123.38 billion or 129.5%, due to purchase of government and private securities. **Due from Bangko Sentral ng Pilipinas** at ₱199.62 billion, was also up ₱16.75 billion or 9.2% on higher placements in BSP deposits. **Interbank loans receivable and securities purchased under agreements to resell** at ₱20.64 billion, grew by ₱8.26 billion or 66.7%, on increase in reverse repurchase agreement. **Other resources, net,** at ₱19.92 billion was also up ₱3.09 billion or 18.4% on higher miscellaneous assets. **Financial assets at fair value through profit or loss** increased by ₱1.52 billion or 6.9% to ₱23.65 billion due to increase in holdings of securities intended for trading. **Deferred income tax assets, net** was also up by P1.43 billion or 8.6% to ₱18.19 billion on account of the impairment losses set up for the period. **Investment in subsidiaries and associates, net** at P8.29 billion, grew by ₱1.06 billion or 14.7% on account of the Bank's share in the net income and market valuation of investment securities of BPI AIA. **Assets held for sale, net** increased by ₱983 million or 26.1% to ₱4.74 billion due to an increase in ROPA bookings.

On the other hand, **financial assets at amortized cost** declined by ₱37.82 billion or 9.0% to ₱382.71 billion due to sale and maturities of debt securities. **Due from other banks** at ₱36.29 billion was also lower by ₱8.90 billion or 19.7% on lower working balances with correspondent banks. **Cash and other cash items** at ₱34.84 billion also went down by ₱4.77 billion or 12.0% on lower level of cash and payroll for the year.

Asset Quality

The Bank's loan portfolio mix is broken down into corporates at 78.8%, and consumer at 21.2%, compared to last year's 81.1%, and 18.9%, respectively.

Allowance for Impairment at ₱4.00 billion declined ₱5.17 billion, or 56.4%, from last year's ₱9.17 billion. NPL ratio deteriorated to 1.84% from 1.76% in 2022, but still better than industry's NPL ratio of 3.31%.

Details of the loan portfolio and asset quality are reflected in the 2023 Audited Financial Statements Note 10 and Note 26.1.3.1, respectively.

Funding and Liquidity

Customer deposits account for 91% of BPI's total funding, while 5% is attributable to other borrowings. The Bank's liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio) are comfortably above the regulatory minimum of 100%.

The Bank's CASA Ratio was 67.0%, while the Loan-to-Deposit Ratio was 82.0%.

For further details on the Bank's deposits, borrowings, and liquidity, refer to the 2023 Audited Financial Statements Notes 15, 16, and 26.3.1, respectively.

Results of Operations as of as of 31 December 2023 versus 31 December 2022

In Million Pesos	**2020**	**2021**	**2022**	**2023**	**CAGR**
Net Interest Income	72,264	69,583	85,066	104,350	13.0%
Non-Interest Income	29,659	27,822	33,459	33,971	4.6%
Impairment Losses	28,000	13,135	9,167	4,000	-47.7%
Operating Expenses	48,154	50,733	57,990	69,110	12.8%
Net Income	21,409	23,880	39,605	51,687	34.2%

The Bank's income from 2020 to 2023 grew at a compounded annual rate of 34.2% as net interest income and non-interest income increased by 13.0% and 4.6%, respectively, and impairment losses declined by 47.7%. However, the bottom-line impact of above-mentioned improvements was partly reduced by the 12.8% CAGR increase in operating expenses.

In 2023, the Bank posted a **net income** of ₱51.69 billion, up ₱12.08 billion, or 30.5%, from the ₱39.61 billion recognized in the prior year. The increase was driven by revenue growth of ₱19.80 billion and lower **impairment losses** by ₱5.17 billion, partly tempered by higher operating expenses and taxes of P11.12 billion and ₱1.77 billion, respectively.

Net of last year's one-off gains from the sale of a property, net income would have been higher by P15.82 billion or 44.1%.

Net interest income stood at ₱104.35 billion, up ₱19.28 billion, or 22.7%, as average earning asset base grew 7.6% and NIM at 4.1% expanded 50 bps. Earning asset yield up on higher loan yields coupled with higher volume and additional placement in financial assets at fair value through other comprehensive income at higher rates. Cost of funds was up 97 bps on an increase in average deposits and on bond issuances with higher costs.

- **Interest income** increased by ₱42.30 billion, or 41.0%, to ₱145.57 billion. Interest income **on loans and advances** at ₱120.90 billion, was up ₱35.99 billion, or 42.4%, owing to higher average volume and higher yields. Interest income **on financial assets** at ₱21.74 billion, was also higher by ₱4.88 billion or 28.9%, due to higher yields, and higher average volume for financial assets at fair value through OCI and PL. Interest income **on deposits with BSP and other banks** at ₱2.93 billion, was also up by ₱1.44 billion or 96.2% on higher yields, despite lower average volume.

- **Interest expense** of ₱41.22 billion increased ₱23.02 billion, or 126.5%, on higher cost with higher volume. Interest expense **on deposits** of ₱36.03 billion, was up ₱21.21 billion or 143.1%; while interest expense **on bills payable and borrowings** grew by ₱1.82 billion or 53.8%, to ₱5.20 billion on new bond issuances.

Other income at ₱33.97 billion, up by ₱510 million or 1.5%. **Fees and commissions** at ₱12.72 billion were up ₱1.38 billion or 12.2% on higher service charges. **Trading gain on securities** at ₱1.92 billion was ₱1.06 billion or 124.0% higher due to realized gains from sale of securities. **Income from foreign exchange trading** at ₱3.22 billion was also up ₱606 million as there were more favorable opportunities for trading this year. **Income attributable to insurance operations** at ₱1.84 billion, was ₱460 million or 33.3% higher on higher investment income of BPI AIA. **Other operating income,** meanwhile, declined by ₱2.79 billion or 16.3% to ₱14.27 billion, on last year's one-off gains from sale of property.

Netting of last year's one-off, **other income** would have been up ₱5.50 billion or 19.3%. **Other operating income** will be up ₱2.20 billion or 18.3% on higher credit card income.

Other expenses were higher at ₱69.11 billion, up ₱11.12 billion, or 19.2%. **Other operating expenses,** at ₱23.88 billion, was up ₱4.18 billion or 21.2%, on higher marketing and operations expenses. **Occupancy and equipment-related expenses** at ₱22.01 billion, were up by ₱3.25 billion, or 17.3%, on higher technology spend driven by Bank's continued digitalization initiative. **Compensation and fringe benefits** at ₱23.22 billion, was up ₱3.69 billion, or 18.9% on annual pay hike, structural salary increases, higher performance bonus and incentives.

Impairment losses stood at ₱4.00 billion, ₱5.17 billion or 56.4% lower than last year, attributable to resilient asset quality.

Provision for income tax at ₱13.30 billion, higher by ₱1.77 billion, compared to the ₱11.53 billion from last year. **Current taxes** at ₱13.93 billion, higher by ₱1.49 billion or 12.0% on higher taxable revenue. **Deferred taxes** at -P635 million, lower by ₱270.59 million, on lower loss provisioning.

Income attributable to non-controlling interest at ₱225 million declined by ₱6 million or 2.6%, owing to lower income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at ₱55.09 billion, up ₱20.91 billion, or 61.2%, due to the increase in **net income before minority interest** by ₱12.08 billion, or 30.3%, and increase in **total other comprehensive income, net of tax effect** by ₱8.83 billion, or 156.2%, to ₱3.18 billion.

Net change in fair value reserve on FVOCI securities, net of tax effect at ₱556 million, was higher by ₱2.08 billion from last year's loss of ₱1.53 billion, on account of higher market valuation of the Bank's investment securities. **Share in other comprehensive income of associates** at ₱405 million was higher by ₱1.42 billion or 140.1%, from last year's ₱1.01 billion loss, due to higher accumulated fluctuation reserves of the Bank's insurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱90 million, was higher by ₱315 million or 140.0% from last year's ₱225 million loss, as a result of higher market valuation of the insurance subsidiaries' investment funds. **Currency translation differences** at ₱54 million loss was lower by ₱11 million from last year's ₱65 million loss, on currency translation losses from the Bank's foreign subsidiary.

On the other hand, **actuarial loss on defined benefit plan, net of tax effect** of ₱2.48 billion loss was ₱2.47 billion lower from last year's ₱8 million actuarial losses on defined benefit obligation. **Share in other comprehensive gain of associates** at ₱49 million, was also lower by ₱638 million from last year's ₱687 million due to the lower market valuation of the life insurance affiliate's investments securities.

Comprehensive income attributable to non-controlling interest of ₱275 million, increased ₱112 million, or 68.7%, due to higher market valuation of the insurance's subsidiaries' investments.

Key Performance Indicators

	2021	2022	2023
Return on Equity[1]	8.4%	13.1%	15.4%
Return on Assets[1]	1.1%	1.6%	1.9%
Net Interest Margin[1]	3.3%	3.6%	4.1%
Operating Efficiency Ratio	52.1%	48.9%	50.0%
Capital Adequacy Ratio[2]	16.7%	16.0%	16.2%

[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 15.4% and 1.9%, respectively, because of the 30.5% increase in net income.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, was also higher at 4.1% by 50 basis points than the 3.6% in 2022, 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 higher at 50.0% from 48.9% in 2022, on faster acceleration of operating expenses as against revenue.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was higher at 16.2% compared to last year's 16.0%, as the growth of qualifying capital outpaced the growth in total risk-weighted assets. The CET 1 ratio at 15.3%, was also higher than the 15.1% from the same period last year. Both Bank's capital ratios are above the BSP's minimum requirement.

Presented below is 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.

Using simple average method	**2022**	**2023**
Return on Equity	12.9%	15.2%
Return on Assets	1.6%	1.9%
Net Interest Margin	3.6%	4.0%

Details of the basic quantitative indicators of financial performance are reflected in Note 32 of the 2023 Audited Financial Statements.

Financial Condition as of 31 December 2022 to 31 December 2021

Please refer to pages 77-82 of the Second Tranche Pricing Supplement.

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 the Second Tranche Pricing Supplement, and must be read in conjunction with the Offering Circular (pages 124-133) and the Second Tranche Pricing Supplement (83-92). Full information on the Bank and the Offer is contained in the 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 Third Tranche Pricing Supplement, as well as "Risk Management" and "Description of the Bank" in the Offering Circular and the Second Tranche Pricing Supplement, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement.

Funding

Overview

The Bank's funding is primarily provided by time, savings and demand deposits. Of the total amount of deposits of ₱2.42 trillion as of 31 March 2024, these categories amounted to 35.2, 48.1% and 16.7%, respectively. 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 31 March 2024, these accounted for 61.3% 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 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.

As of 31 March 2024, the Bank's deposit grew 12.8% year on year, with bought deposits increasing 33.7%, increasing the cost of deposits by 72 bps.

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					
	2021		2022		2023	
	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	369,079	0.1%	376,337	0.1%	379,076	0.1%
Savings	1,137,124	0.3%	1,182,071	0.2%	1,158,548	0.1%
Time	448,944	2.0%	537,593	2.8%	757,482	4.7%
Total	**1,955,147**	**0.6%**	**2,096,001**	**0.7%**	**2,295,106**	**1.5%**
Deposits by currency:						
Peso	1,691,618	0.6%	1,792,115	0.8%	2,002,947	1.6%
Foreign	263,529	0.1%	303,886	0.2%	292,159	0.8%
Total	**1,955,147**	**0.6%**	**2,096,001**	**0.7%**	**2,295,106**	**1.5%**
Deposits by classification:						
Low Cost	1,506,203		1,558,408		1,537,624	
Term	448,944		537,593		757,482	
Total	**1,955,147**		**2,096,001**		**2,295,106**	
Bills Payable:						
Peso	46,375		30,345		83,607	
Foreign	48,664		67,158		53,497	
Total	**95,039**	**4.0%**	**97,503**	**3.9%**	**137,104**	**4.9%**

Acceptances Payable:			
Peso	202	128	116
Foreign	2,640	8,972	7,746
Total	**2,842**	**9,100**	**7,862**

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.

	For the three months ended 31 March			
	2023		2024	
	Volume	Average Cost of Funding(1)	Volume	Average Cost of Funding(1)
	(₱ millions, except percentages)			
Deposits by type:				
Demand	373,986	0.1%	403,804	0.1%
Savings	1,136,400	0.1%	1,165,902	0.1%
Time	638,301	4.0%	853,497	5.2%
Total	**2,148,687**	**1.2%**	**2,423,203**	**1.9%**
Deposits by currency:				
Peso	1,828,454	1.3%	2,103,548	2.0%
Foreign	320,233	0.6%	319,655	1.4%
Total	**2,148,687**	**1.2%**	**2,423,203**	**1.9%**
Deposits by classification:				
Low Cost	1,510,386		1,569,706	
Term	638,301		853,497	
Total	**2,148,687**		**2,423,203**	
Bills Payable:				
Peso	47,048		69,158	
Foreign	52,610		72,894	
Total	**99,658**	**4.5%**	142,052	**6.1%**
Acceptances Payable:				
Peso	3		87	
Foreign	3,852		3,911	
Total	3,855		3,998	

As of 31 December 2023 and 31 March 2024, 67.0% and 64.8% respectively 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 31 March
	2021	**2022**	**2023**	**2024**
	(₱ millions)			
Demand	369,079	376,337	379,076	403,804
Savings	1,137,124	1,182,071	1,158,548	1,165,902
Time	448,944	537,593	757,482	853,497
Up to 1 year	363,451	452,843	704,229	791,775
> 1 year to 5 years	85,493	84,750	53,253	61,722
Total	**1,955,147**	**2,096,001**	**2,295,106**	**2,423,203**

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 Third Tranche 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 31 March 2024, the Bank's liquid assets amounted to ₱1,360,002 million, or 44.1% 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 31 March
	2021	2022	2023	2024
	(₱ millions, except percentages)			
Liquid Assets[(1)]	**976,962**	**1,033,103**	**1,198,598**	**1,360,002**
Cash and Other Cash Items	35,143	39,613	34,843	37,340
Due from BSP	268,827	182,869	199,619	239,774
Due from Other Banks	34,572	45,190	36,292	39,140
Interbank Loans Receivable and Securities Purchased Under Agreements to Resell	30,789	12,337	19,124	5,607
Derivative Assets	3,553	7,147	3,802	4,008
Financial Assets at Fair Value through Profit or Loss	17,781	14,986	19,852	41,126
Financial Assets at Fair Value through OCI	34,060	7,959	40,555	1,799
Financial Assets at Amortised Cost	29,061	41,813	64,063	361,090
Loan and Advances, Gross	520,838	678,738	777,925	624,869
Other Financial Assets	2,338	2,451	2,523	5,249
Total Assets	**2,421,915**	**2,603,961**	**2,888,372**	**3,086,005**
Total Deposits	**1,955,147**	**2,096,001**	**2,295,106**	**2,423,203**
Net Loans[(2)]	**1,476,527**	**1,702,990**	**1,882,007**	**1,981,303**
Financial Ratios				
Liquid Assets to Total Assets	40.3%	39.7%	41.5%	44.1%
13.Liquid Assets to Total Deposits	50.0%	49.3%	52.2%	56.1%
Net Loans to Total Deposits	75.5%	81.2%	82.0%	81.8%

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**), investment securities 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 31 March 2024, the Bank's investments (exclusive of derivatives) comprised 20.9% 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 31 March	
	2021		2022		2023		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(₱ millions)							
Financial Assets at FVTPL......	17,781	17,781	14,986	14,986	19,852	19,852	45,134	45,134
Investment Securities, net Financial Assets at FVOCI ..	134,741	134,741	95,267	95,267	218,654	218,654	234,283	234,283
Financial Assets at Amortised Cost	338,672	339,189	420,533	391.540	382,711	364,286	365,781	346,659
Total	**491,194**	**491,711**	**530,786**	**501,793**	**621,217**	**602,792**	**645,198**	**626,076**

Loan Portfolio:

As of 31 March 2024, the Bank's total loan portfolio amounted to ₱2.03 trillion, representing 66.1% of total assets. Large corporate loans, SME loans and consumer loans make up 73.1%, 3.8% and 23.1% of the Bank's total loan portfolio as of 31 March 2024.

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 31 March
	2021	2022	2023	2024
		(₱ millions)		
Corporate Entities				
Large Corporate Customers……..............................	1,169,551	1,348,210	1,446,426	1,481,597
Small-and-Medium-Sized Enterprise ………………	66,594	76,046	79,097	77,972
Retail Customers				
Credit Cards ………………………………………..	76,048	99,680	137,889	144,044
Real Estate Mortgages ……………………………..	153,303	158,137	171,495	209,342
Auto Loans …………………………………………	51,182	58,009	71,896	80,081
Others ……...	11,952	16,675	28,536	42,426
Total ……...............................……................................	**1,528,630**	**1,756,757**	**1,935,339**	**2,035,462**
Accrued interest receivable……......................................	7,819	11,189	12,943	16,155
Unearned discount/income……......................................	(6,158)	(7,189)	(8,801)	(9,519)
	1,530,291	**1,760,757**	**1,939,481**	**2,042,098**
Allowance for impairment…….......................................	(53,764)	(57,767)	(57,474)	(60,795)
Loans and Advances, net…….......................................	**1,476,527**	**1,702,990**	**1,882,007**	**1,981,303**

Industry concentration

The largest sectors of the Bank's loan portfolio are (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) electricity, gas, and water, and (v) wholesale and retail trade, representing 23.7%, 14.7%, 12.2%, 10.6% and 10.3%, respectively, of the Bank's loan portfolio as of 31 March 2024.

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 to a range of borrowers in the agriculture, fisheries, and agrarian reform sectors. Prior to RA 11901, Philippine banks were mandated to set aside 10 per cent. of their lending portfolio for agrarian reform beneficiaries and 15 per cent. for agricultural activities. For the years ended 31 December 2021 and 2022, the Bank was fined ₱797.9 million and ₱829.9 million, respectively, for its failure to fully comply with mandated lending. The amount of loans extended by the Bank under the AFRD Financing amounts to approximately ₱163.00 billion as of 31 December 2023. Given the greater flexibility in allocating the combined 25 per cent. mandatory credit quota to eligible borrowers, the Bank is deemed compliant with the prescribed percent of funds extended to eligible sectors and expanded type of financing aligned with the BSP regulations (BSP Circular 1159).

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

	As of 31 December						As of 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	123,035	8.1%	161,282	9.2%	220,407	11.4%	246,558	12.2%
Manufacturing	238,369	15.7%	287,220	16.4%	298,463	15.5%	297,666	14.7%
Real estate, renting and other related activities	389,874	25.6%	401,850	23.0%	445,452	23.1%	481,008	23.7%
Wholesale and retail	163,205	10.7%	191,244	10.9%	216,400	11.2%	209,103	10.3%
Agriculture, fishing and forestry	29,614	1.9%	33,602	1.9%	33,408	1.7%	33,475	1.7%
Electricity, gas and water	174,679	11.5%	221,756	12.7%	197,556	10.3%	215,128	10.6%
Transport and storage	35,751	2.3%	40,724	2.3%	42,096	2.2%	47,245	2.3%
Information and communication	100,571	6.6%	151,332	8.7%	175,908	9.1%	178,793	8.8%
Construction	39,378	2.6%	29,375	1.7%	33,838	1.8%	39,164	1.9%
Financial intermediaries	123,369	8.1%	162,332	9.3%	187,331	9.7%	195,090	9.6%
Others	104,627	6.9%	68,851	3.9%	75,679	3.9%	82,713	4.2%
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,025,943**	**100.0%**

Loan Maturity Profile

As of 31 March 2024, 37.3% 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 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Within one year[(1)]	519,047	34.1%	675,706	38.6%	773,010	40.1%	754,810	37.3%
More than one year	1,003,425	65.9%	1,073,862	61.4%	1,153,528	59.9%	1,271,133	62.7%
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,025,943**	**100.0%**

Note:

(1) Includes past due loans.

Foreign Currency Denominated Loans

As of 31 March 2024, 93.2% of the Bank's loan portfolio was denominated in Pesos while 6.8% 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 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Philippine Peso	1,402,793	92.1%	1,603,780	91.7%	1,805,930	93.7%	1,888,722	93.2%
Foreign Currency	119,679	7.9%	145,788	8.3%	120,608	6.3%	137,221	6.8%
U.S. Dollars	*113,229*	*94.6%*	*139,617*	*95.8%*	*115,324*	*95.6%*	*131,057*	*95.5%*
Others	*6,450*	*5.4%*	*6,171*	*4.2%*	*5,284*	*4.4%*	*6,164*	*4.5%*
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,025,943**	**100.0%**

Interest Rates

As of 31 March 2024, 85.9% 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 floating rate 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, categorized by the earlier of contractual repricing or maturity dates:

	As of 31 December						As of 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Repricing	1,360,526	89.4%	1,560,086	89.2%	1,671,429	86.8%	1,739,330	85.9%
Up to one year	*484,920*	*35.6%*	*979,374*	*62.8%*	*1,090,478*	*65.2%*	*1,078,423*	*62.0%*
Over 1 up to 3 years	*310,278*	*22.8%*	*290,057*	*18.6%*	*325,383*	*19.5%*	*358,154*	*20.6%*
Over 3 years	*565,328*	*41.6%*	*290,655*	*18.6%*	*255,568*	*15.3%*	*302,753*	*17.4%*
Non-repricing	161,946	10.6%	189,482	10.8%	255,109	13.2%	286,613	14.1%
Total Loans	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,025,943**	**100%**

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 31 March 2024, 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 31 March 2024, the Bank's ten largest individual borrowers accounted for 12.8% of the Bank's total outstanding loan portfolio. As of 31 March 2024, the Bank's ten largest borrower groups in the aggregate accounted for 27.0% 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 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Secured	443,248	29.1%	525,500	30.0%	543,945	28.2%	573,429	28.3%
Real estate mortgage	*268,427*	*60.6%*	*281,974*	*53.7%*	*304,090*	*55.9%*	*312,122*	*54.4%*
Chattel mortgage	*51,878*	*11.7%*	*60,287*	*11.5%*	*75,028*	*13.8%*	*79,863*	*13.9%*
Others	*122,943*	*27.7%*	*183,239*	*34.8%*	*164,827*	*30.3%*	*181,444*	*31.7%*
Unsecured	1,079,224	70.9%	1,224,068	70.0%	1,382,593	71.8%	1,452,514	71.7%
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,025,943**	**100.0%**

As of 31 March 2024, 71.7% of the Bank's total loans are unsecured.

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 31 March 2024, DOSRI loans amounted to 1.0% 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 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Classified	58,532	3.8%	53,961	3.1%	60,555	3.1%	72,477	3.5%
Especially mentioned	18,346	1.2%	7,648	0.4%	8,722	0.4%	11,647	0.6%
Substandard secured	12,440	0.8%	18,209	1.0%	18,726	1.0%	23,103	1.1%
Substandard unsecured	13,712	0.9%	6,757	0.4%	12,229	0.6%	11,899	0.6%
Doubtful	9,830	0.6%	15,623	0.9%	15,270	0.8%	18,270	0.9%
Loss	4,204	0.3%	5,724	0.3%	5,608	0.3%	7,558	0.4%
Unclassified	1,471,759	96.2%	1,706,796	96.9%	1,878,927	96.9%	1,969,921	96.5%
Total	**1,530,291**	**100.0%**	**1,760,757**	**100.0%**	**1,939,482**	**100.0%**	**2,042,098**	**100.00%**

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 31 March
	2021	2022	2023	2024
	(₱ millions, except percentages)			
Total Loans (gross)	1,522,472	1,749,568	1,926,538	2,025,943
Non-performing loans (NPLs), gross[(1)]	37,956	30,879	35,435	42,957
Non-performing loans (NPLs), net[(1)]	20,384	9,464	12,709	15,847
ROPA, Gross	6,197	7,139	7,921	10,490
ROPA, Net	3,282	3,760	4,743	7,055
Total non-performing assets (NPAs), net	23,666	13,224	17,452	22,902
Total assets	2,421,915	2,603,961	2,888,372	3,068,005
NPAs to total assets	1.0%	0.5%	0.6%	0.7%
Allowance for impairment and credit losses (total)	54,577	57,767	57,474	60,795
Allowance for credit losses (loans)	51,663	55,566	55,308	58,494
Allowance for impairment losses (ROPA)	2,914	3,379	3,178	3,434
Allowance for credit losses (loans) to total non-performing loans, gross	136.1%	180.0%	156.1%	136.2%
Allowance for impairment and credit losses (total) to total non-performing assets	123.6%	151.9%	132.6%	113.7%
Total restructured loans	28,441	28,970	26,143	28,624
Restructured loans to total loans (gross)	1.9%	1.7%	1.4%	1.41%
Loans – written off	5,263	3,998	4,026	1,124

Note:

(1) NPL are based on BSP circular 941.

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 31 March	
	2021		2022		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	7,778	20.5%	6,463	20.9%	9,077	25.6%	11,198	26.1%
Manufacturing (various)	3,055	8.0%	2,024	6.5%	3,612	10.2%	5,258	12.2%
Real estate, renting and other related activities	11,342	29.9%	9,188	29.8%	8,878	25.1%	11,345	26.4%
Wholesale and retail	3,856	10.2%	3,605	11.7%	4,106	11.6%	4,560	10.6%
Agriculture, fishing and forestry	1,108	2.9%	1,127	3.6%	1,705	4.8%	1,525	3.5%
Electricity, gas and water	310	0.8%	356	1.2%	202	0.6%	230	0.5%
Transport and storage	327	0.9%	326	1.1%	291	0.8%	299	0.7%
Information and communication	465	1.2%	352	1.1%	199	0.6%	202	0.5%
Construction	5,803	15.3%	4,532	14.7%	4,550	12.8%	4,841	11.3%
Financial intermediaries	144	0.4%	152	0.5%	157	0.4%	116	0.3%
Others	3,768	9.9%	2,754	8.9%	2,658	7.5%	3,377	7.9%
Total	**37,956**	**100.0%**	**30,879**	**100.0%**	**35,435**	**100.0%**	**42,951**	**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.

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 credit strategy for selecting risks and maximising profits;
- reviewing the financial results of the Bank and determining action plans;
- approving write-off of non-performing 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.

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 risks 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.

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.

Credit Committee

The Credit Committee (including its designated various sub-credit committees) 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 standards and guideline 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**) under its Institutional Banking segment that manages and administers problem loan accounts. SAMD is responsible for the handling of remedial management of the major NPLs of Institutional Banking's corporate 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 performs the evaluation, review and monitoring of problem accounts through analysis of business/financial issues, likelihood of loss or recovery and determining documentary deficiencies, if any. It formulates and implements appropriate remedial strategies to revive and recover the credits. Remedial strategies include the restructuring and renegotiating of credit agreements and terms, rescheduling of payments and filing of collection suits and extrajudicial foreclosures. SAMD provides evidentiary support to all items in litigation by acting as witness and providing evidentiary documents to support the Bank's cases. 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, SAMD strives to take a lead role in the recovery efforts to protect the Bank's interest.

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 (134-150) and the Second Tranche Pricing Supplement (pages 93-97), and must be read in conjunction with the Offering Circular and the Second Tranche Pricing Supplement, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement.. Full information on the Bank and the Offer is contained in the 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 27 May 2024:

Name of Shareholder	Number of Shares	% of Total Shares
Ayala Corporation	1,515,177,839	28.74%
Liontide Holdings, Inc.	823,218,041	15.61%

Board of Directors

The overall management and supervision of the Bank is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. The articles of incorporation of the Bank, as amended (the **Articles of Incorporation**) currently provide for a Board of Directors of not more than 15 Directors, at least nine of whom must be citizens of the Philippines. Directors are elected at the annual meeting of shareholders which is, in accordance with the Bank's by-laws, as amended (**By-Laws**), held on the last Friday of March of each year or on such date as may be determined by the Board of Directors. The 15 candidates receiving the highest number of votes through cumulative voting will be declared elected. Each elected Director has a term of office of one year and is eligible for re-election the following year. Currently, the Board consists of 15 Directors.

The table below sets out the members of the Board of Directors:

Name	Position	Citizenship	Age
Jaime Augusto Zobel de Ayala....	Chairman	Filipino	65
Cezar P. Consing..........................	Vice-Chairman	Filipino	64
Jose Teodoro K. Limcaoco	President and Chief Executive Officer	Filipino	62
Janet Guat Har Ang......................	Independent Director	Singaporean	64
Rene G. Bañez	Director	Filipino	69
Karl Kendrick T. Chua.................	Director	Filipino	45
Wilfred T. Co..............................	Director	Filipino	59
Emmanuel S. de Dios...................	Independent Director	Filipino	70
Rizalina G. Mantaring..................	Lead Independent Director	Filipino	64
Aurelio R. Montinola III..............	Director	Filipino	72
Mario Antonio V. Paner...............	Independent Director	Filipino	65
Cesar V. Purisima	Independent Director	Filipino	64
Jaime Z. Urquijo	Director	Filipino	35
Maria Dolores B. Yuvienco	Independent Director	Filipino	76
Fernando Zobel de Ayala.............	Director	Filipino	64

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

MR. JAIME AUGUSTO ZOBEL DE AYALA, Filipino, 65, has been a member of the board of directors of BPI since March 1990 and chairman since March 2004. He is currently the chairman of the Bank's Executive Committee, Personnel and Compensation Committee and a member of the Nomination Committee. Mr. Zobel served as vice chairman from 1995 to March 2004.

Mr. Zobel serves as a director of Ayala Corporation since May 1987 and its chairman since April 2006. He holds the following positions in other publicly listed companies: Chairman of Globe Telecom, Inc., and Chairman of Ayala Land, Inc. He is also the Chairman of AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.) and Asiacom Philippines, Inc.

Outside the Ayala group, he is a director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council, Asia Center Advisory Committee and HBS Asia Advisory Committee. He sits as Chairman of the Board of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, Asean Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and World Wildlife Funds Philippines National Advisory Council. He is the Co-Vice chairman of the Makati Business Club, the Chairman of Endeavor Philippines, and a Trustee Emeritus of Eisenhower Fellowships.

He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business.

Mr. Zobel graduated with B.A. in Economics (Cum Laude) from Harvard University in 1981 and obtained an MBA from the Harvard Graduate School of Business Administration in 1987.

MR. CEZAR P. CONSING, Filipino, 64 years old, was elected as regular Director of the Bank in April 2021. He has served as a Board Director from 1995-2000, 2004-2007 and 2010 - present. He served as President and Chief Executive Officer of BPI from 2013 to 2021. He is currently the Vice Chairman of BPI's Board and Executive Committee and member of its Risk Management, Personnel and Compensation, and Nomination Committees. Mr. Consing has also served on the Board of Directors of various BPI Subsidiaries namely, BPI Asset Management and Trust Corporation (also known as BPI Wealth), BPI Capital Corporation, BPI Direct BanKo, Inc., A Savings Bank, BPI Century Tokyo Lease and Finance Corporation, BPI AIA Life Assurance Corporation and BPI/MS Insurance Corporation.

Mr. Consing is currently the President & CEO of Ayala Corporation, Chairman of ACEN Corporation and Vice Chairman of Ayala Land and Globe Telecom. He is Chairman of the Philippine Dealing System and College of St. Benilde. Mr. Consing is a member of the Trilateral Commission. He is a member of the Boards of Trustees of the Philippine-American Educational (Fulbright) Foundation and the Manila Golf Club Foundation.

Mr. Consing was a Partner & Co-Head for Asia of the Rohatyn Group from 2004 – 2013. He was an investment banker with J.P. Morgan & Co. from 1985 – 2014. For 7 years, Mr. Consing was the Head or Co-Head of Investment Banking in Asia Pacific and President of J.P. Morgan Securities Asia. Mr. Consing has previously served as Chairman and President of the Bankers Association of the Philippines, President of Bancnet, and Chairman of the National Reinsurance Corporation.

Mr. Consing has previously served as an Independent Director of Jollibee Foods Corporation, CIMB Group Holdings Berhad and First Gen Corporation. Mr. Consing has previously served as a Board Director of the Asian Youth Orchestra, the US-Philippines Society, La Salle Greenhills, Endeavor Philippines, and International Care Ministries.

Mr. Consing received an A.B. Economics degree (Accelerated Program), Magna Cum Laude, and the gold medal for Economics, from De La Salle University, Manila, in 1979. He obtained an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

MR. JOSE TEODORO K. LIMCAOCO, Filipino, 62 years old, was appointed as President and Chief Executive Officer of Bank of the Philippine Islands (BPI) in April 2021.

He serves as chairman of BPI Wealth – A Trust Corporation, Bank of the Philippine Islands (Europe) Plc., BPI Capital Corporation, ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Growth Fund, Inc., Philippine Stock Index Fund Corporation, ALFM Global Muti-Asset Income Fund, Inc., ALFM Real Estate Income Fund, Inc., BPI/MS Insurance Corporation, and BPI AIA Life Assurance Corporation. He is Vice Chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation. He is also President and Vice Chairman of BPI Foundation, Inc.

Outside of BPI, he is President of the Bankers Association of the Philippines, Chairman of Philippine Payments Management Inc., a Trustee of the Asian Institute of Management, and a Director of AC Mobility Holdings, Inc. He is also a current member of the Management Association of the Philippines, the Financial Executives Institute of the Philippines (FINEX), and the Rotary Club of Makati West (where he is a Past President). Lastly, he is a Director of Just for Kids, Inc., a homegrown business of his family.

From 2015 to 2021, he was a Senior Managing Director and the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He was also a Director of the Board of several Ayala companies, including publicly-listed companies, namely: Globe Telecom, Inc., Integrated Micro-Electronics, Inc., and SSI Group, Inc. He also served as a director of a number of Ayala group companies including those involved in healthcare, infrastructure, education, energy, and industrial technologies.

Previously, he served as President of BPI Family Savings Bank from 2010-2015 and President of BPI Capital Corporation from 2007-2010. He was also Officer-in-Charge of Ayala Life Assurance, Inc. in 2009, director/chairman of Ayala Plans, Inc. in 2010-2015, and director of Globe Fintech Innovations, Inc. in 2017-202 and AC Energy International Inc. in 2019-2022. He also worked at BPI from 1989 to 1992 and at BPI Capital from 1995 to 1997.

Mr. Limcaoco joined Ayala Corporation as a Managing Director in 1998. His responsibilities prior to his secondment to BPI in 2007 included Assistant Treasurer of Ayala Corporation, Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. from 2001-2006. He also served as the President of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia.

He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) degree in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

MS. JANET GUAT HAR ANG, Singaporean, 64 years old, was elected as an independent director of BPI in May 2021. She is a member of the Bank's Risk Management Committee (RMC) and Chair of the Bank's Related Party Transaction Committee (RPTC).

Ms. Ang is currently the Chairperson of SISTIC.com Pte Ltd, NUS–ISS, Singapore Polytechnic and the Public Transport Council. Ms. Ang is also the Chairperson of the Singapore Business Federation Foundation as well as Member of the Board of The Esplanade Company Ltd and the Home Team Science & Technology Agency (until 27 June 2024).

Ms. Ang serves on the Council of Board Diversity. She is a Senior Advisor of the RGE Group and independent director of Tanoto Foundation, the Philanthropy Asia Alliance and the Swire Shipping Group Pte Ltd. She is a Fellow of the Singapore Computer Society, a Fellow of Singapore Institute of Directors and a member and past president of the International Women's Forum (Singapore). She is Singapore's Non-Resident Ambassador to the Holy See and a former Nominated Member of the Parliament of Singapore (2021-2023)

Ms. Ang had a thirty-seven-year career in the information technology industry and had lived and worked in Japan and China over a span of eleven years. She was a managing director of IBM Singapore from 2001 to 2003 and again from 2011-2015. Her last executive role was as IBM Vice President, Head of Industry Solutions of IBM Asia Pacific. She was also an Independent Director of SPH Ltd from 2014-2022 and Chairperson of the Board of Trustees of Caritas Singapore Agape Fund from 2019-2022.

Ms. Ang was awarded The Public Service Medal in 2019. She was also awarded NUS Outstanding Service Award in 2021, the Singapore Computer Society IT Leaders Award – Hall of Fame in 2018, the NUS Distinguished Alumni Service Award in 2015 and the NUS Business School Eminent Alumni Award in 2014.

Ms. Ang graduated with a Bachelor of Business Administration (Honours) from the National University of Singapore.

MR. RENÉ G. BAÑEZ, Filipino, 69 years old, was elected as director of BPI in August 2021. He is a member of the Bank's Executive, Related Party Transaction, and Retirement/Pension Committees. Mr. Bañez also serves as a board director of BPI Asset Management and Trust Corporation (also known as BPI Wealth, A Trust Corporation) and BPI Capital Corporation.

Mr. Bañez served as the Commissioner of the Bureau of Internal Revenue (BIR) from February 2001 to August 2002 and as Deputy Commissioner from June 1993 to November 1995.

In the private sector, he held several senior-level positions in PLDT until his retirement in 2016. He was senior vice president and head of the Supply Chain, Asset Protection and Management Group, from 2008 to 2016; senior vice president and chief governance officer from 2004 to 2007; corporate governance advisor from 2003 to 2004; senior vice president, Support Services and Tax Management from 2000 to 2001; and first vice president, Support Services and Tax Management from 1998 to 2000. Prior to joining PLDT, he was Group Tax Director of Metro Pacific Investment Corporation until 1998.

Before his appointment to the BIR in 1993, he spent more than 11 years at accounting firm Isla Lipana & Co./PwC (formerly Joaquin Cunanan & Co.), starting as a tax consultant in 1982 until he became tax principal (Partner) from 1990 to 1993.

He is affiliated with the Equestrian Order of the Holy Sepulchre, and is a member of the Finance Board of the Archdiocese of Manila and Diocese of Pasig, Commission on the Social Apostolate of the Philippine Province Society of Jesus, Blessed Peter Faber Spirituality Center Inc., a board member/trustee of Catholic Travel Inc., Mirador Jesuit Villa & Retreat House Corporation, Loyola School of Theology Corporation, Solidaritas Fund and Unitas Asia Corp. (a subsidiary of Radio Veritas Asia), board advisor of LH Paragon, Inc. and Chair, Multinational Foundation, Inc..

Mr. Bañez earned his Bachelor of Laws degree in 1981 and his Bachelor of Arts degree in 1976 both from Ateneo de Manila University.

MR. KARL KENDRICK T. CHUA, Filipino, 45, was elected as director of BPI in April 2023. He is a member of the Bank's Retirement/Pension Committee. Mr. Chua also serves as a board director of BPI Direct BanKo, Inc., A Savings Bank.

Mr. Chua is currently the Managing Director for Data Science and Artificial Intelligence in Ayala Corporation. He is also a Director of AC Ventures and an Independent Director of D&L Industries, Inc, and Golden ABC, Inc. Mr. Chua also serves as a Board Adviser in LH Paragon, Inc.

Mr. Chua 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.

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 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 recently studied data science at the Asian Institute of Management. In 2018, he was awarded as one of the Ten Outstanding Young Men of the Philippines (TOYM) for economic development.

MR. WILFRED T. CO, Filipino, 59 years old, is the President of Coherco Securities, Inc. and Herco Trading, Inc. Mr. Co is also the Chairman of the following companies: Robinsons Handyman, Inc., Robinsons True Serve Hardware Philippines Inc., Robinsons Daiso, and Federal Chemicals, Inc. From 2013 to 2015, Mr. Co served as an advisory board member of Robinsons Bank.

He graduated cum laude with a Bachelor of Science in Electrical Engineering degree from the University of the Philippines in 1986 and obtained his Master of Science in Electrical Engineering degree from the University of Southern California in 1989. He worked in the Failure Analysis Labs of IBM in Poughkeepsie and East Fishkill, New York, taught in the UP Department of Electrical Engineering and is an Honorary Chairman of the Anvil Business Club.

MR. EMMANUEL S. DE DIOS, Filipino, 70 years old, was elected as independent director of Bank of the Philippine Islands (BPI) in April 2022 and is the chairman of the Corporate Governance Committee. Mr. de Dios was professor at the University of the Philippines School of Economics from 1980 until his retirement in 2019. He is currently trustee/chairman of Pulse Asia Research, Inc. and is independent director of Rockwell Land Corporation and ABS-CBN Holdings Corporation. He is also a Trustee of Assisi Development Foundation, Inc., the Peace and Equity Foundation, Inc., and the FEU Public Policy Center.

He was the Dean of the University of the Philippines School of Economics from 2007 to 2010.

He received his AB Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviews in economics.

MS. RIZALINA G. MANTARING, Filipino, 64, was elected as director of BPI in April 2023. She is a member of the Bank's Corporate Governance Committee and Retirement/Pension Committee; and Chairman of the Risk Management Committee. Ms. Mantaring is a member of the IT Steering Committee. She also serves as a board director of BPI Asset Management and Trust Corporation (also known as BPI Wealth, A Trust Corporation).

Ms. Mantaring is an independent director of Ayala Corporation, BPI Asset Management and Trust Co., 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 on 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).

MR. AURELIO R. MONTINOLA III, Filipino, 72 years old, has been a member of the Board of Directors of BPI since 2004. Mr. Montinola served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for twelve years from 1992 to 2004. He also served as chairman of BPI/MS Insurance Corporation from 2005-2015 and remained as a Director until June 2022. He is the chairman of the Bank's Retirement/Pension Committee and member of the Bank's Executive, and Personnel & Compensation Committees. Mr. Montinola is currently a member of the Board of Directors of BPI Capital Corporation and member of the Nomination, Personnel and Compensation and Risk Management Committees.

Among the several BPI subsidiaries and affiliates, Mr. Montinola also served as member of the Board of Directors of BPI Direct BanKo, Inc., A Savings Bank, and served as a member of Board of Trustees of The Bank of the Philippine Islands Foundation, Inc. until 2023.

Mr. Montinola is the Chairman of Far Eastern University, Inc. and Director of Roxas and Company, Inc., both PSE-listed companies. Among others, he is also the Chairman of Amon Trading Corporation, Roosevelt College, Inc. and East Asia Computer Center, Inc. He is a member of the Board of Trustees of the Philippine Business for Education Inc. where he sits as Vice Chairman and is an Independent Director of AIA Philippines Life and General Insurance Company, Inc.

Significant awards received by Mr. Montinola include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government.

He obtained his Bachelor of Science in Management Engineering degree at the Ateneo de Manila University in 1973 and his MBA from the Harvard Business School in 1977.

MR. MARIO ANTONIO V. PANER, Filipino, 65 years old, was BPI's Executive Vice-President (EVP), Treasurer and Global Markets Head from 2002 to 2019. He is also currently an Independent Director of ENEX Energy Corp (ENEX).

After working with Ayala Investments and Development Corporation (1979-1981) and Family Savings Bank (1981-1989), Mr. Paner joined BPI in 1985, when the Bank acquired Family Bank & Trust Company, Inc. . At BPI, he took charge of various businesses, including Risk Taking, Portfolio Management, Money Management, Asset Management, Remittance and Private Banking until his retirement in 2019.

On top of his responsibilities in the bank, Mr. Paner also served as the Treasurer of BPI Operations Management, Inc., BPI Computer Systems Corporation, and BPI Foundation Inc. He also chaired BPI Direct BanKo Savings Bank, Inc. and BPI Forex Corporation. Mr. Paner was also the Vice-Chairman of BPI International Finance Ltd and BPI Europe Plc.

Mr. Paner was also a Director of the following companies: Santiago Land, Citytrust Finance Corp., Citytrust Insurance Brokers, Citytrust Investment Phils., Citytrust Securities Corp., Citytrust Realty Corporation, Prudential Bank, and Prudential Investment, Inc.

After his retirement from BPI, He was elected Independent Director of AC Energy Corp. from 2020 to 2021 and ALFM until 2024.

He obtained an A.B. Economics degree from Ateneo de Manila University in 1979 and completed various courses in Business and Finance, including Strategic Financial Management in 2006 and the Advanced Management Program in 2009, both at the Harvard Business School in Boston.

MR. CESAR V. PURISIMA, Filipino, 63 years old, was elected as independent director of BPI in January 2021. He is the chairman of BPI's Nomination Committee, and member of the Executive, Risk Management and Audit Committees. He also serves as a member of the board of directors of BPI Capital Corporation.

Mr. Purisima also currently serves as an independent director of Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation, and Jollibee Foods Corporation. He is also a founding partner of lkhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the board of AlA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, a member of Singapore Management University's International Advisory Council in the Philippines and member of the Board of Advisors of ABS-CBN. He is also a member of the board of trustees of the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank. He is a member of the Bloomberg Task Force on Fiscal Policy for Health since 2024.

Mr. Purisima served in the government of the Philippines as Secretary of Finance and chair of Economic Development Cluster of the President's Cabinet from July 2010 to June 2016 and as secretary of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), Governor of the Asian Development Bank and World Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines, and chairman of the Land Bank of the Philippines. Under his leadership, the Philippines received its first investment-grade ratings. He was named Finance Minister of the Year seven times in six consecutive years by a number of publications, a first for the Philippines. Prior to serving the government, Mr. Purisima was the chairman & country managing partner of the Philippines' largest professional services firm SGV & Co.

He was a recipient of Centenary Award of Excellence by the Professional Regulatory Board of Accountancy on the occasion of the 100th year of the Philippine accounting profession in 2023. He was conferred the Chevalier dans I'Ordre national de Ia Legion d'Honneur (Knight of the National Order of the Legion of Honour) by the president of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the president of the Philippines in 2016, and the Chevalier de I'Ordre national du Merite (Knight of the National Order of Merit) by the president of the French Republic in 2001.

Mr. Purisima is a certified public accountant and has extensive experience in public accounting both in the Philippines and abroad. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation (Philippines) in 2012. Mr. Purisima completed the Harvard Business School's CEO Harvard Presidents' Seminars in 2023 and 2024.

MR. JAIME Z. URQUIJO, Filipino, 35 years old, was elected as director of BPI in September 2022. Mr. Urquijo serves as a director of ACEN Corporation, AC Industrial Technology Holdings, Inc., Merlin Solar Technologies, Inc., Merlin Solar Technologies, Inc. (Philippines), AC Ventures Holdings Corp., BPI/MS Insurance Corporation, Integrated Micro-Electronics, Inc., and as Chairman of Klima 1.5 Corp. He is also Vice-Chairman of the Board of Trustees and Chairman of the Executive Committee of Ayala Foundation, as well as an Independent Advisor to the Board of Directors of Ayala Land, Inc He is also a Board Governor of the Makati Central Estate Association, Inc. (MACEA) and is a Board Director of the European Chamber of Commerce of the Philippines (ECCP).

He is currently the Chief Sustainability and Risk Officer (CSRO) of Ayala Corporation. He was previously Vice President for Business Development at Ayala Corporation's listed energy platform, ACEN. During his tenure at ACEN, Mr. Urquijo led initiatives to expand the group's portfolio of assets in the Philippines, Vietnam, Myanmar, and Indonesia. Most recently as country manager for Indonesia, he established ACEN's office in Jakarta. These initiatives resulted in 500MW of operating wind and solar assets in Vietnam and over 2GW of pipeline projects for ACEN across the region.

Mr. Urquijo served as director of BPI AIA Life Assurance Corporation (formerly BPI-Philam Life Assurance Corporation) from 2021 to 2022. He held a key manager position in the Corporate Strategy and Business Development Group of Ayala Corporation from 2016 to 2020. He was a founding member and Head of Business Development of AF Payments, Inc. from 2014 to 2016, a joint venture between Ayala Corporation and the Metro Pacific group which won a Public Private Partnership (PPP) concession to replace the ticketing system of the LRT and MRT of Metro Manila with a unified contactless ticketing system, called the Beep Card. The Beep Card was the first interoperable transport card in the Philippines. He started his career at J.P. Morgan in New York in 2010 and was an analyst and associate until 2013.

Mr. Urquijo is the president of the University of Notre Dame Alumni Association of the Philippines, an executive committee member of the INSEAD Alumni Association of the Philippines, an advisor to the board of the Philippine Rugby Football Union and a member of the National Advisory Council of WWF Philippines.

Mr. Urquijo graduated with a B.A. in Political Science from the University of Notre Dame in 2010 and received his M.B.A. from INSEAD in 2018.

MS. MARIA DOLORES B. YUVIENCO, Filipino, 76 years old, was elected as director of BPI in April 2014 and as independent director in April 2016. Mrs. Yuvienco currently serves as the chairman of the Audit Committee, a member of the Related Party Transactions Committee and the Personnel and Compensation Committee. In July 2019, Mrs. Yuvienco was elected as independent director of BPI Asset Management and Trust Corporation (doing business under the trade name and style of BPI Wealth - A Trust Corporation), and designated chairman of the AMTC Corporate Governance Committee and a member of the AMTC Risk Management Committee.

Ms. Yuvienco also serves as an Independent Director of Legazpi Savings Bank (LSB), a newly acquired subsidiary under the BPI Group following the merger with Robinsons Bank Corporation. She acts as the Chairperson of LSB's Risk Management Committee and a member of the Audit Committee.

Ms. Yuvienco worked for 41 years with the Bangko Sentral ng Pilipinas (formerly known as Central Bank of the Philippines) under various capacities until her compulsory retirement in March 2013. She held the post of Assistant Governor in the Supervision and Examination Sector when she retired. Her exposure at the BSP was largely in bank supervision where her responsibilities ranged from the crafting of policies/regulations on banking supervision to supervising on-site examination and off-site monitoring of BSP-supervised entities. As a ranking official in the BSP, she had opportunities to meet and share ideas with her counterparts in other central banks in the region. Owing to her experience, she was tapped as a resource speaker in various training programs of the Southeast Asian Center for Banking in Kuala Lumpur.

Ms. Yuvienco attended the 2023 Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit held by Institute of Corporate Directors (ICD) on 03 October 2023 and the Anti-Money Laundering (AML) and Financial Crime Compliance by SGV on 26 September 2023 to comply with the requirement of Bangko Sentral ng Pilipinas (BSP).

Ms. Yuvienco graduated from St. Theresa's College, Quezon City in 1967, with a degree of Bachelor of Science in Commerce, major in Accounting. She took up post graduate studies at the University of the Philippines Diliman. She is a Certified Public Accountant and a Career Executive Service Professional.

MR. FERNANDO ZOBEL DE AYALA, Filipino, 64 years old, has been a member of the board of directors (non-executive director) of BPI since September 2023. He also serves as member of the Bank's Personnel and Compensation Committee and Executive Committee.

Mr. Zobel is a Director of Ayala Corporation, a Special Advisor of the Board of Ayala Land, Inc. and serves as an independent director of Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation).

He is a Director of AC International Finance Ltd., Chairman of the Board of Alabang Commercial Corporation, Accendo Commercial Corp., Hero Foundation, Inc., Ayala Foundation, Inc., and AC Health Holdings, Inc. He is the vice chairman of Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc. He is a director of AG Holdings Ltd. and The Manila Peninsula.

He is a director of Georgetown University; member of the Hispanic Society Museum & Library International Advisory Council; a member of the Chief Executives Organization and Young Presidents Organization; member of Habitat for Humanity International's Asia Pacific Development Council; member of the Tate Museum Asia-Pacific Acquisitions Committee, Asia Philanthropy Circle and The Metropolitan Museum International Council; member of the board of trustees of Caritas Manila, Pilipinas Shell Foundation and Asia Society.

He holds a liberal arts degree from Harvard College and a CIM from INSEAD, France.

Key Executive Officers of the Bank

The executive officers (**Executive Officers**) of the Bank, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors.

The Executive Officers are appointed/elected by the Board of Directors at the organisational meeting following the stockholders' meeting, each to hold office for a period of one year.

The following is a list of Key Executive Officers of the Bank:

Position	Name	Age	Citizenship
President and Chief Executive Officer	Jose Teodoro K. Limcaoco*	62	Filipino
Executive Vice-President and Head of Consumer Banking	Maria Cristina L. Go	54	Filipino
Senior Vice-President, Chief Finance Officer and Chief Sustainability Officer	Eric Roberto M. Luchangco	54	Filipino
Executive Vice-President and Head of Enterprise Operations	Eugenio P. Mercado	61	Filipino
Executive Vice-President and Head of the Mass Retail	Marie Josephine M. Ocampo	62	Filipino
Executive Vice-President	Elfren Antonio S. Sarte	64	Filipino
Executive Vice-President and Head of Institutional Banking	Juan Carlos L. Syquia	57	Filipino
Senior Vice-President and Chief Risk Officer	Ma. Cristina F. Asis	52	Filipino
Senior Vice-President, Treasurer and Head of Global Markets	Dino R. Gasmen	57	Filipino

Note:
* also member of the Board of Directors

The following is a brief description of the business experience of each of the Key Executive Officers:

Mr. Jose Teodoro K. Limcaoco. Please see above under "—*Board of Directors*."

Ms. Maria Cristina L. Go, Filipino, 54, took leadership of the Consumer Banking segment comprised of the different businesses that primarily serve the needs of BPI's over 11 million individual customers in August 2021, following the merger of BPI and BPI Family Savings Bank (BFSB) where she served as its President since June 2017 and as a Board Director since 2015. Consumer Banking, which now includes former Robinsons Bank consumer businesses, is comprised of the branches, retail digital platforms, core retail products specifically deposits, auto loans, housing loans, motorcycle loans and bancassurance and the support services. Since the consolidation of these businesses into OneConsumer bank, Ms. Go has steadfastly focused on driving strategy focused on transforming the customer experience towards becoming what the bank refers to as "phygital", leveraging on the bank's vast physical presence to offer trusted advice through its close to 10,000-strong cadre of expert bank personnel complimented by best-in-class digital capabilities that make banking easier and more convenient, anytime, anywhere. In the past year, Consumer Banking has been able to aggressively expand the retail customer base with new digital product offerings, increase market shares in deposits and loans through enhanced customer engagements and business partnerships, and improve asset quality through innovative risk management and recovery initiatives.

Ms. Go inspires a high performing, agile and collaborative culture to be able to serve the ever-changing needs of customers. In BFSB, she transformed processes, products and culture to be resilient and relevant to the changes in the economic, industry and customer landscape and enabled high quality business growth by putting in place scorecard models, data-driven decision making, and lending programs. She preserved BFSB's leadership position in the thrift bank industry until the effectivity of the OneBPI merger in January 2021. Prior to assuming leadership of BFSB, she served as Group Head of BFSB Retail Loans after heading BPI's Payments and Unsecured Lending Group where she led initiatives and innovations that differentiated BPI in the industry, such as the launches of the first EMV compliant credit cards and Real Thrills, the first instant rewards program.

Before joining BPI, Ms. Go was Vice President at Citibank Philippines managing the bank's Retail Bank Marketing then at Citibank Credit Cards Cross Sell Division in New York. She also worked in Ayala Land, Inc. to establish and head its Market Planning and Development Division and started her career in Procter & Gamble as Brand Assistant then was promoted to Assistant Brand Manager. She served as the Secretary and Trustee of the Chamber of Thrift Banks. She currently serves as Director and Chairman of the Personnel Committee of BPI MS Insurance Corporation, Board of Trustee of Ayala Foundation, and a Director of the Board of TransUnion Philippines. She is part of the Ayala Group's Innovation Advisory Council since it was organized in 2013. She serves as a mentor for high-impact entrepreneurs in Endeavor Philippines and writes for the Philippine Star's Property Report. She is a member of the Management Association of the Philippines, Harvard Global Club of the Philippines, Filipina CEO Circle and NextGen Organization of Women Corporate Directors.

Ms. Go graduated magna cum laude with a degree in BS Business Administration and Accountancy from the University of the Philippines Diliman, was awarded one of the Ten Outstanding Students of the Philippines, placed first in the CPA licensure exam in 1991, and earned a Master's degree from the Harvard Business School with honors in 1996. She was also awarded as one of the UP College of Business Administration's Distinguished

Alumni in 2012 and one of the 100 Most Influential Filipina Women by the Global Filipina Women's Network in 2016 and PeopleAsia's Women of Style and Substance in 2019

Mr. Eric Roberto M. Luchangco, Filipino, 54, was appointed to his current position as CFO, Chief Sustainability Officer, and head of Strategy and Finance effective June 2022. In this role, he oversees BPI's strategic planning and budgeting, capital structure, investor relations and sustainability agenda.

Immediately prior, Mr. Luchangco was Head of Business Banking from June 2019 until May 2022, where he managed BPI's presence within the SME space, which had been identified as a growth area for BPI, with a vision of becoming the partner of choice for SMEs in the Philippines.

Mr. Luchangco initially joined the BPI group in 2013, starting with BPI Capital, BPI's investment banking unit, as Head of Debt Capital Markets. He later expanded his responsibilities to concurrently become Head of Execution and Treasurer of BPI Capital. In June 2017, he moved into BPI to become the Head of Corporate Credit Products, where his team managed the credit reviews and renewals of all the accounts under the Corporate Bank team.

Prior to joining BPI, Mr. Luchangco worked at Daiwa Capital Markets, spending time in their Manila, Hong Kong and Singapore offices, originating and executing a wide variety of investment banking transactions.

Mr. Luchangco graduated Management Economics from Ateneo de Manila University, and received his MBA degree from the Ross School of Business at the University of Michigan.

Mr. Eugenio Mercado, Filipino, 61, has been with BPI for 26 years. He is currently the Head of Enterprise Operations Segment which supports all the operational requirements of the various business segments including Consumer, Corporate, Treasury, Contact Center and Facilities Services. He also manages all the outsourcing arrangements of the Bank in terms of Operations. Mr. Mercado was a Senior Vice-President of the Bank from 2011 to 2023 and was a Vice-President from 2002 - 2011. He is currently a Board Member of various subsidiaries of BPI, including BPI Forex Corporation and BPI Payments Holdings, Inc. and a Director of PCHC. He also served as a Director of Ayala Plans, Inc.

Mr. Mercado is a Director of FEB Speed International, and FGU Insurance Corporation. He is also the Chairman of the Board of Filinvest Algo Financial Corp., BPI Paseo De Roxas Condominium Corporation, Greentop Condominium Corporation, Citytrust Realty Cooperation, BAP Compliance and Risk Committee, Santiago Land Development Corporation and First Far East Development Corporation. Mr. Mercado is the Treasurer and Board Member of Philippine Clearing House Corporations (PCHC). Mr. Mercado was also a former Director of BPI Operations Management Corp from 2015 to 2017 and a Chairman of FEB Stock Brokers Inc. from 2015 to 2018.

He is a product of the BPI-Far East Bank merger where he was Head of Credit Initiation and Collections Division (AVP). He started his career as a Research Assistant/Credit Appraiser of the then Commercial Bank of Manila (now Bank of Commerce). In 1988, he transferred to San Miguel Corporation where he worked for four years as Credit Analyst/Appraiser based in San Fernando, Pampanga. In 1992, he went back to the banking industry and worked as Credit and Fraud Analyst of Citibank.

He graduated cum laude from the University of the Philippines with a degree of BS Economics in 1984.

Ms. Marie Josephine M. Ocampo, Filipino, 62, is the Head of the Mass Retail Segment of BPI, where she oversees BPI's credit, debit and prepaid card businesses as well as personal and micro finance loans.

Ms. Ocampo is currently the Chairman of the Board of BanKo, the bank's micro-finance subsidiary. She is a member of the Board of BPI Payments Holdings Inc., Global Payments AsiaPacific Philippines, Inc., AF Payments Inc., Legazpi Savings Bank and CARD MRI Rizal Bank Inc

Ms. Ocampo started her career in BPI as Vice-President for Marketing and Sales of BPI Credit Cards in 1996. She soon took the position of President for BPI Card Corporation, BPI's credit card subsidiary, where she won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for retooling BPI's data warehouse and customer analytics capabilities into its distinct competitive advantage. Ms. Ocampo also developed BPI's CRM initiatives on top of driving BPI's advertising and digital initiatives across the breadth of products, channels and services. In 2015, she became the Payments and Remittance group head, and was tasked to grow fee revenue via expanding existing businesses and developing new payment platforms.

Prior to joining BPI, Ms. Ocampo gained over 10 years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J's Health Care, Baby Care and Sanitary Protection business. Ms. Ocampo graduated Magna Cum Laude and received her Bachelor of Science in Business Management, Honors Program at Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School in 2007.

Mr. Elfren Antonio S. Sarte, Filipino, 64 years old, is a highly accomplished executive with over 30 years of experience in the banking industry. He became part of Bank following the merger between BPI and Robinsons Bank Corporation (RBC). Currently, he serves as a Chairman & Director of Legazpi Savings Bank, and UNICON Insurance & Reinsurance Brokers Corporation. He is also the Vice-Chairman of the Philippine Clearing House Corporation. Mr. Sarte is a member of the Board of Trustees of The Groove By Rockwell Condominium Corporation and a Director of Galleria Corporate Center Condominium Corporation.

Prior joining BPI, Mr. Sarte has been a Director of various companies namely: Bankers Association of the Philippines, GoTyme Bank Corporation, Bancnet, Inc., Maxicare Healthcare Corporation, Maxicare Life Insurance Corporation. He was also the President and CEO of Robinsons Bank Corporation from 2014 to 2023 and PNB Savings Bank from 2013 to 2014. Served as the Chairman of the Operations Committee of the Bankers Association of the Philippines from 2017 up to 2023.

He graduated with a degree in BS Industrial Management Engineering from Dela Salle University in 1982.

Mr. Juan Carlos L Syquia, Filipino 57 years old, is the Head of Institutional Banking. Mr. Syquia's responsibilities include managing the Corporate Banking Relationship Management, Commercial Banking Relationship Management, Corporate & Commercial Credit Products, Transaction Banking (Cash Management and Trade), Remittance & Fund Transfer, and Investment Banking (which includes Equity Brokerage) units of the Bank. He is also Chairman of the Board of Directors of BPI's merchant acquiring joint venture company, Global Payments Asia-Pacific Philippines Incorporated. Mr. Syquia also serves as a member of the Board of Directors of BPI's investment banking subsidiary, BPI Capital Corporation, and the bank's micro-finance subsidiary, BPI Direct BanKo, Inc., A Savings Bank.

Mr. Syquia has over 30 years of work experience in the financial services industry. Before taking on his current role, he was the President of BPI Capital Corporation and Co-Head for Investment Banking for the Bank. He re-joined the Bank via BPI Capital Corporation in June 2016. Prior to this, Mr. Syquia was Managing Director and Country Head of Corporate Clients for Standard Chartered Bank in the Philippines serving in that role from late 2011. In that role, he was principally responsible for wholesale banking strategy of the bank in the Philippines.

Mr. Syquia spent 17 years with the ING Group where he started with Baring Brothers & Co. in 1994. Within the banking group of ING, he took on various roles in relationship management, corporate finance origination, and investment banking execution. His last role in ING Bank was as Managing Director, Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role based in Hong Kong as Head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice. He held Board of Director positions at ING Insurance Bhd. (Malaysia), Pacific Antai Life Insurance Co. (Shanghai, China), ING Vysya Life Insurance (India).

Mr. Syquia is a product of the BPI's Officer Training Program which he completed in 1990 during his first stint at the Bank. In 1991, he was assigned to the Cebu region where he formed part of a two-man team that established the Corporate Banking Division desk in Cebu. He carries an MBA Degree (Honors) with a concentration in Finance and International Business from Fordham University, NY as well as an AB degree in Management Economics from the Ateneo de Manila University.

Ms. Ma. Cristina F. Asis, Filipino, 52 years old, has held the position of BPI's Chief Risk Officer Since July 2023. She also serves as the Chairperson of the Fraud and Irregularities Committee, Co-Chairperson of the Data Governance Steering Committee, and Deputy Commander of the Crisis Resiliency Committee. Additionally, she is a member of the IT Project Steering Committee and the Operational Risk Management Committee, and holds positions as a member of the Sustainability Council and the IT Infrastructure Governance Committee in non-voting and non-regular capacities, respectively. Furthermore, she provides advisory support to the Finance

Committee and the Information Technology Steering Committee, and is a Resource Person on the Money Laundering Evaluation Committee in a non-voting capacity.

Ms. Asis has held various functions and responsibilities as Relationship Manager, Market Head, and Team Head in Institutional/Corporate Banking and as a member of the BPI Sub-Credit Committee. Ms. Asis joined Risk Management in 2017 as Head for Credit Policy and Risk Management (CPRM), responsible for both corporate and retail lending risk management. Ms. Asis is a graduate of the University of the Philippines Diliman with a Bachelor's degree in Business Economics. She completed her Master's degree in Economics at the same university. She has successfully completed the BPI Digital Leadership Masterclass by the National University of Singapore, as well as completed corporate governance modules facilitated by the Institute of Corporate Directors (ICD).

Mr. Dino R. Gasmen, Filipino, 57 years old, is currently the Bank's Treasurer and Head of the Bank's Global Markets. He is responsible for optimizing the Bank's resources through management of interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution capabilities. Mr. Gasmen is Chairman of the Bank's Asset & Liability Committee and is a member of the Management Committee.

Mr. Gasmen serves as Member of the Finance Committee of the Ayala Multi-Purpose Cooperative. He is also the Head of the Interest-Rate Sub Committee of the Bankers Association of the Philippines Open Market Committee.

Prior to joining BPI in 2014, Mr. Gasmen spent 17 years at HSBC Global Markets covering various roles, such as heading the Rates Trading Business in the Philippines, Indonesia, Vietnam, and Sri Lanka, as well as Balance Sheet Management for HSBC Philippines. He also worked in HSBC Bank PLC in the United Kingdom as Asian Product Manager where he helped local sales teams in the distribution of Asian markets products.

In BPI, Mr. Gasmen has been at the helm of various divisions in Global Markets. He was the Head of Asset & Liability Management (ALM) in 2014. In this role, he was responsible for ensuring multicurrency liquidity and optimizing portfolio investments. Mr. Gasmen also served as the Head of the Treasury Trading Division from 2015 until 2018, leading the Foreign Exchange (FX) Trading, Foreign and Local Fixed Income Trading, and Derivatives Trading Desks. In 2018, he reassumed the role of Head of ALM until his assignment as the bank's Treasurer in 2020.

Mr. Gasmen served as the President of the Money Market Association of the Philippines (MART) in 2006, and ACI Financial Markets Association Philippines in 2018.

He holds a degree in BS Electrical Engineering and obtained his Master's Degree in Business Administration from the University of the Philippines Diliman.

Compensation of Executive Officers

Information as to the aggregate compensation for the period ended 31 December 2021, 2022 and 2023 and 31 March 2024 paid to (i) the Bank's Chief Executive Officer and four other most highly compensated executive officers as a group and (ii) all other unnamed Officers as a group are as follows:

	For the year ended 31 December			For the three months ended 31 March
	2021	2022	2023	2024
		(₱)		
Chief Executive Officer and four other most highly compensated executive officers as a group:				
Salary	187,848,883.51	230,079,237.00	159,826,417.40	42,453,039.62
Bonuses	72,813,500.00	78,575,300.00	122,900,000.00	183,586,667.00
Total	**260,662,383.51**	**308,654,537.00**	**282,726, 417.40**	**226,039,706.62**
All other unnamed Officers as a group:				
Salary	8,732,179,018.14	9,869,329,389.00	12,093,369,267.69	3,293,046,213.14
Bonuses	1,029,675,000.00	1,110,535,100.00	1,815,260,345.97	2,398,497,700.00
Total	**9,761,854,018.14**	**10,979,864,489.00**	**13,908,629,613.66**	**5,691,543,913.14**

The above compensation consists of the basic salary and other compensation income (guaranteed bonus, fixed allowances, and performance-based bonus) and does not include benefits under the Company's Executive Stock Purchase Plan.

Compensation of Directors:

Article V of the Bank's Amended By-Laws provides: "Non-executive directors shall be entitled to receive from the Bank, such retainer fees, reasonable per diems and other compensation as may be fixed by the President upon recommendation of the Personnel and Compensation Committee, provided that in no case shall the total yearly compensation of non-executive directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year. The Personnel and Compensation Committee of the Board of Directors shall have the responsibility for recommending to the President the fees, per diems and other compensation for non-executive directors. In discharging this duty, the Committee shall be guided by the objective of ensuring that compensation should fairly pay directors for work required in a company of the Bank's size and scope. No Director shall be involved in deciding his own remuneration during his incumbent term."

In 2021, 2022 and 2023, the members of the board each received per diem in the amount of ₱70,000.00 and ₱30,000.00 per board and committee meeting attended, respectively.

Effective September 2023, the members of the board each received per diem in the amount of ₱35,000.00 per board and ₱15,000.00 per committee resolution undertaken through unanimous consent.

Directors who hold executive or management positions do not receive directors' fees or per diems.

Other than the above-mentioned compensation for Directors, the Bank has no other arrangement with regard to compensation of Directors, directly or indirectly, for any other services provided by the said directors, for the respective fiscal year.

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 Nomination Committee, the Personnel and Compensation Committee, the Audit Committee, the Corporate Governance and Sustainability Committee, the Retirement/Pension Committee, the Related Party Transaction Committee and the Risk Management Committee. A brief description of the functions and responsibilities and composition/membership of each are set out below:

A. Executive Committee

The Executive Committee, between meetings of the Board, possesses and exercises all powers of the Board in the oversight and direction of the affairs of the Bank subject to the provisions of the Bank's Amended By-Laws, Manual on Corporate Governance, the limitations of the law and other applicable regulations. The Executive Committee approves all major policies and oversees all major risk-taking activities, including the approval of material credit exposures. The committee is chaired by Jaime Augusto Zobel de Ayala and its other members are Cezar P. Consing, Fernando Zobel de Ayala, Rene G. Banez, Jose Teodoro K. Limcaoco, Aurelio R. Montinola III, and Cesar V. Purisima.

B. Nomination Committee

The Nomination 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 Human Resources strategy and plan based on the Board's vision of the organization, particularly those relating to organization 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, Fernando Zobel de Ayala, 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 Mario Antonio V. Paner and Cesar V. Purisima.

E. Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee assist the Board in fulfilling its oversight responsibilities in relation to the Bank's objectives, policies, programs, and practices pertaining to corporate governance and sustainability. The committee also ensures the Board's effectiveness and due observance of sound corporate governance and sustainability principles and guidelines. The committee is chaired by Emmanuel S. de Dios and its other members are Rizalina G. Mantaring and Jaime Z. Urquijo.

F. Retirement/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 and Sustainability 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 Janet Guat Har Ang 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 and sustainability 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, Mario Antonio V. Paner 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 overseeing 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 currently composed of 15 directors, six 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. Maria Paz. A. Garcia as the Bank's chief compliance officer. Ms. Garcia 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. Garcia works closely with the Board through the Audit Committee and the Bank's management to evaluate and monitor compliance with the Manual. Specifically, Ms. Garcia 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 material deviation from the company's Manual on Corporate Governance. Areas for improvement noted during the accomplishment of the ASEAN 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 25 to the Bank's audited financial statements as of and for the years ended 31 December 2021, 2022 and 2023 and Note 13 to the Bank's reviewed condensed financial statements as of and for the three months ended 31 March 2024.

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 31 March
	2021	2022	2023	2024
	(₱ millions, except percentages)			
Total outstanding DOSRI loans	15,230	19,571	18,701	20,590
Percentage of DOSRI loans to total loans	1.0%	1.1%	1.0%	1.0%
Percentage of unsecured DOSRI loans to total DOSRI loans	3.1%	2.4%	2.3%	2.3%

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 31 March
	2021	2022	2023	2024
Total outstanding DOSRI accounts (in ₱ millions)	15,230	19,571	18,701	20,590
Percent of DOSRI accounts to total loans …	1.0%	1.1%	1.0%	1.0%
Percent of DOSRI accounts to total capital .	5.2%	6.2%	5.2%	5.1%
Percent of unsecured DOSRI accounts to total DOSRI loans	3.1%	2.4%	2.3%	2.3%
Percent of past due DOSRI accounts to total DOSRI loans	0.01%	0.02%	0.04%	0.02%
Percent of nonperforming DOSRI accounts to total DOSRI loans.................................	0.02%	0.03%	0.02%	0.04%

The year-end balances as of 31 December 2021, 2022 and 2023 and 31 March 2024 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	As of 31 December			As of 31 March
	2021	2022	2023	2024
Loans and receivables	-	-	-	-
Deposit liabilities	-	-	-	-

The income and expenses for the years ended 31 December 2021, 2022 and 2023 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	For the year ended 31 December			For the three month period ended 31 March	
	2021	2022	2023	2023	2024
Interest income..................	-	-	-	-	-
Interest expense.................	-	-	-	-	-

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 (pages 157-186) and the Second Tranche Pricing Supplement (pages 100-104). The following section is qualified in its entirety by, and should be read in conjunction with Banking Regulation and Supervision on page 157 of the Offering Circular and page 100 of the and the Second Tranche Pricing Supplement, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement. 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 6 January 2024, the BSP lowered the rates of required reserves against deposit and deposit substitute liabilities as follows: (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) 1% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market issued within one year from 6 January 2024; (e) 0% for bonds mentioned in (d) issued one year after 6 January 2024, effective for another 12 months, (f) 3% against bonds other than bonds mentioned in (d) and (e); and (g) 0% against basic deposit accounts as defined under Section X222 of the BSP MORB and for interbank call loan transactions (**IBCL**).

Amendments to the Regulations on Credit Exposure Limits to a Single Borrower

On 13 December 2023, the BSP approved the grant of additional single borrower's limit (**SBL**) of 15% percent of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities related to decarbonization.

Pricing of Electronic Payments

On 15 December 2023, the BSP issued Memorandum No. M-2023-037 on the Moratorium on Increase of Fee for InstaPay and PESONet transactions to participants who currently charge transfer fees for person-to-person fund transfers via InstaPay and PESONet, which directed said participants to maintain said fees. The relevant transfer fee that is currently waived may only be restored up to the amount of fee reported to the BSP prior to the waiver. Meanwhile, participants that do not currently impose transfer fees shall submit for prior BSP approval any fee to be imposed on their customers for initiating fund transfers on InstaPay and PESONet.

On 24 May 2024, BSP issued Memorandum Circular No. 2024-015 regarding the pricing of electronic payments. The circular provides guidelines for establishing reasonable and fair market-based pricing for transactions involving electronic payments. The circular further provides that pricing should be cost-efficient, sustainable and inclusive. Additionally, the circular requires transparency in pricing through appropriate disclosure of fees to end-users.

Philippine Competition Act

Effective 1 March 2024, the Philippine Competition Commission (**PCC**) increased the thresholds in relation to the Size of Party Test to ₱7,800,000,000.00, and the Size of Transaction to ₱3,200,000,000.00.

THE PHILIPPINE BANKING INDUSTRY

The following section discusses recent developments and information relating to the Philippine Banking Industry since the date of the Offering Circular. The following section is qualified in its entirety by, and should be read in conjunction with page 156 of the Offering Circular, insofar as such information does not conflict with or has not been otherwise superseded by this Third Tranche Pricing Supplement.

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Issuer, the Joint Lead Arrangers and Selling Agents or any of their affiliates or advisers. None of the Issuer, the Joint Lead Arrangers and Selling Agents or any of their affiliates or advisors makes any representation as to the accuracy or completeness of this information.

OVERVIEW

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks, cooperative banks and Islamic banks.

According to statistics published on the official website of the BSP, as of 31 March 2024 the commercial sector consisted of 44 universal and commercial banks, of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 22 commercial banks, two were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks. As of 31 March 2024, the 44 universal and commercial banks had a total of 7,166 branches, including head offices.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have the authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking and to own up to 100% of the equity in a thrift bank, a rural bank or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for mid-market corporates and individuals. As of 31 March 2024, there were 42 thrift banks according to the BSP.

Rural banks are organised primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 31 March 2024, there were 388 rural and cooperative banks, according to the BSP.

Specialised government banks are organised to serve a particular purpose. The existing specialised banks are the Development Bank of the Philippines (**DBP**), Land Bank of the Philippines (**LBP**) and Al-Amanah Islamic Investment Bank of the Philippines (**AAIIB**). DBP was organised primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organised to promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past fifteen years, the Philippine banking industry has been marked by two major trends—the liberalisation of the industry and mergers and consolidation.

Foreign bank entry was initially liberalised in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. The General Banking Law enacted in 2000 further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which, prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014, which amended the relevant provisions of the BSP Manual implementing RA 10641, further liberalised foreign bank entry by allowing foreign banks to own up to 100% of the voting stock of an existing bank, a branch, or a subsidiary.

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to the granting of new licenses to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank and the allowance of equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life and Sumitomo Mitsui Banking Corporation into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As of 31 March 2024, there were 24 branches of foreign banks in the Philippines.

As of 31 March 2024, six digital banks have been granted a Certificate of Authority by the BSP to operate in the Philippines: Tonik Digital Bank Inc. (**TONDB**), Maya Bank Inc. (**MAYA**), Overseas Filipino Bank Inc. (**OFBank**), the digital bank subsidiary of state-owned Land Bank of the Philippines (**LANDBANK**), UNObank Inc. (UBI), UnionDigital Bank Inc. (**UDB**) and GoTyme Bank Corporation (**GTYME**). According to the BSP, as of 31 March 2024, the total deposit size of these digital banks amounted to ₱76.79 billion.

The following table sets out a comparison of the largest Philippine private domestic banks as of the dates indicated in the footnotes to the table:

	Market Capitalisation(2)	Total Equity(2)	Total Assets(2)	Loans and Advances/ Receivables(2)	Total Deposits(2)
			(₱ in millions)		
Bank of the Philippine Islands(1)	621,112	405,326	3,068,005	1,981,303	2,423,203
BDO Unibank, Inc.(1)	814,016	531,684	4,573,407	2,957,035	3,631,654
Metropolitan Bank & Trust Company(1)	292,926	355,924	3,186,213	1,563,536	2,374,833

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Bank, Philippine Securities and Exchange Commission filings, based on quarterly reports for the period ended 31 March 2024.

The following table sets out a comparison of the returns on average equity of certain leading Philippine banks for the periods indicated.

	As of and for the year ended 31 December			As of and for the three months ended 31 March	
	2021(2)	2022(2)	2023(2)	2023(2)	2024(2)
Bank of the Philippine Islands(1)	8.4%	13.1%	15.3%	15.4%	15.7%
BDO Unibank, Inc.(1)	10.4%	12.9%	15.0%	14.5%	14.3%
Metropolitan Bank & Trust Company(1)	6.9%	10.3%	12.5%	13.1%	13.7%

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Banks' publicly-disclosed investor presentations SEC Form 17-A (Annual Report) and SEC Form 17-Q (Quarterly Report).

The following table sets out a comparison of the net interest margins of certain leading Philippine banks for the periods indicated.

	As of and for the year ended 31 December			As of and for the three months ended 31 March	
	2021[(2)]	2022[(2)]	2023[(2)]	2023[(2)]	2024[(2)]
Bank of the Philippines Islands[(1)]	3.3%	3.6%	4.1%	3.9%	4.2%
BDO Unibank, Inc.[(1)]	4.0%	4.1%	4.6%	4.6%	4.6%
Metropolitan Bank & Trust Company[(1)]	3.4%	3.6%	3.9%	3.9%	4.0%

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Banks' publicly-disclosed investor presentations, SEC Form 17-A (Annual Report) and SEC Form 17-Q (Quarterly Report).

The following table sets out a comparison of the cost-to-income ratios (calculated as total operating expenses (excluding provisions for credit and impairment losses) over total operating income) of certain leading Philippine banks for the periods indicated.

	For the year ended 31 December			For the three months ended 31 March	
	2021[(2)]	2022[(2)]	2023[(2)]	2023[(2)]	2024[(2)]
Bank of the Philippines Islands[(1)]	52.1%	48.9%	50.0%	47.5%	45.6%
BDO Unibank, Inc.[(1)]	62.2%	59.4%	58.0%	60.1%	61.5%
Metropolitan Bank & Trust Company[(1)]	59.0%	54.3%	52.1%	51.6%	51.3%

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Banks' publicly-disclosed investor presentations, SEC Form 17-A (Annual Report) and SEC Form 17-Q (Quarterly Report).

Strong historical loan growth with potential for growth from increasing banking penetration

According to BSP, the Philippine Banking System (**PBS**) sustained its solid performance demonstrated by continued uptrend in assets, loans, deposits, and earnings, as well as ample provisions for credit losses. This was supported by strong capital and liquidity positions, cushioning banks from potential shocks. Total assets and the gross total loan portfolio (**TLP**) of the PBS as of end-March 2024 grew by 10.8% to ₱25.6 trillion and 9.8% to ₱13.7 trillion year-on-year, respectively. BSP noted that the assets expansion mainly funded by deposits, which was mostly channeled to loans and investment activities. However, the Philippines remains relatively under-banked with domestic credit to private sector as a percentage of gross domestic product (**GDP**) of 48.3% for the year ended 31 December 2023 according to the World Bank, compared to other Southeast Asian peers including Thailand, Singapore, Malaysia and Indonesia, which were 154.3%, 129.1% (2020), 117.2% and 36.0%, respectively. In addition, household debt as a percentage of GDP in the Philippines was 10.8% as of December 2023 according to CEIC Data compared to Southeast Asian peers including Thailand, Singapore, Malaysia and Indonesia, which were 86.9%, 53.3%, 84.2% and 9.7%, respectively. The table below sets outs information for the periods indicated.

The table below sets outs information for the periods indicated.

Country	Domestic Credit to Private Sector as % of GDP (2023)	Household Debt as % of GDP (2023)
Philippines	48.3%	10.8%
Thailand	154.3%	86.9%
Singapore	129.1% (2020)	53.3%
Malaysia	117.2%	84.2%
Indonesia	36.0%	9.7%

Source: World Bank for Domestic Credit to Private Sector as % of GDP, CEIC for Household Debt as % of GDP.

The historical loan growth of these regions, with Luzon (excluding Metro Manila) having the highest growth at 27.9%, is summarized below:

Region	Loans Outstanding as of 31 March 2024 (*in ₱ millions*)	% mix	Growth (year-on-year)
Metro Manila	10,449,855	84.2%	8.2%
Luzon (ex- Metro Manila)	917,659	7.4%	27.9%
Visayas	569,976	4.6%	-20.5%
Mindanao	478,277	3.9%	-33.3%

Source: BSP

Restrictions on Branch Opening

Please refer to page 156 of the Offering Circular.

Competition

Please refer to page 156 of the Offering Circular.

Certain Government Policies and Regulations in Relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these and can introduce new regulations to control any particular line of business. Please see "*Banking Regulation and Supervision*" for a more detailed discussion.

PHILIPPINE TAXATION

Please refer to pages 187-191 of the Offering Circular.

SUMMARY OF REGISTRY FEES

Please refer to page 198 of the Offering Circular

INDEX TO THE FINANCIAL STATEMENTS

Bank of the Philippine Islands and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements
As at and for the three-month period ended March 31, 2024
(With comparative figures and notes as at December 31, 2023 and for the three-month period ended March 31, 2023)

Report on the Review of Interim Financial Statements

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim statement of condition of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") as at March 31, 2024, and the related unaudited condensed consolidated interim statements of income, of total comprehensive income, of changes in capital funds and of cash flows for the three-month periods ended March 31, 2024 and 2023, including material accounting policy information and other explanatory notes. Management is responsible for the preparation and fair presentation of these unaudited condensed consolidated interim financial statements in accordance with Philippine Accounting Standard 34, 'Interim Financial Reporting' as issued by the Financial and Sustainability Reporting Standards Council. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Philippine Accounting Standard 34, 'Interim Financial Reporting' as issued by the Financial and Sustainability Reporting Standards Council.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280; issued on January 12, 2024, Makati City
T.I.N. 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
June 19, 2024

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION
March 31, 2024
(With Comparative Audited Consolidated December 31, 2023 Figures)
(In Millions of Pesos)

	Notes	**March 31, 2024**	December 31, 2023
A S S E T S			
CASH AND OTHER CASH ITEMS	3	**37,340**	34,843
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	3	**239,774**	199,619
DUE FROM OTHER BANKS	3	**39,140**	36,292
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	3	**7,126**	20,643
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4	**45,134**	23,654
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	**234,283**	218,654
INVESTMENT SECURITIES AT AMORTIZED COST, net	6	**365,781**	382,711
LOANS AND ADVANCES, net	7	**1,981,303**	1,882,007
ASSETS HELD FOR SALE, net		**7,055**	4,743
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	8	**21,168**	19,751
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net		**8,883**	8,287
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS		**18,610**	19,067
DEFERRED INCOME TAX ASSETS, net		**19,917**	18,185
GOODWILL	17	**9,297**	-
OTHER ASSETS, net		**33,194**	19,916
Total assets		**3,068,005**	2,888,372

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION
March 31, 2024
(With Comparative Audited Consolidated December 31, 2023 Figures)
(In Millions of Pesos)

	Notes	**March 31, 2024**	December 31, 2023
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	9	**2,423,203**	2,295,106
DERIVATIVE FINANCIAL LIABILITIES		**2,934**	2,821
BILLS PAYABLE AND OTHER BORROWED FUNDS	10	**142,052**	137,104
DUE TO BSP AND OTHER BANKS		**2,844**	1,881
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**9,041**	8,463
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**16,308**	14,973
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS		**14,406**	15,202
DEFERRED CREDITS AND OTHER LIABILITIES		**51,891**	53,452
Total liabilities		**2,662,679**	2,529,002
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	11		
Share capital		**52,449**	49,307
Share premium		**142,911**	113,414
Reserves		**591**	643
Accumulated other comprehensive loss		**(13,117)**	(11,127)
Surplus		**220,241**	204,967
		403,075	357,204
NON-CONTROLLING INTERESTS		**2,251**	2,166
Total capital funds		**405,326**	359,370
Total liabilities and capital funds		**3,068,005**	2,888,372

(The notes on pages 1 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
For the three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos, Except Per Share Amounts)

	Notes	2024	2023
INTEREST INCOME			
On loans and advances		**37,324**	26,604
On investment securities		**6,389**	5,060
On deposits with BSP and other banks		**859**	764
		44,572	32,428
INTEREST EXPENSE			
On deposits		**12,662**	7,101
On bills payable and other borrowings		**2,063**	1,169
		14,725	8,270
NET INTEREST INCOME		**29,847**	24,158
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	7	**1,500**	1,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**28,347**	23,158
OTHER INCOME			
Fees and commissions		**3,392**	3,079
Income from foreign exchange trading		**1,002**	519
Securities trading gain		**631**	720
Income attributable to insurance operations		**802**	180
Net gains on disposals of investment securities at amortized cost		**1**	5
Other operating income	7,8	**3,849**	3,053
		9,677	7,556
OTHER EXPENSES			
Compensation and fringe benefits		**6,618**	5,462
Occupancy and equipment-related expenses		**4,984**	4,824
Other operating expenses		**6,409**	4,777
		18,011	15,063
INCOME BEFORE INCOME TAX		**20,013**	15,651
INCOME TAX EXPENSE			
Current		**4,066**	3,288
Deferred		**600**	158
		4,666	3,446
NET INCOME FOR THE PERIOD		**15,347**	12,205
Income attributable to			
Equity holders of BPI		**15,263**	12,134
Non-controlling interests		**84**	71
		15,347	12,205
Basic and diluted earnings per share attributable to the equity holders of BPI		**2.90**	2.68

(The notes on pages 1 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM
STATEMENTS OF TOTAL COMPREHENSIVE INCOME
For the three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	2024	2023
NET INCOME FOR THE PERIOD	**15,347**	12,205
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that may be subsequently reclassified to profit or loss		
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect	**(1,966)**	1,426
Share in other comprehensive (loss) income of associates	**(82)**	279
Fair value reserve on investments of insurance subsidiaries, net of tax effect	**(13)**	64
Currency translation differences and others	**127**	(213)
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit plan, net of tax effect	**15**	31
Share in other comprehensive (loss) income of associates	**(70)**	151
Total other comprehensive (loss) gain, net of tax effect	**(1,989)**	1,738
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**13,358**	13,943
Total comprehensive income attributable to:		
Equity holders of BPI	**13,273**	13,835
Non-controlling interests	**85**	108
	13,358	13,943

(The notes on pages 1 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL FUNDS
For the three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 11)								
	Share capital	Share premium	Treasury shares	Reserves	Surplus	Accumulated other comprehensive loss	Total	Non-controlling interests	Total capital funds
Balance, January 1, 2023	49,193	104,123	(33,043)	644	211,061	(14,256)	317,722	2,082	319,804
Comprehensive income									
Net income for the period	-	-	-	-	12,134	-	12,134	71	12,205
Other comprehensive income for the period	-	-	-	-	-	1,701	1,701	37	1,738
Total comprehensive income for the period	-	-	-	-	12,134	1,701	13,835	108	13,943
Transactions with owners									
Executive stock plan exercise and amortization	75	32	-	(18)	-	-	89	-	89
Dividends - treasury shares	-	-	42,364	-	(42,364)	-	-	-	-
Total transactions with owners	75	32	42,364	(18)	(42,364)	-	89	-	89
Other movements									
Transfer from surplus to reserves	-	-	-	13	(13)	-	-	-	-
Others	-	-	-	-	4	-	4	-	4
Total other movements	-	-	-	13	(9)	-	4	-	4
Balance, March 31, 2023	49,268	104,155	9,321	639	180,822	(12,555)	331,650	2,190	333,840
Balance, December 31, 2023	49,307	113,414	-	643	204,967	(11,127)	357,204	2,166	359,370
Comprehensive income									
Net income for the period	**-**	**-**	**-**	**-**	**15,263**	**-**	**15,263**	**84**	**15,347**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(1,990)**	**(1,990)**	**1**	**(1,989)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**15,263**	**(1,990)**	**13,273**	**85**	**13,358**
Transactions with owners									
Issuance of shares as consideration for the merger (Note 17)	**3,140**	**29,454**	**-**	**-**	**-**	**-**	**32,594**	**-**	**32,594**
Executive stock plan amortization	**2**	**43**	**-**	**(53)**	**-**	**-**	**(8)**	**-**	**(8)**
Total transactions with owners	**3,142**	**29,497**	**-**	**(53)**	**-**	**-**	**32,586**	**-**	**32,586**
Other movements									
Others	**-**	**-**	**-**	**1**	**11**	**-**	**12**	**-**	**12**
Balance, March 31, 2024	**52,449**	**142,911**	**-**	**591**	**220,241**	**(13,117)**	**403,075**	**2,251**	**405,326**

(The notes on pages 1 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	Notes	**2024**	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**20,013**	15,651
Adjustments for:			
Provision for credit and impairment losses	7	**1,500**	1,000
Depreciation and amortization		**1,248**	1,448
Share in net (income) loss of associates	2	**(592)**	74
Dividend income		**(13)**	(12)
Share-based compensation		**(53)**	(18)
Profit from assets sold		**(6)**	(7)
Realized gain - investment securities		**(540)**	(553)
Interest income		**(44,572)**	(32,428)
Interest received		**41,406**	33,290
Interest expense		**14,800**	8,357
Interest paid		**(14,244)**	(7,829)
(Increase) decrease in:			
Interbank loans and receivable and securities purchased under agreements to resell		**5,948**	5,577
Financial assets at fair value through profit or loss		**(21,400)**	(16,605)
Loans and advances		**11,499**	40,022
Assets held for sale		**(1,123)**	(100)
Assets attributable to insurance operations		**716**	1,379
Other assets		**(719)**	(6,245)
Increase (decrease) in:			
Deposit liabilities		**(14,318)**	52,686
Due to BSP and other banks		**774**	(977)
Manager's checks and demand drafts outstanding		**(542)**	113
Accrued taxes, interest and other expenses		**(3,425)**	(1,156)
Liabilities attributable to insurance operations		**(788)**	(1,069)
Derivative financial instruments		**113**	(56)
Deferred credits and other liabilities		**(4,644)**	2,020
Net cash (used in) from operations		**(8,962)**	94,562
Income taxes paid		**(1,379)**	(1,067)
Net cash (used in) from operating activities		**(10,341)**	93,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of bank premises, furniture, fixtures and equipment		**(643)**	(855)
Disposal of bank premises, furniture, fixtures and equipment		**37**	67
Dividends received		**13**	12
Placements in investment securities		**(69,669)**	(103,970)
Proceeds from maturities/sales of investment securities		**103,131**	68,500
(Increase) decrease in:			
Investment in subsidiaries and associates, net		**(1)**	(50)
Assets attributable to insurance operations		**(244)**	47
Impact of merger	17	**20,564**	-
Net cash from (used in) investing activities		**53,188**	(36,249)

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	Note	**2024**	2023
(forwarded)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issuance		**46**	107
(Decrease) increase in bills payable and other borrowed funds		**(10,004)**	2,155
Payments for principal portion of lease liabilities		**(411)**	(468)
Net cash (used in) from financing activities		**(10,369)**	1,794
NET INCREASE IN CASH AND CASH EQUIVALENTS		**32,478**	59,040
CASH AND CASH EQUIVALENTS	3		
Beginning of period		**288,482**	273,120
End of period		**320,960**	332,160

(The notes on pages 1 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

Notes to unaudited condensed consolidated interim financial statements
As at and for the three-month period ended March 31, 2024
(With comparative figures and notes as at December 31, 2023 and for the three-month period ended March 31, 2023)
(In Millions of Pesos, unless otherwise stated)

1 General information

Bank of the Philippine Islands ("BPI" or the "Parent Bank") is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank's license was extended for another 50 years on January 4, 1993.

The Parent Bank's office address, which also serves as its principal place of business, is located at Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City.

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, wealth management, corporate finance, securities distribution, and insurance services. At March 31, 2024, the BPI Group has 21,124 employees (December 31, 2023 - 18,982 employees) and operates 1,216 branches and 2,512 automated teller machines (ATMs) and cash accept machines (CAMs) (December 31, 2023 - 1,187 branches and 1,530 ATMs and CAMs) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As at March 31, 2024, the Parent Bank has 11,718 common shareholders (December 31, 2023 - 11,760).

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation (RBC) and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 17). The figures presented in the condensed consolidated interim financial statements as at December 31, 2023 and for the three-month period ended March 31, 2023 are exclusive of RBC balances.

Approval and authorization for issuance of financial statements

The condensed consolidated interim financial statements have been approved by the BOD of the Parent Bank on June 19, 2024.

These condensed consolidated interim financial statements have been reviewed, not audited.

2 Segment information

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standard (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms for individual customers.

- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms for corporate and institutional customers.

- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings.

The BPI Group mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the period. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the unaudited condensed consolidated interim statement of condition, but exclude items such as taxation.

The segment assets and liabilities as at March 31, 2024 and December 31, 2023 and results of operations of the reportable segments of the BPI Group for the three-month periods ended March 31, 2024 and 2023 follow:

	March 31, 2023			
	Consumer banking	**Corporate banking**	**Investment banking**	**Total per management reporting**
Net interest income	17,509	8,315	5,353	**31,177**
Provision for (reversal of) credit and impairment losses	2,965	(1,461)	(4)	**1,500**
Net interest income after provision for (reversal of) credit and impairment losses	14,544	9,776	5,357	**29,677**
Fees, commissions and other income, net	5,485	833	2,436	**8,754**
Total income	20,029	10,609	7,793	**38,431**
Compensation and fringe benefits	4,346	782	511	**5,639**
Occupancy and equipment-related expenses	1,834	94	169	**2,097**
Other operating expenses	7,422	1,076	453	**8,951**
Total operating expenses	13,602	1,952	1,133	**16,687**
Operating profit	6,427	8,657	6,660	**21,744**
Income tax expense				**4,666**
Net income				**15,347**
Share in net income of associates				**592**
Total assets	799,374	1,539,079	699,724	**3,038,177**
Total liabilities	1,771,948	711,382	178,856	**2,662,186**

	March 31, 2023			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
Net interest income	13,953	6,856	4,363	25,172
Provision for (reversal of) credit and impairment losses	1,078	(58)	(20)	1,000
Net interest income after provision for (reversal of) credit and impairment losses	12,875	6,914	4,383	24,172
Fees, commissions and other income, net	4,371	664	2,270	7,305
Total income	17,246	7,578	6,653	31,477
Compensation and fringe benefits	3,371	658	390	4,419
Occupancy and equipment-related expenses	1,375	19	136	1,530
Other operating expenses	6,512	953	347	7,812
Total operating expenses	11,258	1,630	873	13,761
Operating profit	5,988	5,948	5,780	17,716
Income tax expense				3,446
Net income				12,205
Share in net loss of associates				(74)
December 31, 2023				
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

Reconciliation of segment results to consolidated results of operations:

	March 31, 2024		
	Total per management reporting	**Consolidation adjustments/ Others**	**Total per consolidated financial statements**
Net interest income	31,177	(1,330)	**29,847**
Provision for credit and impairment losses	1,500	**-**	**1,500**
Net interest income after provision for credit and impairment losses	29,677	(1,330)	**28,347**
Fees, commissions and other income, net	8,754	923	**9,677**
Total income	38,431	(407)	**38,024**
Compensation and fringe benefits	5,639	979	**6,618**
Occupancy and equipment-related expenses	2,097	2,887	**4,984**
Other operating expenses	8,951	(2,542)	**6,409**
Total operating expenses	16,687	1,324	**18,011**
Operating profit	21,744	(1,731)	**20,013**
Income tax expense	4,666		**4,666**
Net income	15,347		**15,347**
Share in net income of associates	592		**592**
Total assets	3,038,177	29,828	**3,068,005**
Total liabilities	2,662,186	493	**2,662,679**

	March 31, 2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
Net interest income	25,172	(1,014)	24,158
Provision for credit and impairment losses	1,000	-	1,000
Net interest income after provision for credit and impairment losses	24,172	(1,014)	23,158
Fees, commissions and other income, net	7,305	251	7,556
Total income	31,477	(763)	30,714
Compensation and fringe benefits	4,419	1,043	5,462
Occupancy and equipment-related expenses	1,530	3,294	4,824
Other operating expenses	7,812	(3,035)	4,777
Total operating expenses	13,761	1,302	15,063
Operating profit	17,716	(2,065)	15,651
Income tax expense	3,446		3,446
Net income	12,205		12,205
Share in net loss of associates	(74)		(74)
December 31, 2023			
Total assets	2,867,080	21,292	2,888,372
Total liabilities	2,522,002	7,000	2,529,002

“Consolidation adjustments/Other” pertain to balances of support units and inter-segment elimination in accordance with BPI Group’s internal reporting.

3 Cash and cash equivalents

Cash and cash equivalents consist of:

	March 31, 2024	December 31, 2023
Cash and other cash items	**37,340**	34,843
Due from BSP	**239,774**	199,619
Due from other banks	**39,140**	36,292
Interbank loans receivable and securities purchased under agreement to resell (SPAR)	**4,486**	17,535
Cash and cash equivalents attributable to insurance operations	**220**	193
	320,960	288,482

Due from BSP increased mainly due to the growth in BPI Group's deposit liabilities.

As at March 31, 2024, interbank loans receivable and SPAR amounts to P7,126 million (December 31, 2023 - P20,643 million), of which P4,486 million (December 31, 2023 - P17,535 million) are expected to mature within 90 days from the date of acquisition and are classified as cash equivalents in the unaudited condensed consolidated interim statement of cash flows. Interbank loans receivable and SPAR declined primarily due to the lower securities purchased under the agreement to resell with the BSP.

4 Financial assets at fair value through profit or loss (FVTPL)

The account consists of:

	March 31, 2024	December 31, 2023
Debt securities		
Government securities	**35,291**	15,928
Commercial papers of private companies	**5,670**	3,813
Equity securities		
Listed	**114**	111
Unlisted	**51**	-
Derivative financial assets	**4,008**	3,802
	45,134	23,654

The increase in the account is a result of the BPI Group's strategy of focusing on short-term and immediate-term highly-liquid FVTPL securities such as government securities.

Derivatives held by the BPI Group for non-hedging purposes mainly consist of foreign exchange forwards, foreign exchange swaps, interest rate swaps, cross-currency swaps and foreign exchange options. Derivative financial assets were slightly higher mainly due to the increase in foreign exchange swap transactions.

5 Financial assets at fair value through other comprehensive income (FVOCI)

The account consists of:

	March 31, 2024	December 31, 2023
Debt securities		
Government securities	**226,648**	191,506
Commercial papers of private companies	**1,468**	21,732
	228,116	213,238
Accrued interest receivable	**2,258**	2,542
	230,374	215,780
Equity securities		
Listed	**1,978**	1,266
Unlisted	**1,931**	1,608
	3,909	2,874
	234,283	218,654

The movement in the account is mainly attributable to the acquisition of debt securities during the period aligned with the BPI Group's strategy of maintaining ample liquidity buffers and locking in higher interest rates to improve net interest margins. The increase in the account also includes the securities absorbed from RBC on January 1, 2024.

6 Investment securities at amortized cost, net

The account consists of:

	Note	March 31, 2024	December 31, 2023
Government securities		**302,377**	320,808
Commercial papers of private companies		**59,672**	58,326
		362,049	379,134
Accrued interest receivable		**3,763**	3,608
		365,812	382,742
Allowance for credit losses	7	**(31)**	(31)
		365,781	382,711

The decrease in the account is a result of the BPI Group's strategy of reducing exposure to investment securities at amortized cost to support liquidity as the monetary tightening of global central banks is expected to be nearing its end. The BPI Group has favored government securities over commercial papers of private companies in the composition of the account due to the abundant supply and preference for liquidity.

7 Loans and advances, net

The account consists of:

	March 31, 2024	December 31, 2023
Corporate loans		
Large corporate customers	**1,481,597**	1,446,426
Small and medium enterprise	**77,972**	79,097
Retail loans		
Credit cards	**144,044**	137,889
Real estate mortgages	**209,342**	171,495
Auto loans	**80,081**	71,896
Others	**42,426**	28,536
	2,035,462	1,935,339
Accrued interest receivable	**16,155**	12,943
Unearned discount/income	**(9,519)**	(8,801)
	2,042,098	1,939,481
Allowance for impairment	**(60,795)**	(57,474)
	1,981,303	1,882,007

At March 31, 2024 and December 31, 2023, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 10).

Loans and advances include amounts due from related parties (Note 13).

The increase in loans and advances is due to the higher demand, increased customer confidence, and increased volume of transactions in corporate, credit cards, auto loans and real estate mortgages. This was further increased by the loans absorbed as a result of the BPI and RBC merger.

For the three-month period ended March 31, 2024, the increase in the volume of credit card transactions and number of cardholders resulted in higher credit card income such as membership fees, interchange fees and service charges amounting to P1,925 million (March 31, 2023 - P1,478 million). This is presented as part of Other operating income in the unaudited condensed consolidated interim statement of income.

The movements in allowance for credit losses are summarized below:

	March 31, 2024	December 31, 2023
Beginning balance	**57,474**	57,767
Impact of merger*	**3,172**	-
Provision for impairment losses	**1,284**	3,940
Transfers/reallocation	**(35)**	(180)
Write-off/disposal	**(1,099)**	(4,051)
Accretion/unwinding of discount	**(1)**	(2)
Ending balance	**60,795**	57,474

**The impact of merger includes the allowance for credit losses of Legazpi Savings Bank (LSB), a wholly-owned subsidiary. The investment in LSB was carried as part of investments in subsidiary and associates in the stand-alone RBC books, hence, not included in the breakdown of acquired receivables disclosed in Note 17(ii).*

Provision for credit and impairment losses

The BPI Group's provision for credit and impairment losses for the three-month periods ended March 31 are attributable to the following accounts:

	2024	2023
Loans and advances	**1,284**	883
Assets held for sale	**161**	(39)
Interbank loans receivable and SPAR	**(3)**	-
Investment securities and amortized cost	**-**	(6)
Undrawn loan commitments	**29**	129
Accounts receivable	**(10)**	39
Other assets	**39**	(6)
	1,500	1,000

The expected credit loss allowance related to undrawn loan commitments is recognized as part of "Deferred credits and other liabilities".

The movement in provision for credit and impairment losses recognized during the three-month period ended March 31, 2024 is attributable to higher level of non-performing loans and additional provisioning of acquired accounts from RBC as a result of the merger.

8 Bank premises, furniture, fixtures and equipment, net

The details and movements in the account are summarized below:

	March 31, 2024			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
Cost				
January 1, 2024	2,983	34,293	16,389	**53,665**
Additions	-	363	436	**799**
Disposals	-	(122)	(219)	**(341)**
Transfers	-	-	(4)	**(4)**
Other changes	-	1	(4)	**(3)**
Impact of merger*	9	1,354	295	**1,658**
March 31, 2024	2,992	35,889	16,893	**55,774**
Accumulated depreciation				
January 1, 2024	-	19,388	14,526	**33,914**
Depreciation and amortization	-	673	324	**997**
Disposals	-	(120)	(187)	**(307)**
Transfers	-	-	(3)	**(3)**
Other changes	-	9	(4)	**5**
March 31, 2024	-	19,950	14,656	**34,606**
Net book value, March 31, 2024	**2,992**	**15,939**	**2,237**	**21,168**

**The impact of merger includes the fair value of bank premises, furniture, fixtures and equipment of LSB. The investment in LSB was carried as part of investments in subsidiary and associates in the stand-alone RBC books, hence, not presented as part of bank premises, furniture, fixtures and equipment under net assets acquired disclosed in Note 17.*

	December 31, 2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2023	3,015	31,087	16,400	50,502
Additions	-	3,523	2,954	6,477
Disposals	(30)	(330)	(2,946)	(3,306)
Transfers	-	(30)	(19)	(49)
Other changes	(2)	43	-	41
December 31, 2023	2,983	34,293	16,389	53,665
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	31,147
Depreciation and amortization	-	2,922	989	3,911
Disposals	-	(244)	(980)	(1,224)
Transfers	-	4	(8)	(4)
Other changes	-	84	-	84
December 31, 2023	-	19,388	14,526	33,914
Net book value, December 31, 2023	2,983	14,905	1,863	19,751

As at March 31, 2024, the BPI Group has recognized construction-in-progress amounting to P1.48 billion in relation to the redevelopment of its main office. Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements in the table above.

For the three-month period ended March 31, 2024, the BPI Group realized a profit of P6 million (March 31, 2023 - P7 million) from the disposal of certain bank premises, furniture, fixtures, and equipment.

Other changes pertain to additions and remeasurement of right-of-use assets due to renewal of lease agreements, extension of lease terms, deferral of escalation clause on existing lease contracts, and rate adjustments.

9 Deposit liabilities

The account consists of:

	March 31, 2024	December 31, 2023
Demand	**403,804**	379,076
Savings	**1,165,902**	1,158,548
Time	**853,497**	757,482
	2,423,203	2,295,106

The increase in deposit liabilities is mainly attributable to the merger with RBC (Note 17).

10 Bills payable and other borrowed funds

The account consists of:

	March 31, 2024	December 31, 2023
Bills payable		
Local banks	**13,479**	720
Foreign banks	**18,622**	22,359
Other borrowed funds	**109,951**	114,025
	142,052	137,104

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs. Investment securities at amortized cost serve as collateral for the Parent Bank's bills payable. The average payment terms of these bills payable is one (1) year (2023 - 1 year).

As a result of the merger with RBC, BPI assumed peso-denominated borrowings with Land Bank of the Philippines and Development Bank of the Philippines. As at March 31, 2024, the carrying amount of the borrowings amounts to P12,467 million and is presented as part of bills payable to local banks.

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026, has a carrying amount of P16,763 million as at March 31, 2024 (2023 - P16,494 million) and is presented as part of bills payable to foreign banks. The Parent Bank incurred origination costs amounting to USD 2.35 million.

Other borrowed funds

Other borrowed funds represent funds raised via the BPI Group's debt issuance programs as follows:

(a) Peso Bond and Commercial Paper Program

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million. On November 20, 2019, BPI's BOD approved the issuance of Peso-denominated bonds and commercial papers up to P100 billion under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount March 31, 2024	Carrying amount December 31, 2023
					(In Millions of Pesos)	
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	-	27,000

Bonds with a total face value of P36,828 million which were issued in two tranches under this Program matured in 2022.

(b) Peso-denominated Bonds under the P100 billion Bond Program

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P26,763 million was used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program.

As at March 31, 2024, both drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount March 31, 2024	Carrying amount December 31, 2023
					(In Millions of Pesos)	
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	20,268	20,236
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	36,423	36,371

(c) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to US$2,000 million. On December 13, 2023, the BOD approved the increase in size of this program to US$3,000 million with outstanding drawdowns as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount March 31, 2024	Carrying amount December 31, 2023
					(In Millions of Pesos)	
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	16,861	16,594
US$ 400 million, 5-year senior unsecured fixed rate Bonds	March 26, 2024	5.25%	March 26, 2029	22,496	22,356	-

(d) Private Placement

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at March 31, 2024, the carrying amount of the bond amounts to P14,043 million (2023 - P13,824 million).

11 Capital funds

(a) Share capital, share premium and treasury shares

Details of authorized share capital of the Parent Bank follow:

	March 31, 2024	December 31, 2023
Authorized capital (at P10 par value per share)		
Common shares	**54,000**	54,000
Preferred A shares	**600**	600
	54,600	54,600

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

Details of the Parent Bank's subscribed common shares are as follows:

	March 31, 2024	December 31, 2023
	(In absolute number of shares)	
Common shares		
At January 1	**4,945,197,291**	4,919,307,531
Subscription of shares during the period	**-**	25,889,760
Impact of merger (Note 17)	**314,003,992**	-
	5,259,201,283	4,945,197,291
	(In absolute amount)	
Subscription receivable	**142,634,173**	144,726,145

There are no preferred shares issued and outstanding as at March 31, 2024 and December 31, 2023.

(b) Reserves

The account consists of:

	March 31, 2024	December 31, 2023
Reserve for trust business	**400**	400
Reserve for trading participants	**73**	73
Reserve for self-insurance	**34**	34
Executive stock option plan amortization	**(5)**	49
Others	**89**	87
	591	643

In compliance with existing BSP regulations, 10% of income from trust business of BPI Asset Management and Trust Corporation's (BPI Wealth), a wholly-owned subsidiary of the Parent Bank, should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth. As at December 31, 2023, the appropriated reserve is already equivalent to 20% of its authorized capital, hence, no additional appropriation required for 2024.

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

The appropriation for general loan loss provision (GLLP) is recognized to comply with BSP Circular 1011 (the "Circular"). Under the Circular, banks are required to set up GLLP equal to 1% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Further, the Circular states that if the PFRS 9 loan loss provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. As at March 31, 2024 and December 31, 2023, the GLLP appropriation is nil as the loan loss provision for both periods are higher than the required GLLP.

Share-based compensation plan

On May 17, 2023, the BOD of the Parent Bank approved the 2023 Executive Stock Purchase Plan (ESPP) to qualified beneficiaries/participants. On April 26, 2023 grant date, total shares of 7,767,610 were subscribed.

On December 13, 2022, the BOD of the Parent Bank approved the 2022 ESPP to qualified beneficiaries/participants. On the same date, a total of 8,208,700 shares were granted, which were then subscribed on March 10, 2023.

(c) Dividend declarations

Details of cash dividends declared by the Parent Bank follow:

	Amount of dividends	
Date declared	Per Share	Total
		(In millions of Pesos)
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308

On March 15, 2023, the BOD approved the declaration of property dividends amounting to P42,364 million consisting of 406.18 million common shares for P0.09 per BPI share held in treasury. These treasury shares were declared as dividends as a result of the merger between the Parent Bank and BPI Family Savings Bank, Inc., which took effect last January 1, 2022. The distribution of treasury shares as property dividends on June 21, 2023 is based on the relevant SEC rules and guidelines. These are considered as non-cash financing activities. There are no dividend declaration as of March 31, 2024.

12 Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

13 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank’s Chief Finance Officer, and the Bank’s Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT. Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank’s risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank’s prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

Details of directors, officers, stockholders, and their related interests (DOSRI) loans follow:

	March 31, 2024	December 31, 2023
Outstanding DOSRI loans	**20,590**	18,701
	In percentage (%)	
% to total outstanding loans and advances	**1.02**	0.97
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	**2.34**	2.30
Past due DOSRI loans	**0.02**	0.04
Non-performing DOSRI loans	**0.04**	0.02

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at March 31, 2024 and December 31, 2023.

14 Subsequent events

Disposal of shares in GoTyme Bank Corporation

On March 20, 2024, the BOD approved the sale of its 752,056,290 common shares, representing all of its stakes, in GoTyme Bank Corporation to GoTyme Financial Pte. Ltd. (744,099,587 common shares) and Giga Investment Holdings Pte. Ltd., (7,956,703 common shares) at P1.20 per share. The shares were acquired by BPI following its merger with RBC. The sale was executed on April 1, 2024.

April 2024 approval of ESPP

On April 17, 2024, the BOD approved the 2024 employee stock purchase program pursuant to the ESPP. The 2024 program authorizes the grant to qualified participants at a subscription price to be determined on or prior to grant date based on 15% discount to Volume Weighted Average Price (VWAP). The program is subject to the approval of the SEC and to listing of the shares with the Philippine Stock Exchange (PSE).

Declaration of cash dividends

On May 15, 2024, the BOD approved the declaration of cash dividends amounting to P1.98 per common share to be distributed to all eligible stockholders of BPI as of record date of June 7, 2024. The total cash dividends amounts to P10,439 million.

15 Critical accounting estimates and judgments

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial statements, the significant accounting estimates and judgments made by management in applying the BPI Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2023.

16 Fair value measurements of financial instruments

This note provides an update on the judgments and estimates made by the BPI Group in determining the fair values on the financial instruments since the last annual financial report.

(a) Fair value hierarchy

The BPI Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at March 31, 2024 and December 31, 2023.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following tables present the carrying value and fair value hierarchy of the BPI Group's assets and liabilities measured at fair value as at March 31, 2024 and December 31, 2023:

March 31, 2024	Carrying amount	Fair value Level 1	Level 2	Level 3	**Total**
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	4,008	-	4,008	-	**4,008**
Trading assets					
- Debt securities	40,961	40,961	-	-	**40,961**
- Equity securities	165	114	51	-	**165**
Financial assets at FVOCI					
- Debt securities	230,374	230,374	-	-	**230,374**
- Equity securities	3,909	1,978	1,013	918	**3,909**
	279,417	273,427	5,072	918	**279,417**
Financial liabilities					
Derivative financial liabilities	2,934	-	2,934	-	**2,934**
Non-recurring measurements					
Assets held for sale, net	7,055	-	22,471	-	**22,471**

December 31, 2023	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	3,802
Trading assets					
- Debt securities	19,741	19,741	-	-	19,741
- Equity securities	111	111	-	-	111
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	215,780
- Equity securities	2,874	1,266	699	909	2,874
	242,308	236,898	4,501	909	242,308
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	2,821
Non-recurring measurements					
Assets held for sale, net	4,743	-	14,424	-	14,424

There were no transfers between Level 1 and Level 2 during the periods ended March 31, 2024 and December 31, 2023.

(b) Valuation techniques used to derive Level 2 fair values

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques (for example for structured notes), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, forex rates, volatilities and counterparty spreads) existing at reporting dates. The BPI Group uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the BPI Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value derivatives transacted in the OTC market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

(c) Fair values of other financial instruments carried at cost

The BPI Group also holds financial instruments that are not measured at fair value in the unaudited condensed consolidated interim statement of condition as follows:

	March 31, 2024		December 31, 2023	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Investment securities at amortized cost	**365,781**	**346,659**	382,711	364,286
Loans and advances, net	**1,981,303**	**2,423,775**	1,882,007	2,154,136
Financial liabilities				
Deposit liabilities	**2,423,203**	**2,402,660**	2,295,106	2,277,196

17 BPI and RBC Merger

On January 17, 2023, the shareholders of BPI approved the merger of BPI and RBC, with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633, approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger became effective on the first day of the calendar quarter following the completion of the regulatory approvals which is on January 1, 2024 and therefore, the figures presented as at December 31, 2023 and for the three-month period ended March 31, 2023 do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI’s expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) based on provisional amounts determined by management are as follows:

	Amount
	(In Thousands of Pesos)
Assets acquired	
Cash and other cash items	6,456,997
Due from BSP	12,398,996
Due from other banks	1,707,917
Interbank loans receivable and SPAR	5,491,857
Financial assets at FVTPL	24,198
Financial assets at FVOCI	6,926,810
Investment securities at amortized cost, net	26,797,437
Loans and advances, net	108,901,443
Investments in subsidiary and associates, net	903,663
Bank premises, furniture, fixtures and equipment, net	1,567,199
Assets held for sale	1,348,217
Deferred tax assets, net	2,238,197
Other assets, net	12,103,962
	186,866,893
Liabilities assumed	
Deposit liabilities	
Demand	27,624,578
Savings	34,370,971
Time	80,421,365
Bills payable	14,951,899
Manager's checks	1,120,725
Accrued taxes, interest and other expenses	1,423,251
Other liabilities	3,657,913
	163,570,702
Net assets	23,296,191

Other assets, net includes intangible assets such as core deposits, customer relationship and trust business. The trust business was transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.

Deferred tax assets, net includes the deferred tax assets and liabilities assumed from RBC and the resulting deferred taxes on fair value adjustments.

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	23,296,191
Goodwill	9,297,423

The goodwill is attributable to the workforce and the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount (In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

**The trust accounts were transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.*

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount (In Thousands of Pesos)
Corporate loans	61,949,983
Retail loans	
Real estate mortgages	37,193,873
Auto loans	6,786,068
Credit cards	6,040,647
Others	537,928
	112,508,499
Accrued interest receivable	947,075
Unearned discount/income	(67,241)
	113,388,333
Allowance for impairment	(3,063,536)
Net carrying amount	110,324,797
Fair value	108,901,443

iii. Revenue and profit contribution

Management deemed it impracticable to disclose the revenue and profit contribution of RBC for the three-month period ended March 31, 2024 that is included in the unaudited condensed consolidated interim statements of income and total comprehensive income. Upon migration of RBC's accounts to BPI's systems, these are no longer identified separately and are co-mingled with other accounts owned by the Bank prior to the merger. Given the volume of these accounts and transactions using such, the contribution to revenue and profit is not determinable without undue cost.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the unaudited condensed consolidated interim statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,398,996
Due from other banks	1,707,917
	20,563,910

v. Acquisition-related costs

Acquisition-related costs of P96 million that were not directly attributable to the issue of shares are included in other operating expenses in the unaudited condensed consolidated interim statement of income and in operating cash flows in the unaudited condensed consolidated interim statement of cash flows for the three-month period ended March 31, 2024.

18 Basis of preparation

These unaudited condensed consolidated interim financial statements as at and for the three-month period ended March 31, 2024 have been prepared in accordance with PAS 34, *'Interim Financial Reporting'*. These unaudited condensed consolidated interim financial statements do not include all the notes normally included in an annual financial report. Accordingly, these unaudited condensed consolidated interim financial statements are to be read in conjunction with the annual audited consolidated financial statements of the BPI Group as at and for the year ended December 31, 2023, which have been prepared in accordance with PFRSs.

(a) New standard and amendments to existing standards adopted by the BPI Group

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the BPI Group.

(b) New standard and amendments to existing standards not yet adopted

The following new accounting standard and amendment to existing standard below is not mandatory for the December 31, 2023 reporting period and have not been early adopted by the BPI Group in its annual audited consolidated financial statements as at and for the year then ended:

- PFRS 17*, 'Insurance Contracts' (effective for annual periods beginning on or after January 1, 2025)*

The BPI Group continually assesses the impact of the adoption of the above amendment, which is not expected to materially affect the consolidated financial statements.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2024 that are considered relevant or expected to have a material effect on the financial statement of the BPI Group.

Bank of the Philippine Islands

Financial Statements
As at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023

pwc

Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards ("PFRSs").

What we have audited

The financial statements comprise:

- the consolidated and parent statements of condition as at December 31, 2023 and 2022;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated and parent financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the BPI Group and the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated and parent financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and parent financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and parent financial statements as a whole, taking into account the structure of the BPI Group and the Parent Bank, the accounting processes and controls, and the industry in which the BPI Group and the Parent Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the impairment losses on loans and advances, which applies to both the BPI Group's and the Parent Bank's financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and advances	
We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the provision for loan impairment. The calculation of impairment losses is inherently judgmental for any bank. As at December 31, 2023, the total allowance for impairment for loans and advances amounted to PHP57,474 million for the BPI Group and PHP55,049 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP3,940 million for the BPI Group and PHP2,164 million for the Parent Bank. Refer to Notes 10 and 26 of the financial statements for the details of the impairment losses on loans and advances. Provision for impairment losses on loans that are assessed to be individually credit impaired is determined in reference to the estimated future cash repayments and proceeds from the realization of collateral held by the BPI Group and the Parent Bank. For other loan accounts which are not individually credit impaired, these are included in a group of loans with similar risk characteristics and are collectively assessed on a portfolio basis using internal models developed by the BPI Group and the Parent Bank.	We assessed the design and tested the operating effectiveness of key controls over loan loss provisioning. These key controls included: • governance over the development, validation and approval of the BPI Group's ECL models to assess compliance with PFRS 9, including continuous re-assessment by the BPI Group that the impairment models are operating in a way which is appropriate for the credit risks in the BPI Group and the Parent Bank's loan portfolios; • review and approval of key judgments, assumptions and forward-looking information used in the ECL models; • review of data from source systems to the detailed ECL model analyses; • assessment of credit quality of loans and advances relative to the established internal credit risk rating system; • the review and approval process for the outputs of the impairment models; and • the review and approval process over the determination of credit risk rating, performance of credit reviews and calculation of required reserves for loans assessed as credit-impaired. Our work over the impairment of loans and advances included: • assessment of the methodology applied by the BPI Group and the Parent Bank in the development of the ECL models vis-a-vis the requirements of PFRS 9; • testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data. Our assessment included the involvement of our internal specialist.

Key Audit Matter	How our audit addressed the Key Audit Matter
(cont'd.) Key elements in the impairment of loans and advances include: • the identification of credit-impaired loans, and estimation of cash flows (including the expected realizable value of any collateral held) supporting the calculation of individually assessed provisions; and • the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, significant increase in credit risk, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD). The impairment losses include both quantitative and qualitative components. In calculating the loan loss provisioning, the BPI Group and the Parent Bank applied the expected credit loss (ECL) calculation and post-model adjustments as allowed by Philippine Financial Reporting Standard (PFRS) 9, *Financial instruments*, which is a complex process that takes into account forward-looking information reflecting the BPI Group and the Parent Bank's view on potential future economic events.	• assessment of the appropriateness of the BPI Group's and the Parent Bank's definition of significant increase in credit risk and staging of accounts through analysis of historical trends and past credit behavior of loan portfolios; • independent comparison of economic information used within, and weightings applied to, forward-looking scenarios in the ECL calculation which includes assumptions used in the post-model adjustments, against available macro-economic data; • testing of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems; • testing the accuracy and reasonableness of the outputs of the ECL models through independent recalculation; • for a sample of individually assessed loans identified as credit-impaired, examined relevant supporting documents such as the latest financial information of the borrower or valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and • recalculation of the loan loss allowance for selected accounts and portfolios at reporting date using the ECL methodology adopted by the BPI Group and the Parent Bank.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated and parent financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent financial statements, our responsibility is to read the other information identified above when these become available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with PFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent financial statements, management is responsible for assessing the ability of each entity within the BPI Group and of the Parent Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entities within the BPI Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BPI Group's and the Parent Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BPI Group's and of the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the BPI Group and the Parent Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entities within the BPI Group and the Parent Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BPI Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the BPI Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 32 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 33 to the financial statements is presented for the purposes of filing with the BSP and the BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of the BPI Group and the Parent Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is John-John Patrick V. Lim.

Isla Lipana & Co.

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2023 and 2022
(In Millions of Pesos)

		Consolidated		Parent	
	Notes	**2023**	2022	**2023**	2022
A S S E T S					
CASH AND OTHER CASH ITEMS	4	**34,843**	39,613	**34,444**	39,359
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	4	**199,619**	182,869	**192,246**	178,534
DUE FROM OTHER BANKS	4	**36,292**	45,190	**33,081**	43,096
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	4,5	**20,643**	12,382	**17,342**	11,631
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	**23,654**	22,133	**17,456**	16,941
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	**218,654**	95,267	**214,183**	92,153
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	**382,711**	420,533	**377,120**	415,035
LOANS AND ADVANCES, net	10	**1,882,007**	1,702,990	**1,849,840**	1,680,684
ASSETS HELD FOR SALE, net		**4,743**	3,760	**4,646**	3,650
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	**19,751**	19,355	**18,401**	18,721
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	**8,287**	7,227	**15,526**	15,406
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**19,067**	19,060	**-**	-
DEFERRED INCOME TAX ASSETS, net	13	**18,185**	16,752	**17,536**	16,356
OTHER ASSETS, net	14	**19,916**	16,830	**20,001**	16,103
Total assets		**2,888,372**	2,603,961	**2,811,822**	2,547,669

(forward)

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BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2023 and 2022
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	**2,295,106**	2,096,001	**2,264,133**	2,082,584
DUE TO BSP AND OTHER BANKS		**1,881**	2,887	**1,881**	2,811
DERIVATIVE FINANCIAL LIABILITIES	7	**2,821**	4,297	**2,774**	4,253
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	**137,104**	97,503	**133,726**	93,002
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**8,463**	6,755	**8,431**	6,751
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**14,973**	10,587	**13,543**	9,794
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**15,202**	14,919	**-**	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	**53,452**	51,208	**51,031**	49,445
Total liabilities		**2,529,002**	2,284,157	**2,475,519**	2,248,640
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		**49,307**	49,193	**49,307**	49,193
Share premium		**113,414**	104,123	**113,383**	104,123
Treasury shares		**-**	(33,043)	**-**	(33,043)
Reserves		**643**	644	**32,975**	33,055
Accumulated other comprehensive loss		**(11,127)**	(14,256)	**(9,076)**	(11,843)
Surplus		**204,967**	211,061	**149,714**	157,544
		357,204	317,722	**336,303**	299,029
NON-CONTROLLING INTERESTS		**2,166**	2,082	**-**	-
Total capital funds		**359,370**	319,804	**336,303**	299,029
Total liabilities and capital funds		**2,888,372**	2,603,961	**2,811,822**	2,547,669

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
INTEREST INCOME							
On loans and advances		**120,900**	84,909	72,225	**114,050**	80,724	53,426
On investment securities		**21,737**	16,863	10,436	**21,466**	16,683	9,949
On deposits with BSP and other banks		**2,935**	1,496	1,956	**2,460**	1,385	1,271
		145,572	103,268	84,617	**137,976**	98,792	64,646
INTEREST EXPENSE							
On deposits	15	**36,027**	14,821	10,168	**34,934**	14,711	5,587
On bills payable and other borrowed funds	16	**5,195**	3,381	4,866	**4,956**	3,273	4,396
		41,222	18,202	15,034	**39,890**	17,984	9,983
NET INTEREST INCOME		**104,350**	85,066	69,583	**98,086**	80,808	54,663
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**4,000**	9,167	13,135	**2,202**	8,437	10,591
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**100,350**	75,899	56,448	**95,884**	72,371	44,072
OTHER INCOME							
Fees and commissions	19	**12,717**	11,339	11,204	**11,166**	9,516	9,051
Income from foreign exchange trading		**3,223**	2,617	2,384	**3,205**	2,511	2,206
Securities trading gain		**1,919**	857	97	**1,827**	831	4
Income attributable to insurance operations	2	**1,843**	1,379	1,854	**-**	-	-
Net gains on disposals of investment securities at amortized cost	9	**2**	214	1,513	**2**	214	1,166
Other operating income	19	**14,267**	17,053	10,770	**12,741**	14,565	13,026
		33,971	33,459	27,822	**28,941**	27,637	25,453
OTHER EXPENSES							
Compensation and fringe benefits	21	**23,221**	19,528	18,528	**20,310**	17,407	14,094
Occupancy and equipment-related expenses	11,20	**22,012**	18,761	16,010	**20,139**	17,124	13,352
Other operating expenses	21	**23,877**	19,701	16,195	**22,142**	18,195	12,220
		69,110	57,990	50,733	**62,591**	52,726	39,666
PROFIT BEFORE INCOME TAX		**65,211**	51,368	33,537	**62,234**	47,282	29,859
INCOME TAX EXPENSE	22						
Current		**13,934**	12,438	8,328	**12,600**	11,226	6,701
Deferred	13	**(635)**	(906)	1,099	**(419)**	(943)	375
		13,299	11,532	9,427	**12,181**	10,283	7,076
NET INCOME AFTER TAX		**51,912**	39,836	24,110	**50,053**	36,999	22,783
Attributable to:							
Equity holders of BPI		**51,687**	39,605	23,880	**50,053**	36,999	22,783
Non-controlling interests		**225**	231	230	**-**	-	-
		51,912	39,836	24,110	**50,053**	36,999	22,783
Basic and diluted earnings per share attributable to the equity holders of BPI during the year	18	**10.90**	8.78	5.29	**10.56**	8.20	5.05

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Note	**2023**	2022	2021	**2023**	2022	2021
NET INCOME FOR THE YEAR		**51,912**	39,836	24,110	**50,053**	36,999	22,783
OTHER COMPREHENSIVE INCOME (LOSS)	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive income (loss) of associates		**405**	(1,015)	(728)	**-**	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		**556**	(1,525)	(548)	**546**	(1,480)	(506)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		**90**	(225)	(209)	**-**	-	-
Currency translation differences and others		**(54)**	(65)	627	**-**	-	291
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		**(2,476)**	(8)	608	**(2,395)**	120	431
Share in other comprehensive income of associates		**49**	687	448	**-**	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		**4,609**	(3,503)	(3,041)	**4,616**	(3,658)	(2,753)
Total other comprehensive income (loss), net of tax effect		**3,179**	(5,654)	(2,843)	**2,767**	(5,018)	(2,537)
Total comprehensive income for the year		**55,091**	34,182	21,267	**52,820**	31,981	20,246
Attributable to:							
Equity holders of BPI		**54,816**	34,019	21,109	**52,820**	31,981	20,246
Non-controlling interests		**275**	163	158	**-**	-	-
		55,091	34,182	21,267	**52,820**	31,981	20,246

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 18)								
Consolidated	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total	Non-controlling interests	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	416	(5,899)	165,509	279,835	2,122	281,957
Comprehensive income									
Net income for the year	-	-	-	-	-	23,880	23,880	230	24,110
Other comprehensive loss for the year	-	-	-	-	(2,771)	-	(2,771)	(72)	(2,843)
Total comprehensive income (loss) for the year	-	-	-	-	(2,771)	23,880	21,109	158	21,267
Transactions with owners									
Exercise of stock option plans	86	170	-	(41)	-	-	215	-	215
Cash dividends	-	-	-	-	-	(8,124)	(8,124)	(184)	(8,308)
Total transactions with owners	86	170	-	(41)	-	(8,124)	(7,909)	(184)	(8,093)
Other movements									
Transfer from surplus to reserves	-	-	-	189	-	(189)	-	-	-
Others	-	-	-	-	-	25	25	-	25
Total other movements	-	-	-	189	-	(164)	25	-	25
Balance, December 31, 2021	45,131	74,934	-	564	(8,670)	181,101	293,060	2,096	295,156
Comprehensive income									
Net income for the year	-	-	-	-	-	39,605	39,605	231	39,836
Other comprehensive loss for the year	-	-	-	-	(5,586)	-	(5,586)	(68)	(5,654)
Total comprehensive income (loss) for the year	-	-	-	-	(5,586)	39,605	34,019	163	34,182
Transactions with owners									
Issuance of shares as a consideration of the merger	4,062	28,981	(33,043)	-	-	-	-	-	-
Executive stock plan amortization	-	208	-	(8)	-	-	200	-	200
Cash dividends	-	-	-	-	-	(9,568)	(9,568)	(177)	(9,745)
Total transaction with owners	4,062	29,189	(33,043)	(8)	-	(9,568)	(9,368)	(177)	(9,545)
Other movements									
Transfer from surplus to reserves	-	-	-	73	-	(73)	-	-	-
Transfer from reserves to surplus	-	-	-	(2)	-	2	-	-	-
Others	-	-	-	17	-	(6)	11	-	11
Total other movements	-	-	-	88	-	(77)	11	-	11
Balance, December 31, 2022	49,193	104,123	(33,043)	644	(14,256)	211,061	317,722	2,082	319,804
Comprehensive income									
Net income for the year	-	-	-	-	-	51,687	51,687	225	51,912
Other comprehensive income for the year	-	-	-	-	3,129	-	3,129	50	3,179
Total comprehensive income for the year	-	-	-	-	3,129	51,687	54,816	275	55,091
Transactions with owners									
Executive stock plan exercise and amortization	114	342	-	(84)	-	-	372	-	372
Cash dividends	-	-	-	-	-	(15,934)	(15,934)	(191)	(16,125)
Dividends - treasury shares	-	8,949	33,043	-	-	(42,364)	(372)	-	(372)
Total transaction with owners	114	9,291	33,043	(84)	-	(58,298)	(15,934)	(191)	(16,125)
Other movements									
Transfer from surplus to reserves	-	-	-	13	-	(13)	-	-	-
Others	-	-	-	70	-	530	600	-	600
Total other movements	-	-	-	83	-	517	600	-	600
Balance, December 31, 2023	**49,307**	**113,414**	**-**	**643**	**(11,127)**	**204,967**	**357,204**	**2,166**	**359,370**

(The notes on pages 1 to 116 are an integral part of the financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

Parent (Note 18)	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	196	(4,288)	115,453	231,170
Comprehensive income							
Net income for the year	-	-	-	-	-	22,783	22,783
Other comprehensive loss for the year	-	-	-	-	(2,537)	-	(2,537)
Total comprehensive income (loss) for the year	-	-	-	-	(2,537)	22,783	20,246
Transactions with owners							
Exercise of stock option plans	86	170	-	(36)	-	-	220
Cash dividends	-	-	-	-	-	(8,124)	(8,124)
Total transactions with owners	86	170	-	(36)	-	(8,124)	(7,904)
Other movements	-	-	-	-	-	(12)	(12)
	86	170		(36)	-	(8,136)	(7,916)
Balance, December 31, 2021	45,131	74,934	-	160	(6,825)	130,100	243,500
Comprehensive income							
Net income for the year	-	-	-	-	-	36,999	36,999
Other comprehensive loss for the year	-	-		-	(5,018)	-	(5,018)
Total comprehensive income (loss) for the year	-	-	-	-	(5,018)	36,999	31,981
Transactions with owners							
Issuance of shares	4,062	28,981	(33,043)	-	-	-	-
Executive stock plan amortization	-	208	-	(10)	-	-	198
Cash dividends	-	-	-	-	-	(9,568)	(9,568)
Total transactions with owners	4,062	29,189	(33,043)	(10)	-	(9,568)	(9,370)
Other movements	-	-	-	32,905	-	13	32,918
	4,062	29,189	(33,043)	32,895	-	(9,555)	23,548
Balance, December 31, 2022	49,193	104,123	(33,043)	33,055	(11,843)	157,544	299,029
Comprehensive income							
Net income for the year	-	-	-	-	-	50,053	50,053
Other comprehensive income for the year	-	-	-	-	2,767	-	2,767
Total comprehensive income for the year	-	-	-	-	2,767	50,053	52,820
Transactions with owners							
Executive stock plan exercise and amortization	114	342	-	(80)	-	-	376
Cash dividends	-	-	-	-	-	(15,934)	(15,934)
Dividends - treasury shares	-	8,918	33,043	-	-	(42,364)	(403)
Total transactions with owners	114	9,260	33,043	(80)	-	(58,298)	(15,961)
Other movements	-	-	-	-	-	415	415
	114	9,260	33,043	(80)	-	(57,883)	(15,546)
Balance, December 31, 2023	**49,307**	**113,383**	**-**	**32,975**	**(9,076)**	**149,714**	**336,303**

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

	Notes	Consolidated			Parent		
		2023	2022	2021	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before income tax		**65,211**	51,368	33,537	**62,234**	47,282	29,859
Adjustments for:							
Impairment losses	26	**4,000**	9,167	13,135	**2,202**	8,437	10,591
Depreciation and amortization	11,14	**6,615**	5,445	6,249	**6,195**	4,871	5,213
Share in net income of associates	12	**(1,372)**	(1,055)	(1,086)	**-**	-	-
Dividend and other income	19	**(100)**	(60)	(30)	**(3,066)**	(1,810)	(6,939)
Share-based compensation	18	**(84)**	(8)	(41)	**(80)**	(11)	(36)
Profit from asset sold		**(139)**	(5,392)	-	**(126)**	(5,392)	-
Realized gain - investment securities		**(949)**	(189)	-	**(949)**	(189)	-
Interest income		**(145,572)**	(103,268)	(84,617)	**(137,976)**	(98,792)	(64,646)
Interest received		**142,013**	98,874	85,450	**134,880**	92,487	64,866
Interest expense		**41,543**	18,503	15,345	**40,171**	18,265	10,229
Interest paid		**(38,683)**	(17,238)	(15,352)	**(37,801)**	(17,061)	(10,214)
Decrease (increase) in:							
Interbank loans receivable and securities purchased under agreements to resell		**4,117**	(2,612)	(2,167)	**4,058**	(2,699)	(2,117)
Financial assets at fair value through profit or loss		**(1,455)**	(801)	16,134	**(450)**	(1,267)	18,548
Loans and advances, net		**(181,412)**	(231,573)	(82,837)	**(170,155)**	(221,575)	(68,754)
Assets held for sale		**(761)**	(914)	(355)	**(773)**	(927)	(168)
Assets attributable to insurance operations		**254**	(2,316)	450	**-**	-	-
Other assets		**(5,753)**	540	(4,046)	**(6,564)**	4,870	(4,556)
Increase (decrease) in:							
Deposit liabilities		**199,096**	140,855	238,976	**181,540**	132,034	205,581
Due to BSP and other banks		**(1,151)**	1,680	(232)	**(1,075)**	1,744	(371)
Manager's checks and demand drafts outstanding		**1,708**	(176)	(177)	**1,680**	(169)	(204)
Accrued taxes, interest and other expenses		**798**	1,382	(707)	**730**	1,133	(582)
Liabilities attributable to insurance operations		**306**	1,693	(1,290)	**-**	-	-
Derivative financial liabilities		**(1,476)**	665	(2,025)	**(1,479)**	708	(2,112)
Deferred credits and other liabilities		**213**	4,950	(337)	**353**	2,064	(1,735)
Net cash from (absorbed by) operations		**86,967**	(30,480)	213,977	**73,549**	(35,997)	182,453
Income taxes paid		**(14,004)**	(12,938)	(7,497)	**(12,712)**	(11,605)	(6,008)
Net cash from (used in) operating activities		**72,963**	(43,418)	206,480	**60,837**	(47,602)	176,445

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
(*forwarded*)							
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of bank premises, furniture, fixtures and equipment		**(4,778)**	(1,657)	(5,595)	**(4,578)**	(1,580)	(5,108)
Disposal of bank premises, furniture, fixtures and equipment		**2,144**	1,200	789	**2,127**	1,191	777
Placements in investment securities		**(248,565)**	(95,218)	(278,718)	**(247,299)**	(94,789)	(272,363)
Proceeds from:							
Maturities/sales of investment securities		**171,331**	49,008	176,833	**171,332**	49,008	158,047
Net gains on sale of investment properties		**-**	4,721	(12)	**-**	4,721	(14)
Decrease (increase) in:							
Investment in subsidiaries and associates, net		**769**	694	1,432	**(120)**	-	(4,516)
Assets attributable to insurance operations		**(270)**	474	804	**-**	-	-
Impact of merger	30.1	**-**	-	-	**-**	78,200	-
Dividends received		**100**	60	30	**3,066**	880	3,400
Net cash (used in) from investing activities		**(79,269)**	(40,718)	(104,437)	**(75,472)**	37,631	(119,777)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	**(16,125)**	(9,745)	(8,124)	**(15,934)**	(9,568)	(8,124)
Issuance cost of treasury shares as dividends	18	**(372)**	-	-	**(403)**	-	-
Proceeds from share issuance	18	**456**	208	256	**456**	208	256
Increase (decrease) in bills payable and other borrowed funds	16	**39,601**	2,464	(56,908)	**40,724**	868	(57,798)
Payments for principal portion of lease liabilities		**(1,892)**	(1,624)	(1,900)	**(1,652)**	(1,417)	(1,478)
Net cash from (used in) financing activities		**21,668**	(8,697)	(66,676)	**23,191**	(9,909)	(67,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,362**	(92,833)	35,367	**8,556**	(19,880)	(10,476)
CASH AND CASH EQUIVALENTS							
January 1	4,5	273,120	365,953	330,586	265,449	285,329	295,805
December 31		**288,482**	273,120	365,953	**274,005**	265,449	285,329

Non-cash financing and investing activities 11,16,18

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

Notes to Financial Statements
As at December 31, 2023 and 2022 and for each of the three years
in the period ended December 31, 2023

1 General information

Bank of the Philippine Islands ("BPI" or the "Parent Bank") is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank's license was extended for another 50 years on January 4, 1993.

The Parent Bank's office address, which also serves as its principal place of business, is located at Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City.

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution and insurance services. At December 31, 2023, the BPI Group has 18,982 employees (2022 - 17,573 employees) and operates 1,187 branches (2022 - 1,189 branches) and 1,530 automated teller machines (ATMs) and cash accept machines (CAMs) (2022 - 2,080) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation ("RBC") and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 30.3).

The merger between BPI and BPI Family Savings Bank, Inc. ("BFB"), a wholly-owned subsidiary, became effective on January 1, 2022 with the Parent Bank as the surviving entity (Note 30.1). The comparative figures presented in the financial statements and notes to financial statements pertaining to the Parent Bank for the year ended December 31, 2021 are exclusive of BFB balances.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the BOD on February 21, 2024.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership 2023	2022
BPI Capital Corporation	Philippines	Investment house	100	100
BPI Direct BanKo, Inc., A Savings Bank (BanKo)	Philippines	Banking	100	100
BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth	Philippines	Asset management	100	100
BPI International Finance Limited	Hong Kong	Financing	100	100
BPI Europe Plc.	England and Wales	Banking (deposit)	100	100
BPI Securities Corp.	Philippines	Securities dealer	100	100
BPI Payments Holdings Inc. (BPHI)	Philippines	Financing	100	100
Filinvest Algo Financial Corp.	Philippines	Financing	100	100
BPI Investment Management, Inc.	Philippines	Investment management	100	100
Santiago Land Development Corporation	Philippines	Land holding	100	100
BPI Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Forex Corp.	Philippines	Foreign exchange	100	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	100	100
BPI Wealth Singapore Pte Ltd	Singapore	Asset management	100	-
First Far East Development Corporation	Philippines	Real estate	100	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	100	100
FEB Speed International	Philippines	Remittance	100	100
Ayala Plans, Inc.	Philippines	Pre-need	98.93	98.93
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85

2 Assets and liabilities attributable to insurance operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	Note	**2023**	2022
		(In Millions of Pesos)	
Assets			
Cash and cash equivalents	4	**193**	292
Insurance balances receivable, net		**6,111**	6,449
Investment securities			
Financial assets at fair value through profit or loss		**1,814**	1,771
Financial assets at fair value through other comprehensive income		**6,905**	6,618
Financial assets at amortized cost		**353**	267
Investment in associates		**167**	167
Accounts receivable and other assets, net		**3,378**	3,294
Land, building and equipment		**146**	202
		19,067	19,060

	2023	2022
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	**13,240**	13,094
Accounts payable, accrued expenses and other payables	**1,962**	1,825
	15,202	14,919

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2023	2022	2021
	(In Millions of Pesos)		
Premiums earned and related income	**3,312**	3,016	3,071
Investment and other income	**1,675**	1,070	1,504
	4,987	4,086	4,575
Benefits, claims and maturities	**1,573**	1,280	1,502
Decrease in actuarial reserve liabilities	**(288)**	(336)	(486)
Commissions	**954**	924	856
Management and general expenses	**876**	811	817
Other expenses	**29**	28	32
	3,144	2,707	2,721
Income before income tax and minority interest	**1,843**	1,379	1,854

3 Business segments

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standards (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms for individual customers.

- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms for corporate and institutional customers.

- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 2.

The BPI Group and the Parent Bank mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the year. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

The segment assets and liabilities as at December 31 and the results of the operations of the reportable segments of the BPI Group's for the years ended December 31 follow:

	2023			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	65,271	28,108	15,117	108,496
Provision for (reversal of) credit and impairment losses	7,711	(3,837)	140	4,014
Net interest income after provision for credit and impairment losses	57,560	31,945	14,977	104,482
Fees, commissions and other income, net	20,328	2,932	8,749	32,009
Total income	77,888	34,877	23,726	136,491
Compensation and fringe benefits	19,375	3,314	1,786	24,475
Occupancy and equipment-related expenses	10,144	1,089	865	12,098
Other operating expenses	26,485	4,082	3,221	33,788
Total other expenses	56,004	8,485	5,872	70,361
Operating profit	21,884	26,392	17,854	66,130
Income tax expense				13,299
Net income				51,912
Share in net income of associates				1,372
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

	2022			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	49,614	26,746	12,281	88,641
Provision for credit and impairment losses	2,808	6,326	25	9,159
Net interest income after provision for credit and impairment losses	46,806	20,420	12,256	79,482
Fees, commissions and other income, net	17,017	2,847	7,064	26,928
Total income	63,823	23,267	19,320	106,410
Compensation and fringe benefits	14,698	2,459	1,162	18,319
Occupancy and equipment-related expenses	5,471	115	646	6,232
Other operating expenses	25,215	3,211	1,484	29,910
Total other expenses	45,384	5,785	3,292	54,461
Operating profit	18,439	17,482	16,028	51,949
Income tax expense				11,532
Net income				39,836
Share in net income of associates				1,056
Total assets	579,926	1,390,803	658,828	2,629,557
Total liabilities	1,534,471	618,008	142,236	2,294,715

	2021			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	36,478	27,934	8,988	73,400
Provision for (reversal of) credit and impairment losses	3,157	10,118	(172)	13,103
Net interest income after provision for credit and impairment losses	33,321	17,816	9,160	60,297
Fees, commissions and other income, net	15,846	2,703	7,333	25,882
Total income	49,167	20,519	16,493	86,179
Compensation and fringe benefits	13,911	2,280	1,053	17,244
Occupancy and equipment-related expenses	5,988	112	472	6,572
Other operating expenses	20,075	3,295	1,566	24,936
Total other expenses	39,974	5,687	3,091	48,752
Operating profit	9,193	14,832	13,402	37,427
Income tax expense				9,427
Net income				24,110
Share in net income of associates				1,086
Total assets	495,878	1,205,841	679,536	2,381,255
Total liabilities	1,334,077	667,821	101,686	2,103,584

Reconciliation of segment results to consolidated results of operations:

	2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	108,496	(4,146)	104,350
Provision for credit and impairment losses	4,014	(14)	4,000
Net interest income after provision for credit and impairment losses	104,482	(4,132)	100,350
Fees, commissions and other income, net	32,009	1,962	33,971
Total income	136,491	(2,170)	134,321
Compensation and fringe benefits	24,475	(1,254)	23,221
Occupancy and equipment-related expenses	12,098	9,914	22,012
Other operating expenses	33,788	(9,911)	23,877
Total other expenses	70,361	(1,251)	69,110
Operating profit	66,130	(919)	65,211
Income tax expense	13,299		13,299
Net income	51,912		51,912
Share in net income of associates	1,372		1,372
Total assets	**2,867,080**	**21,292**	**2,888,372**
Total liabilities	**2,522,002**	**7,000**	**2,529,002**

	2022		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
		(In Millions of Pesos)	
Net interest income	88,641	(3,575)	85,066
Provision for credit and impairment losses	9,159	8	9,167
Net interest income after provision for credit and impairment losses	79,482	(3,583)	75,899
Fees, commissions and other income, net	26,928	6,531	33,459
Total income	106,410	2,948	109,358
Compensation and fringe benefits	18,319	1,209	19,528
Occupancy and equipment-related expenses	6,232	12,529	18,761
Other operating expenses	29,910	(10,209)	19,701
Total other expenses	54,461	3,529	57,990
Operating profit	51,949	(581)	51,368
Income tax expense	11,532		11,532
Net income	39,836		39,836
Share in net income of associates	1,056		1,056
Total assets	2,629,557	(25,596)	2,603,961
Total liabilities	2,294,715	(10,558)	2,284,157

	2021		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
		(In Millions of Pesos)	
Net interest income	73,400	(3,817)	69,583
Provision for credit and impairment losses	13,103	32	13,135
Net interest income after provision for credit and impairment losses	60,297	(3,849)	56,448
Fees, commissions and other income, net	25,882	1,940	27,822
Total income	86,179	(1,909)	84,270
Compensation and fringe benefits	17,244	1,284	18,528
Occupancy and equipment-related expenses	6,572	9,438	16,010
Other operating expenses	24,936	(8,741)	16,195
Total other expenses	48,752	1,981	50,733
Operating profit	37,427	(3,890)	33,537
Income tax expense	9,427		9,427
Net income	24,110		24,110
Share in net income of associates	1,086		1,086
Total assets	2,381,255	40,660	2,421,915
Total liabilities	2,103,584	23,175	2,126,759

"Consolidation adjustments/Others" pertain to amounts of insurance operations and support units and inter-segment elimination in accordance with the BPI Group's internal reporting.

4 Cash and cash equivalents

The account at December 31 consists of:

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Cash and other cash items		**34,843**	39,613	**34,444**	39,359
Due from BSP		**199,619**	182,869	**192,246**	178,534
Due from other banks		**36,292**	45,190	**33,081**	43,096
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	**17,535**	5,156	**14,234**	4,460
Cash and cash equivalents attributable to insurance operations	2	**193**	292	**-**	-
		288,482	273,120	**274,005**	265,449

5 Interbank loans receivable and SPAR, net

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
BSP	**15,177**	136	**11,982**	-
Other banks	**5,483**	12,259	**5,379**	11,645
	20,660	12,395	**17,361**	11,645
Accrued interest receivable	**26**	27	**24**	26
	20,686	12,422	**17,385**	11,671
Allowance for impairment	**(43)**	(40)	**(43)**	(40)
	20,643	12,382	**17,342**	11,631

As at December 31, 2023, interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P17,535 million (2022 - P5,156 million) for the BPI Group and P14,234 million (2022 - P4,460 million) for the Parent Bank are classified as cash equivalents in the statements of cash flows (Note 4).

Government bonds are pledged by the BSP as collateral under reverse repurchase agreements. The aggregate face value of securities pledged approximates the total balance of outstanding placements as at reporting date.

The range of average interest rates (%) of interbank loans receivable and SPAR for the years ended December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**4.75 - 8.50**	4.50 - 8.28	**4.75 - 8.50**	4.50 - 8.28
US dollar-denominated	**4.85 - 5.25**	3.13 - 4.29	**4.85 - 5.15**	4.05 - 4.18

6 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31 consists of:

	Note	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Debt securities					
Government securities		**15,928**	10,974	**13,654**	9,876
Commercial papers of private companies		**3,813**	3,820	**6**	30
Listed equity securities		**111**	192	**-**	-
Derivative financial assets	7	**3,802**	7,147	**3,796**	7,035
		23,654	22,133	**17,456**	16,941

All financial assets at FVTPL held by the BPI Group and the Parent Bank are classified as current.

7 Derivative financial instruments

Derivatives held by the BPI Group consist mainly of the following:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate at maturity.

- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future.

- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period.

- Cross currency swaps refer to an exchange of notional amounts on two currencies at a given exchange rate where the parties on the transaction agree to pay a stated interest rate on the received notional amount and accept a stated interest rate on the delivered notional amount, payable and receivable or net settled (non-deliverable swaps) periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments as at December 31 are set out below:

Consolidated

	Assets		Liabilities	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**174**	411	**53**	52
Currency forwards	**1,309**	3,557	**1,262**	2,184
Options	**-**	3	**-**	-
Interest rate swaps	**2,317**	3,164	**1,506**	2,061
Warrants	**2**	2	**-**	-
Equity options	**-**	10	**-**	-
	3,802	7,147	**2,821**	4,297

Parent

	Assets		Liabilities	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**173**	411	**53**	52
Currency forwards	**1,304**	3,455	**1,215**	2,140
Options	**-**	3	**-**	-
Interest rate swaps	**2,317**	3,164	**1,506**	2,061
Warrants	**2**	2	**-**	-
	3,796	7,035	**2,774**	4,253

In 2022, the Parent Bank began trading foreign exchange options as part of the BPI Group's strategy subsequent to the granting of Type 1 derivative license by the BSP in 2021. During the years ended December 31, 2023 and 2022, the BPI Group did not enter into any transactions under hedge accounting.

As at December 31, 2023, the Parent Bank has no derivative financial assets referenced to London Interbank Offered Rate (LIBOR) (2022 - P104,915 million). The Parent Bank has fully transitioned to LIBOR-fallback in accordance with the fallback protocol that the Parent Bank adhered to with International Swaps and Derivatives Association (ISDA).

Critical accounting estimate - Determination of fair value of derivatives and other financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The BPI Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

8 Financial assets at fair value through other comprehensive income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities				
Government securities	**191,506**	85,143	**188,459**	83,588
Commercial papers of private companies	**21,732**	6,701	**21,452**	6,294
	213,238	91,844	**209,911**	89,882
Accrued interest receivable	**2,542**	603	**2,531**	595
	215,780	92,447	**212,442**	90,477
Equity securities				
Listed	**1,266**	1,709	**1,043**	1,331
Unlisted	**1,608**	1,111	**698**	345
	2,874	2,820	**1,741**	1,676
	218,654	95,267	**214,183**	92,153

The BPI Group has designated a small portfolio of equity securities from listed and unlisted private corporations as financial assets at FVOCI. The BPI Group adopted this presentation as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

Debt securities classified as financial assets at FVOCI are classified as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**40,551**	7,959	**38,990**	6,788
Non-current (over 12 months)	**175,229**	84,488	**173,452**	83,689
	215,780	92,447	**212,442**	90,477

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**2.20 - 8.57**	2.20 - 8.57	**2.20 - 8.57**	2.20 - 8.57
Foreign currency-denominated	**0.24 - 7.00**	0.15 - 6.10	**0.24 - 7.00**	0.15 - 6.10

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2023 amounts to P6,176 million (2022 - P1,987 million; 2021 - P2,473 million) and P6,060 million (2022 - P1,945 million; 2021 - P2,306 million) for the BPI Group and Parent Bank, respectively.

Dividend income from equity instruments recognized in the statement of income under other operating income for the year ended December 31, 2023 amounts to P100 million (2022 - P60 million; 2021 - P30 million) and P66 million (2022 - P36 million; 2021 - P16 million) for the BPI Group and Parent Bank, respectively (Note 19).

9 Investment securities at amortized cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Government securities	**320,808**	338,323	**320,161**	337,661
Commercial papers of private companies	**58,326**	78,345	**53,448**	73,568
	379,134	416,668	**373,609**	411,229
Accrued interest receivable	**3,608**	3,876	**3,542**	3,817
	382,742	420,544	**377,151**	415,046
Allowance for impairment	**(31)**	(11)	**(31)**	(11)
	382,711	420,533	**377,120**	415,035

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**2.09 - 8.13**	2.00 - 8.13	**2.09 - 8.13**	2.00 - 8.13
Foreign currency-denominated	**0.13 - 7.32**	0.13 - 7.13	**0.80 - 6.07**	0.13 - 7.13

In 2023, the BPI Group and the Parent Bank sold close-to-maturity debt securities which resulted in a net gain of P2 million. In 2022, the BPI Group and the Parent Bank recognized a net gain on disposal of P214 million resulting from sale of an insignificant amount of debt securities. In 2021, the BPI Group and the Parent Bank recognized a net gain on derecognition of P1,513 million and P1,166 million, respectively, due mainly to its disposal of a portfolio of debt securities in response to an impending change in tax regulations and as part of disposal of the entire portfolio of investments securities at amortized cost of a significant subsidiary. Consistent with the allowed sales of investments under the hold-to-collect business model following the requirements of PFRS 9, Financial Instruments, and BSP Circular 708, the circumstances resulting in the disposals are deemed isolated and non-recurring events that are beyond the BPI Group's control and could not have been reasonably anticipated at the time that the business model has been established.

As at December 31, 2023, government securities aggregating P3.43 billion (2022 - P19.11 billion) are used as security for bills payable of the Parent Bank (Note 16).

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2023 amounts to P14,678 million (2022 - P14,514 million; 2021 - P7,657 million) and P14,549 million (2022 - P14,388 million; 2021 - P7,347 million) for the BPI Group and the Parent Bank, respectively.

Investment securities at amortized cost are expected to be realized as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
		(In Millions of Pesos)		
Current (within 12 months)	**64,063**	41,813	**63,742**	41,918
Non-current (over 12 months)	**318,648**	378,720	**313,378**	373,117
	382,711	420,533	**377,120**	415,035

As at December 31, 2023, the Parent Bank has P6,459 million (2022 - P6,401 million) outstanding securities overlying securitization structures measured at amortized cost. The securities are held for collection of contractual cash flows until maturity and those cash flows represent solely payments of principal and interest.

Critical accounting judgment - Classification of investment securities at amortized cost

The BPI Group classifies its financial assets at initial recognition as to whether it will be subsequently measured at FVOCI, at amortized cost, or at FVTPL. The BPI Group determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The BPI Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at FVTPL.

10 Loans and advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	**1,446,426**	1,348,210	**1,442,251**	1,342,447
Small and medium enterprise	**79,097**	76,046	**79,093**	76,039
Retail loans				
Credit cards	**137,889**	99,680	**137,889**	99,680
Real estate mortgages	**171,495**	158,137	**170,321**	156,862
Auto loans	**71,896**	58,009	**71,895**	58,009
Others	**28,536**	16,675	**229**	225
	1,935,339	1,756,757	**1,901,678**	1,733,262
Accrued interest receivable	**12,943**	11,189	**12,006**	10,632
Unearned discount/income	**(8,801)**	(7,189)	**(8,795)**	(7,179)
	1,939,481	1,760,757	**1,904,889**	1,736,715
Allowance for impairment	**(57,474)**	(57,767)	**(55,049)**	(56,031)
	1,882,007	1,702,990	**1,849,840**	1,680,684

As at December 31, 2023 and 2022, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 16).

As at December 31, 2023, the Parent Bank has no LIBOR referenced loans (2022 - P63,263 million). In 2023, the Parent Bank has fully transitioned these LIBOR referenced loans to the alternative reference rate adopted by the Parent Bank.

Loans and advances include amounts due from related parties (Note 25).

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**776,788**	678,738	**766,284**	669,478
Non-current (over 12 months)	**1,162,693**	1,082,019	**1,138,605**	1,067,237
	1,939,481	1,760,757	**1,904,889**	1,736,715

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Commercial loans				
Peso-denominated loans	**5.44 - 6.13**	4.15 - 5.24	**5.44 - 6.13**	4.16 - 5.24
Foreign currency-denominated loans	**5.80 - 6.63**	2.73 - 5.85	**5.80 - 6.63**	2.73 - 5.85
Real estate mortgages	**6.63 - 7.32**	6.11 - 7.03	**6.72 - 7.31**	6.09 - 7.02
Auto loans	**9.76 - 10.32**	9.54 - 10.01	**9.76 - 10.32**	9.54 - 10.01

Interest income from loans and advances for the year ended December 31, 2023 for the BPI Group and the Parent Bank amounts to P120,900 million (2022 - P84,909 million; 2021 - P72,225 million) and P114,050 million (2022 - P80,724 million; 2021 - P53,426 million), respectively.

Details of the loans and advances portfolio at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**304,090**	281,974	**302,870**	280,633
Project assets	**138,915**	143,541	**138,915**	143,541
Chattel mortgage	**75,028**	60,287	**75,028**	60,287
Others	**25,912**	39,698	**25,757**	38,944
	543,945	525,500	**542,570**	523,405
Unsecured loans	**1,382,593**	1,224,068	**1,350,313**	1,202,678
	1,926,538	1,749,568	**1,892,883**	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

11 Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	31,087	16,400	**50,502**
Additions	-	3,523	2,954	**6,477**
Disposals	(30)	(330)	(2,946)	**(3,306)**
Transfers	-	(30)	(19)	**(49)**
Other changes	(2)	43	-	**41**
December 31, 2023	**2,983**	**34,293**	**16,389**	**53,665**
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	**31,147**
Depreciation and amortization	-	2,922	989	**3,911**
Disposals	-	(244)	(980)	**(1,224)**
Transfers	-	4	(8)	**(4)**
Other changes	-	84	-	**84**
December 31, 2023	**-**	**19,388**	**14,526**	**33,914**
Net book value, December 31, 2023	**2,983**	**14,905**	**1,863**	**19,751**

	2022			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2022	3,048	26,192	16,941	46,181
Additions	5	5,196	951	6,152
Disposals	(38)	(552)	(1,492)	(2,082)
Transfers	-	(6)	(2)	(8)
Other changes	-	257	2	259
December 31, 2022	3,015	31,087	16,400	50,502
Accumulated depreciation				
January 1, 2022	-	13,827	14,829	28,656
Depreciation and amortization	-	3,054	938	3,992
Disposals	-	(391)	(1,243)	(1,634)
Transfers	-	(4)	(1)	(5)
Other changes	-	136	2	138
December 31, 2022	-	16,622	14,525	31,147
Net book value, December 31, 2022	3,015	14,465	1,875	19,355

Parent

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	28,880	15,693	**47,588**
Additions	-	3,167	2,870	**6,037**
Disposals	(30)	(294)	(2,936)	**(3,260)**
Transfers	-	(30)	-	**(30)**
Other changes	(3)	(749)	-	**(752)**
December 31, 2023	**2,982**	**30,974**	**15,627**	**49,583**
Accumulated depreciation				
January 1, 2023	-	14,934	13,933	**28,867**
Depreciation and amortization	-	2,567	928	**3,495**
Disposals	-	(209)	(974)	**(1,183)**
Transfers	-	3	-	**3**
Other changes	-	-	-	**-**
December 31, 2023	**-**	**17,295**	**13,887**	**31,182**
Net book value, December 31, 2023	**2,982**	**13,679**	**1,740**	**18,401**

	2022				
	Note	Land	Buildings and leasehold improvements	Furniture and equipment	Total
			(In Millions of Pesos)		
Cost					
December 31, 2021		2,703	22,461	14,914	40,078
Impact of merger	30.1	346	1,964	1,354	3,664
January 1, 2022		3,049	24,425	16,268	43,742
Additions		4	4,892	903	5,799
Disposals		(38)	(429)	(1,478)	(1,945)
Transfers		-	(6)	-	(6)
Other changes		-	(2)	-	(2)
December 31, 2022		3,015	28,880	15,693	47,588
Accumulated depreciation					
December 31, 2021		-	11,708	13,127	24,835
Impact of merger	30.1	-	760	1,190	1,950
January 1, 2022		-	12,468	14,317	26,785
Depreciation and amortization		-	2,743	850	3,593
Disposals		-	(272)	(1,234)	(1,506)
Transfers		-	(4)	-	(4)
Other changes		-	(1)	-	(1)
December 31, 2022		-	14,934	13,933	28,867
Net book value, December 31, 2022		3,015	13,946	1,760	18,721

As at December 31, 2023, the BPI Group has recognized construction-in-progress amounting to P1.45 billion (2022 - P914 million) in relation to the redevelopment of its main office.

In 2022, the Parent Bank entered into a contract of lease with Ayala Land, Inc., a related party, for the lease of an office unit at Ayala Triangle Gardens Tower 2. In 2023, the Parent Bank assigned a portion of its office unit to BPI Securities Corporation, BPI Capital Corporation and BPI Wealth, effective July 1, 2023.

Other changes pertain to additions and remeasurement of right-of-use assets due to lease modification, renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts.

Depreciation and amortization charges are included in “Occupancy and equipment-related expenses” category in the statements of income.

In 2023, the Parent Bank realized a gain of P420 million (2022 - P5,295 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

In 2022, the Parent Bank sold two properties located at Pasong Tamo, Makati City with a net book value of P126 million for a purchase price of P5.49 billion resulting in a gain on sale of P4.99 billion, net of gross receipts tax, which forms part of the realized gain recorded within Other operating income (Note 19). Out of the total gain of P4.99 billion, P4.31 billion pertains to the portion of the property classified as investment property under Other assets (Note 14).

Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment

The BPI Group determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The BPI Group annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

12 Investments in subsidiaries and associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	**8,287**	7,227	**-**	-
Investments at cost method	**-**	-	**15,526**	15,406
	8,287	7,227	**15,526**	15,406

Investments in associates accounted for using the equity method in the consolidated statement of condition are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Acquisition cost	
		2023	2022	**2023**	2022
		(in %)		(In Millions of Pesos)	
Global Payments Asia-Pacific Philippines, Incorporated	Philippines	**49.00**	49.00	**1,342**	1,342
AF Payments, Inc. (AFPI)	Philippines	**20.00**	20.00	**1,060**	940
BPI AIA Life Assurance Corporation (formerly BPI-Philamlife Assurance Corporation)	Philippines	**47.96**	47.96	**389**	389
BPI Century Tokyo Lease and Finance Corporation	Philippines	**49.00**	49.00	**316**	316
Beacon Property Ventures, Inc.	Philippines	**20.00**	20.00	**72**	72
CityTrust Realty Corporation	Philippines	**40.00**	40.00	**2**	2
				3,181	3,061

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2023	2022
	(In Millions of Pesos)	
Acquisition cost		
At January 1	**3,061**	3,061
Additions during the year	**120**	-
At December 31	**3,181**	3,061
Accumulated equity in net income		
At January 1	**4,437**	4,076
Share in net income for the year	**1,372**	1,055
Dividends received	**(889)**	(694)
At December 31	**4,920**	4,437
Accumulated share in other comprehensive income (loss)		
At January 1	**(131)**	168
Share in other comprehensive income (loss) for the year	**457**	(299)
At December 31	**326**	(131)
Allowance for impairment	**(140)**	(140)
	8,287	7,227

No associate is deemed individually significant for financial reporting purposes. Accordingly, the relevant unaudited financial information of associates as at and for the years ended December 31 are aggregated as follows:

	2023	2022
	(In Millions of Pesos)	
Total assets	**129,429**	127,610
Total liabilities	**111,601**	112,119
Total revenues	**24,198**	13,771
Total net income	**2,924**	1,925

The details of equity investments accounted for using the cost method in the separate financial statements of the Parent Bank follow:

	Acquisition cost		Allowance for impairment		Carrying value	
	2023	2022	**2023**	2022	**2023**	2022
			(In Millions of Pesos)			
Subsidiaries						
BPI Europe Plc.	**7,180**	7,180	**-**	-	**7,180**	7,180
BPI Direct BanKo, Inc., A Savings Bank	**2,009**	2,009	**-**	-	**2,009**	2,009
BPI Wealth	**1,502**	1,502	**-**	-	**1,502**	1,502
Ayala Plans, Inc.	**864**	864	**-**	-	**864**	864
BPI Payments Holdings Inc.	**813**	693	**(672)**	(672)	**141**	21
BPI Capital Corporation	**623**	623	**-**	-	**623**	623
FGU Insurance Corporation	**303**	303	**-**	-	**303**	303
BPI Forex Corp.	**195**	195	**-**	-	**195**	195
BPI International Finance Limited	**143**	143	**-**	-	**143**	143
Santiago Land Development Corporation	**140**	140	**-**	-	**140**	140
BPI Remittance Centre (HK) Ltd.	**132**	132	**-**	-	**132**	132
First Far East Development Corporation	**91**	91	**-**	-	**91**	91
FEB Stock Brokers, Inc.	**25**	25	**-**	-	**25**	25
BPI Computer Systems Corp.	**23**	23	**-**	-	**23**	23
Others	**35**	35	**-**	-	**35**	35
Associates	**2,120**	2,120	**-**	-	**2,120**	2,120
	16,198	16,078	**(672)**	(672)	**15,526**	15,406

In 2023, the Parent Bank made additional capital infusions to BPHI amounting to P120 million.

In June 2023, BPI Wealth Singapore Pte. Ltd. was incorporated with the Accounting and Corporate Regulatory Authority of Singapore with BPI Parent as the sole owner of its share amounting to 1 SGD. As at December 31, 2023, the entity is non-operational and awaiting approval of its Capital Market Services license by the Monetary Authority of Singapore.

In 2021, the Parent Bank recognized an impairment loss of P60 million on its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI. In computing for its recoverable amount, the Parent Bank used a discount rate of 13.08% in assessing its value in use, which amounts to P21 million. There are no changes in the allowance for impairment for the year ended December 31, 2023.

No non-controlling interest arising from investments in subsidiaries is deemed material to the BPI Group.

Critical accounting judgment and estimate - Impairment of investments in subsidiaries and associates

The BPI Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the BPI Group considers important which could trigger an impairment review include the following:

- significant decline in market value;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The BPI Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Management has not identified any indicators of impairment as at December 31, 2023 and 2022 in its subsidiaries apart from BPHI.

For the 2023 and 2022 reporting periods, the recoverable amount of the subsidiary was determined based on the higher between fair value less cost to sell and value-in-use (VIU) calculations which require the use of assumptions. The VIU calculations use cash flow projections based on financial budgets approved by management.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the recoverable amount of the subsidiary.

13 Deferred income taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	**15,277**	15,380	**14,607**	14,889
Pension liability	**2,499**	1,736	**2,419**	1,736
Provisions	**644**	480	**595**	434
Others	**(62)**	(63)	**24**	19
Total deferred income tax assets	**18,358**	17,533	**17,645**	17,078
Deferred income tax liabilities				
Unrealized gain on property appraisal	**(39)**	(394)	**(39)**	(394)
Others	**(134)**	(387)	**(70)**	(328)
Total deferred income tax liabilities	**(173)**	(781)	**(109)**	(722)
Deferred income tax assets, net	**18,185**	16,752	**17,536**	16,356

Movements in net deferred income tax assets are summarized as follows:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Beginning of the year		**16,752**	15,819	**16,356**	11,953
Impact of merger	30.1	**-**	-	**-**	3,449
Amounts recognized in statement of income		**635**	906	**419**	943
Amounts recognized in other comprehensive income		**798**	27	**761**	11
End of the year		**18,185**	16,752	**17,536**	16,356

Details of deferred income tax items recognized in the statement of income are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Allowance for impairment	**99**	(1,164)	(1,816)	**280**	(1,152)	(1,541)
Pension	**(629)**	33	(131)	**(606)**	46	(121)
Net operating loss carryover (NOLCO)	**-**	-	(6)	**-**	-	-
Others	**(105)**	225	3,052	**(93)**	163	2,037
	(635)	(906)	1,099	**(419)**	(943)	375

Critical accounting judgment - Realization of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

14 Other assets, net

The account at December 31 consists of the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
		(In Millions of Pesos)		
Sundry debits	**10,025**	2,839	**9,988**	2,723
Accounts receivable	**2,780**	6,327	**4,118**	6,728
Prepaid expenses	**1,991**	1,608	**1,924**	1,546
Intangible assets	**854**	2,316	**831**	2,277
Rental deposits	**828**	825	**782**	782
Accrued trust and other fees	**673**	645	**138**	139
Creditable withholding tax	**428**	328	**286**	189
Investment properties	**69**	73	**58**	62
Miscellaneous assets	**3,376**	3,058	**2,895**	2,792
	21,024	18,019	**21,020**	17,238
Allowance for impairment	**(1,108)**	(1,189)	**(1,019)**	(1,135)
	19,916	16,830	**20,001**	16,103

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within one day.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Prepaid expenses include Philippine Deposit Insurance Corporation (PDIC) assessment dues, prepayments for rent, allowances and taxes.

Intangible assets comprise computer software costs, contractual customer relationships and management contracts.

Miscellaneous assets include postage stamps, stationery and supplies.

The allowance for impairment pertains mainly to accounts receivable. The reconciliation of the allowance for impairment at December 31 is summarized as follows:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Beginning of the year		**1,189**	1,099	**1,135**	908
Impact of merger	30.1	**-**	-	**-**	136
Provision for impairment losses		**61**	255	**40**	243
Transfer/reallocation		**(6)**	(33)	**(20)**	(20)
Write-off		**(136)**	(132)	**(136)**	(132)
End of the year		**1,108**	1,189	**1,019**	1,135

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**20,040**	15,554	**20,117**	14,883
Non-current (over 12 months)	**984**	2,465	**903**	2,355
	21,024	18,019	**21,020**	17,238

15 Deposit liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Demand	**379,076**	376,337	**382,443**	379,169
Savings	**1,158,548**	1,182,071	**1,148,770**	1,172,009
Time	**757,482**	537,593	**732,920**	531,406
	2,295,106	2,096,001	**2,264,133**	2,082,584

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**1,392,507**	1,272,994	**1,368,484**	1,265,986
Non-current (over 12 months)	**902,599**	823,007	**895,649**	816,598
	2,295,106	2,096,001	**2,264,133**	2,082,584

In 2019, the Parent Bank issued the first tranche of long-term negotiable certificates of deposit (LTNCD) amounting to P3 billion out of the established P50-billion LTNCD program approved by the BSP. The LTNCDs pay interest on a quarterly basis at a rate 4% per annum and carry a tenor of 5.5 years maturing on April 25, 2025. The proceeds from the LTNCD issuance are included in “Time deposits” category.

Related interest expense on deposit liabilities is presented below:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Demand	**248**	287	377	**248**	286	359
Savings	**2,115**	2,420	3,419	**2,065**	2,375	2,841
Time	**33,664**	12,114	6,372	**32,621**	12,050	2,387
	36,027	14,821	10,168	**34,934**	14,711	5,587

BSP reserve requirement

The Parent Bank and its bank subsidiaries should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency.

In 2023, the BSP approved the reduction in reserves which brought the requirement down to 9.5% for universal and commercial banks effective June 30,2023 by virtue of BSP Circular No.1175. For thrift banks, the BSP approved reduction in reserves which brought the requirement from 3% down to 2% effective June 30, 2023 by virtue of BSP Circular No.1175. These rates continue to be consistent throughout 2023.

Reserves must be set aside in deposits with the BSP. As at December 31, 2023, the reserves (included in Due from BSP) amounted to P186,356 million (2022 - P212,276 million) for the BPI Group and P185,703 million (2022 - P211,789 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2023 and 2022.

16 Bills payable and other borrowed funds

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Bills payable				
Local banks	**720**	3,471	**-**	3,471
Foreign banks	**22,359**	17,056	**19,701**	12,555
Other borrowed funds	**114,025**	76,976	**114,025**	76,976
	137,104	97,503	**133,726**	93,002

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs. Investment securities at amortized cost serve as collateral for the Parent Bank's bills payable (Note 9). The average payment terms of these bills payable is one year (2022 - 1.11 years).

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026 and has a carrying amount of P16,494 million as at December 31, 2023. The Parent Bank incurred origination costs amounting to USD 2.35 million.

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Private firms and local banks - Peso - denominated	**5.75 - 7.00**	3.75 - 6.40	**5.75 - 7.00**	3.75 - 6.40
Foreign banks - Foreign currency-denominated	**2.70 - 7.23**	0.13 - 5.96	**5.00 - 6.33**	2.95 - 4.27

Other borrowed funds

This represents funds raised via the BPI Group's debt issuance programs as follows:

(a) Peso Bond and Commercial Paper Program

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million, out of which a total of P25,000 million notes were issued with a coupon of 6.797% per annum, payable quarterly which matured on March 6, 2020. On November 20, 2019, BPI's Board of Directors approved the issuance of Peso-denominated bonds and commercial papers of up to P100 billion, of which P97 billion has been drawdown in multiple tranches, under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
				(In Millions of Pesos)		
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	**27,000**	26,874

Bonds with a total face amount of P36,828 million which were issued in two tranches under this Program matured in 2022.

(b) Peso-denominated Bonds under the P100 billion Bond Program

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P26,763 million will be used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program. As at December 31, 2023, both drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
				(In Millions of Pesos)		
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	**20,236**	-
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	**36,371**	-

(c) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to USD 2,000 million. On December 13, 2023, the BOD approved the increase in size of this program to USD 3,000 million. As at December 31, 2023 and 2022, the outstanding drawdowns under the MTN program are as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount **2023**	Carrying amount 2022
					(In Millions of Pesos)	
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	**-**	33,417
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**16,594**	16,685

(d) Private Placement

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at December 31, 2023, the carrying amount of the bond amounts to P13,824 million.

Following the BPI-BFB merger (Note 30.1), BPI assumed a P9,600 million bond with a coupon of 4.30% per annum, payable quarterly. At the acquisition date, the carrying amount of the bond amounted to P9,584 million. The bond matured on June 16, 2022.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			**Parent**		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Bills payable	**1,050**	143	77	**811**	35	59
Other borrowed funds	**4,145**	3,238	4,789	**4,145**	3,238	4,337
	5,195	3,381	4,866	**4,956**	3,273	4,396

The movements in bills payable and other borrowed funds are summarized as follows:

	Note	**Consolidated**		**Parent**	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
At January 1		**97,503**	95,039	**93,002**	82,550
Impact of merger	30.1	**-**	-	**-**	9,584
Additions		**138,190**	61,113	**122,029**	42,788
Maturities		**(98,232)**	(63,434)	**(80,976)**	(46,428)
Amortization of discount		**342**	241	**342**	241
Exchange differences		**(699)**	4,544	**(671)**	4,267
At December 31		**137,104**	97,503	**133,726**	93,002

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**69,861**	51,715	**67,038**	49,443
Non-current (over 12 months)	**67,243**	45,788	**66,688**	43,559
	137,104	97,503	**133,726**	93,002

17 Deferred credits and other liabilities

The account at December 31 consists of the following:

	Note	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Bills purchased - contra		**10,674**	12,270	**10,674**	12,270
Lease liabilities	20	**9,756**	10,095	**8,678**	9,726
Outstanding acceptances		**7,862**	9,100	**7,862**	9,100
Accounts payable		**7,603**	4,011	**7,082**	3,465
Other deferred credits		**3,063**	3,342	**3,063**	3,342
Due to the Treasurer of the Philippines		**1,568**	1,174	**1,557**	1,164
Withholding tax payable		**1,503**	880	**1,441**	841
Miscellaneous liabilities		**11,423**	10,336	**10,674**	9,537
		53,452	51,208	**51,031**	49,445

Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the BPI Group to its clients.

Outstanding acceptances represent liabilities arising from the bank drafts and bills of exchange the Parent Bank has accepted from its clients.

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Other deferred credits mainly pertain to unexpired portion of membership fee paid by the credit card holders and discount on purchased contract-to-sell receivables from developers.

Miscellaneous liabilities include pension liability, allowance for credit losses for undrawn committed credit facilities and other employee-related payables.

The account is expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**41,642**	41,678	**40,268**	40,116
Non-current (over 12 months)	**11,810**	9,530	**10,763**	9,329
	53,452	51,208	**51,031**	49,445

18 Capital funds

(a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2023	2022	2021
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	**54,000**	50,000	50,000
Preferred A shares	**600**	600	600
	54,600	50,600	50,600

Details of the Parent Bank's subscribed common shares are as follows:

	2023	2022	2021
	(In absolute number of shares)		
Common shares			
At January 1	**4,919,307,531**	4,513,128,255	4,513,101,605
Subscription of shares during the year	**25,889,760**	406,179,276	26,650
At December 31	**4,945,197,291**	4,919,307,531	4,513,128,255
	(In absolute amounts)		
Subscription receivable	**144,726,145**	-	-

The BPI common shares are listed and traded in the PSE since October 12, 1971.

As at December 31, 2023, the Parent Bank has a subscription receivable representing the amortization of Executive Stock Purchase Plan (ESPP) shares in excess of par value and booked against share premium amounting to P342 million (2022 - P208 million; 2021 - P416 million).

On February 10, 2014, additional 370,370,370 common shares were listed as a result of the stock rights offer. Likewise, on April 25, 2018, BPI completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date of April 6, 2018, at a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange (PSE) on May 4, 2018.

As at December 31, 2023, 2022 and 2021, the Parent Bank has 11,760, 11,864 and 12,084 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2023, 2022 and 2021.

Preferred A shares shall have pre-emptive rights with respect to additional issues of Preferred A shares of the Parent Bank.

On June 8, 2021, the BSP approved the amendment to the Parent Bank's Articles of Incorporation reflecting the increase in its authorized share capital from 4.9 billion shares to 5 billion shares. The SEC approved the amendment on December 21, 2021.

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

BPI and BFB merger (Note 30.1)

The Parent Bank issued 406,179,276 treasury shares on January 1, 2022 at a price of P81.35 per share as a consideration for the merger amounting to P33,042 billion (Note 30.1). The number of treasury shares issued was computed based on the net assets of BFB as at December 31, 2020 over the share price of the Parent Bank as at December 29, 2020. Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Bank's equity holders until the shares are cancelled, reissued or disposed of.

Pursuant to the issuance of shares due to the merger as at January 1, 2022, the Parent Bank's share capital and share premium increased by P4,062 million and P28,981 million, respectively, as at January 1, 2022.

On March 15, 2023, the treasury shares were declared as property dividends by the BOD amounting to P42,364 billion consisting of 406.18 million common shares at an entitlement ratio of 0.0896395563 for every 1 common share held by an eligible stockholder of BPI as of record date of March 29, 2023. Amount in excess of the cost of the treasury shares amounting to P8,949 million is presented as addition to share premium in the statement of changes in capital funds. Transaction costs incurred by the BPI Group and Parent Bank amounted to P372 million and P403 million, respectively.

(b) Reserves

The account consists of:

	Consolidated			**Parent**		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Reserve for trust business	**400**	387	389	**-**	-	-
Executive stock option plan amortization	**49**	132	141	**37**	116	126
Reserve for trading participants	**73**	73	-	**-**	-	-
Reserve for self-insurance	**34**	34	34	**34**	34	34
Merger reserves	**-**	-	-	**32,905**	32,905	-
Others	**87**	18	-	**-**	-	-
	643	644	564	**32,976**	33,055	160

General loan loss provision (GLLP)

In 2018, the BSP issued Circular 1011 which mandates among others, banks to set up GLLP equal to 1% of all outstanding "Stage 1" on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Under the said Circular, if the PFRS 9 "Stage 1" loan loss provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. Until December 31, 2019, the BPI Group has appropriated P4,739 million (2018 - P3,867 million) representing the excess of GLLP over PFRS 9 loan loss provision out of surplus to meet the requirements of the BSP. As at December 31, 2023 and December 31, 2022, the GLLP appropriation is nil as the loan loss provision for both years are higher than the required GLLP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI Wealth's, a wholly-owned subsidiary of the Parent Bank, income from trust business should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth.

Reserve for self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Reserve for trading participants

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method. It also include the results of operations of BFB during the year ended December 31, 2021, net of dividends declared on December 29, 2021.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and ESPP to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
July 1, 2021	-	34,000,000
December 11, 2019	4,035,000	9,100,000
December 12, 2018	4,168,000	11,500,000
December 6, 2017	3,560,000	7,500,000
January 25, 2017	3,560,000	4,500,000

The ESOP has a three-year vesting period from grant date while the ESPP has a five-year payment period.

The exercise price for ESOP is equal to the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The weighted average fair value of options granted determined using the Black-Scholes valuation model was P19.04 and P6.50 for the options granted in December 2019 and 2018, respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2023	2022	2021
At January 1	**9,866,999**	12,905,000	15,921,667
Granted	**-**	-	-
Exercised	**(3,900,440)**	(2,353,001)	(1,650,000)
Cancelled	**-**	(685,000)	(1,366,667)
At December 31	**5,966,559**	9,866,999	12,905,000
Exercisable	**5,966,559**	8,708,666	9,095,002

The impact of ESOP is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned above.

The subscription price for ESPP is equivalent to 10% below the volume weighted average of BPI share price. The subscribed shares will vest over a period of three 3 years from grant date. The grant dates for the last three-year ESPP were on April 26, 2023, December 13, 2022 and February 4, 2020. The initial subscriptions for the ESPP granted on April 26, 2023 and December 13, 2022 were received on April 26, 2023 and March 10, 2023, respectively.

(c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Fair value reserve on financial assets at FVOCI						
At January 1	**(8,058)**	(3,030)	559	**(7,465)**	(2,327)	932
Unrealized fair value gain (loss) before tax	**6,996**	(4,337)	(2,864)	**7,005**	(4,393)	(2,779)
Amount recycled to profit or loss	**(947)**	(28)	47	**(947)**	(28)	148
Deferred income tax effect	**(884)**	(663)	(772)	**(896)**	(717)	(628)
At December 31	**(2,893)**	(8,058)	(3,030)	**(2,303)**	(7,465)	(2,327)
Share in other comprehensive (loss) income of insurance subsidiaries						
At January 1	**(80)**	71	219	**-**	-	-
Share in other comprehensive income (loss) for the year, before tax	**63**	(187)	(184)	**-**	-	-
Deferred income tax effect	**(13)**	36	36	**-**	-	-
At December 31	**(30)**	(80)	71	**-**	-	-
Share in other comprehensive income (loss) of associates						
At January 1	**(162)**	166	446	**-**	-	-
Share in other comprehensive income (loss) for the year	**454**	(328)	(280)	**-**	-	-
At December 31	**292**	(162)	166	**-**	-	-
Translation adjustment on foreign operations						
At January 1	**(582)**	(517)	(1,144)	**-**	-	(291)
Translation differences and others	**(54)**	(65)	627	**-**	-	291
At December 31	**(636)**	(582)	(517)	**-**	-	-
Remeasurements of defined benefit obligation, net						
At January 1	**(5,374)**	(5,360)	(5,979)	**(4,378)**	(4,498)	(4,929)
Actuarial (losses) gains for the year	**(3,434)**	191	1,372	**(3,342)**	104	1,039
Deferred income tax effect	**948**	(205)	(753)	**947**	16	(608)
At December 31	**(7,860)**	(5,374)	(5,360)	**(6,773)**	(4,378)	(4,498)
	(11,127)	(14,256)	(8,670)	**(9,076)**	(11,843)	(6,825)

(d) Dividend declarations

Cash dividends

Dividends declared by the BOD of the Parent Bank are as follows:

	Amount of dividends	
Date declared	Per share	Total
		(In Millions of Pesos)
For the year ended December 31, 2023		
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308
		15,934
For the year ended December 31, 2022		
May 18, 2022	1.06	4,784
November 16, 2022	1.06	4,784
		9,568
For the year ended December 31, 2021		
May 19, 2021	0.90	4,062
November 17, 2021	0.90	4,062
		8,124

Property dividends

On March 15, 2023, the BOD declared the treasury shares as property dividends (Note 18a).

(e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank	**51,687**	39,605	23,880	**50,053**	36,999	22,783
b) Weighted average number of common shares outstanding during the year	**4,741**	4,513	4,513	**4,741**	4,513	4,513
c) Basic EPS (a/b) based on net income	**10.90**	8.78	5.29	**10.56**	8.20	5.05

The basic and diluted EPS are the same for the years presented as the impact of stock options outstanding is not significant to the calculation of weighted average number of common shares.

19 Other income

(a) Fees and commission

Details of fees and commission are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Service charges	**9,673**	8,382	8,206	**9,000**	7,745	7,511
Bank commissions	**2,168**	1,787	1,796	**2,166**	1,771	1,540
Underwriting fees	**693**	936	858	**-**	-	-
Stock brokerage fees	**183**	234	344	**-**	-	-
	12,717	11,339	11,204	**11,166**	9,516	9,051

Service charges represents service fees and processing fees collected from customers.

Bank commissions include foreign and domestic commissions collected for services rendered.

(b) Other operating income

Details of other operating income are as follows:

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
		(In Millions of Pesos)					
Credit card income		**6,207**	4,594	3,542	**6,209**	4,594	3,449
Trust and asset management fees		**4,211**	3,802	3,913	**2**	4	6
Gain on sale of assets	11	**407**	5,303	477	**420**	5,295	129
Rental income		**135**	195	236	**167**	225	285
Dividend income	8	**100**	60	30	**3,066**	1,810	6,939
Miscellaneous income		**3,207**	3,099	2,572	**2,877**	2,637	2,218
		14,267	17,053	10,770	**12,741**	14,565	13,026

Dividend income recognized by the Parent Bank substantially pertains to dividend distributions of subsidiaries.

Miscellaneous income includes recoveries on charged-off assets, fees arising from service arrangements with customers and related parties and share in net income (loss) of associates.

20 Leases

The BPI Group (as lessee) has various lease agreements which mainly pertain to branch premises and equipment. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes. The balances arising from the lease contracts are presented below:

Right-of-use assets and lease liabilities (PFRS 16)

Details of right-of-use assets and lease liabilities as at December 31 are as follows:

		Consolidated		**Parent**	
	Notes	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	**8,404**	9,011	**7,365**	8,666
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		**2,577**	3,417	**2,337**	3,225
Non-current		**7,179**	6,678	**6,341**	6,501
		9,756	10,095	**8,678**	9,726

Additions to the right-of-use assets (Note 11) in 2023 aggregated P1,701 million (2022 - P4,495 million) and P1,459 million (2022 - P4,220 million) for BPI Group and Parent bank, respectively. Total cash outflow for leases in 2023 amounted to P2,214 million (2022 - P1,925 million) and P1,933 million (2022 - P1,698 million) for BPI Group and Parent bank, respectively.

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Depreciation expense					
Buildings and leasehold improvements	11	**2,186**	2,088	**1,936**	1,632
Interest expense (included in "Occupancy and equipment-related expenses")		**321**	301	**281**	281
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		**101**	124	**101**	124
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		**397**	235	**354**	213
		3,005	2,748	**2,672**	2,250

The BPI Group has received COVID-19 related rent discount and deferral of the escalation of lease payments and has applied the practical expedients allowed under PFRS 16, *Leases*, introduced in May 2020 in accounting for the rent concessions. Consequently, the BPI Group recognized the following amounts for the years ended December 31:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Rent concession (included in "Other operating income")	**1**	1	**1**	1

Critical accounting judgment - Determining the lease term

In determining the lease term, the BPI Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical accounting judgment - Determining the incremental borrowing rate

To determine the incremental borrowing rate, each entity within the BPI Group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 2.00% to 7.40% (2022 - 4.10% to 6.83%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

21 Operating expenses

(a) Compensation and fringe benefits

Details of the account for the years ended December 31:

		Consolidated			Parent		
		2023	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Salaries and wages		**18,600**	16,024	15,050	**16,320**	14,236	11,461
Retirement expense	23	**1,232**	1,438	1,443	**1,148**	1,379	1,135
Other employee benefit expenses		**3,389**	2,066	2,035	**2,842**	1,792	1,498
		23,221	19,528	18,528	**20,310**	17,407	14,094

Other employee benefit expenses pertain to employee incentives like HMO coverage and SSS premiums.

(b) Other operating expenses

Details of the account for the years ended December 31:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Insurance	**5,204**	4,768	4,188	**5,140**	4,711	3,090
Advertising	**4,124**	2,393	970	**4,020**	2,259	920
Travel and communication	**1,575**	1,194	1,123	**1,414**	1,069	950
Supervision and examination fees	**963**	873	843	**783**	695	593
Management and other professional fees	**730**	651	337	**673**	572	254
Litigation expenses	**477**	349	373	**468**	345	101
Office supplies	**428**	358	343	**363**	305	254
Taxes and licenses	**224**	1,214	1,285	**165**	1,147	996
Amortization expense	**18**	172	135	**1**	3	-
Shared expenses	**-**	-	-	**-**	-	53
Others	**10,134**	7,729	6,598	**9,115**	7,089	5,009
	23,877	19,701	16,195	**22,142**	18,195	12,220

Insurance expense comprise mainly of premium payments made to PDIC and other product-related insurance costs.

Other expenses mainly include fees and incentives paid to agents, outsourcing fees, freight charges and other business expense such as those incurred in staff meetings, donations, periodicals and magazines.

22 Income taxes

The reconciliation between the income tax expense at the statutory tax rate and the effective income tax for the years ended December 31 is shown below:

	Consolidated					
	2023		2022		2021	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**16,303**	**25.00**	12,842	25.00	8,384	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(392)**	**(0.60)**	(723)	(1.41)	39	0.12
Tax-exempt income	**(1,134)**	**(1.74)**	(1,318)	(2.56)	(1,780)	(5.31)
Others, net	**(1,478)**	**(2.27)**	731	1.42	2,784	8.30
Effective income tax	**13,299**	**20.39**	11,532	22.45	9,427	28.11

	Parent					
	2023		2022		2021	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**15,559**	**25.00**	11,821	25.00	7,465	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(446)**	**(0.72)**	(77)	(0.17)	91	0.30
Tax-exempt income	**(1,872)**	**(3.01)**	(1,506)	(3.18)	(933)	(3.12)
Others, net	**(1,060)**	**(1.70)**	45	0.10	453	1.52
Effective income tax	**12,181**	**19.57**	10,283	21.75	7,076	23.70

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) bill which provides for lower corporate income tax rates and rationalizes fiscal incentives had been signed into law by the President of the Philippines in 2021 but with an effective date of July 1, 2020. As a result of the CREATE law, the BPI Group recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P819 million in current income tax expense and an increase of P2,718 million in deferred income tax expense using the weighted average effective annual income tax rate of 27.5%. The Parent Bank likewise recognized a decrease of P724 million in current income tax expense and an increase of P1,976 million in deferred income tax expense, respectively.

23 Retirement plans

The BPI Group maintains both defined benefit and defined contribution retirement plans. Assets of both retirement plans are held in trust and governed by local regulations and practices in the Philippines. The key terms of these pension plans are discussed below.

a) Defined benefit retirement plan

BPI Group (excluding insurance operations)

BPI has a unified plan which covers all subsidiaries except insurance entities. Under this plan, the normal retirement age is 60 years. Those who elect to retire prior to the normal retirement age will require company approval, subject to meeting the eligibility conditions on age and years of credited services. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service and cash equivalent of the accrued and unused vacation and sick leave, if any subject to the BPI Group's implementing guidelines and policies. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be the highest amount among the (1) same basis as in voluntary retirement; (2) 100% of basic monthly salary of the employee at the time of his retirement for each year of service; and (3) minimum amount required by Labor Code.

The net defined benefit cost and contributions to be paid by the entities within the BPI Group are determined by an independent actuary.

Non-life insurance subsidiary

BPI/MS Insurance Corporation has a separate trusteed defined benefit plan. Under the plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 175% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered as least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. Death or disability benefit for all employees of the non-life insurance subsidiary shall be determined on the same basis as in normal or voluntary retirement as the case may be.

Following are the amounts recognized based on recent actuarial valuation exercise:

(a) Pension liability as at December 31 recognized in the statement of condition:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Present value of defined benefit obligation	**18,632**	15,600	**18,098**	15,296
Fair value of plan assets	**(14,103)**	(12,876)	**(13,722)**	(12,515)
Pension liability recognized in the statement of condition	**4,529**	2,724	**4,376**	2,781
Effect of asset ceiling	**12**	24	**-**	-
	4,541	2,748	**4,376**	2,781

Pension liability is shown as part of "Miscellaneous liabilities" within Deferred credits and other liabilities (Note 17).

The movements in plan assets are summarized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**12,876**	9,999	**12,515**	8,504
Contributions	**2,251**	4,182	**2,229**	3,733
Interest income	**886**	473	**860**	401
Benefit payments	**(1,032)**	(834)	**(1,030)**	(776)
Remeasurement - return on plan assets	**(878)**	(944)	**(852)**	(804)
Transfer to the plan	**-**	-	**-**	1,457
At December 31	**14,103**	12,876	**13,722**	12,515

The carrying values of the plan assets represent their fair value as at December 31, 2023 and 2022.

The merger between the Parent Bank and BFB became effective on January 1, 2022 (Note 30.1), accordingly, the plan assets of BFB were transferred to the Parent Bank.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities	**8,517**	6,759	**8,287**	6,569
Equity securities	**4,307**	4,852	**4,191**	4,716
Others	**1,279**	1,265	**1,244**	1,230
	14,103	12,876	**13,722**	12,515

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P2,413 million at December 31, 2023 (2022 - P489 million). An officer of the Parent Bank exercises the voting rights over the plan's investment in BPI's common shares.

Others include cash and cash equivalents and other receivables.

The movements in the present value of defined benefit obligation are summarized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**15,600**	15,580	**15,296**	13,361
Interest cost	**1,115**	768	**1,088**	659
Current service cost	**757**	782	**730**	656
Remeasurement - changes in financial assumptions	**1,013**	(1,428)	**980**	(1,223)
Remeasurement - experience adjustment	**1,512**	543	**1,416**	919
Remeasurement - changes in demographic assumption	**(332)**	-	**(306)**	-
Benefit payments	**(1,033)**	(834)	**(1,030)**	(776)
Past service cost - plan amendment	**-**	189	**-**	163
Transfer to the plan	**-**	-	**(76)**	1,537
At December 31	**18,632**	15,600	**18,098**	15,296

The BPI Group has no other transactions with the plan other than the regular funding contributions presented above for the years ended December 31, 2023 and 2022.

(b) Expense recognized in the statement of income for the years ended December 31 are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Current service cost	**757**	782	853	**730**	656	703
Net interest cost	**229**	295	298	**228**	258	256
	986	1,077	1,151	**958**	914	959

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Discount rate	**6.03%**	7.15%	**6.03%**	7.15%
Future salary increases	**6.00%**	6.00%	**6.00%**	6.00%

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the BPI Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the BPI Group. However, the BPI Group believes that due to the long-term nature of the pension liability and the strength of the BPI Group itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the BPI Group's long-term strategy to manage the plan efficiently.

The BPI Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The BPI Group's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustor, as necessary to better ensure the appropriate asset-liability matching.

The BPI Group contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary engaged by management. The expected contributions for the year ending December 31, 2024 for the BPI Group and the Parent Bank amount to P1,273 billion and P1,217 billion, respectively (2022 - P987 million and P964 million, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2023 is 5.09 years (2022 - 7.32 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Up to one year	**3,347**	1,661	**3,260**	1,647
More than 1 year to 5 years	**3,095**	3,327	**2,980**	3,272
More than 5 years to 10 years	**2,649**	9,955	**2,566**	9,729
More than 10 years to 15 years	**2,783**	10,850	**2,627**	10,644
More than 15 years to 20 years	**2,661**	6,550	**2,573**	6,321
Over 20 years	**23,833**	21,648	**22,364**	20,612

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.80%
Salary growth rate	1.00%	Increase by 7.80%	Decrease by 7.00%

Parent

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.70%
Salary growth rate	1.00%	Increase by 7.70%	Decrease by 6.90%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of condition.

b) Defined contribution retirement plan subject to the requirements of Republic Act (RA) No. 7641

All non-unionized employees hired on or after the January 1, 2016 are automatically under the new defined contribution plan. Employees hired prior to the effective date shall have the option to elect to become members of the new defined contribution plan.

Upon normal or late retirement, employees are entitled to a lump sum benefit equal to the total of the following amounts:

- The greater of the (a) updated member account balance where the company periodically contributes 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- The updated member account balance funded by (a) voluntary employee contribution and (b) employer matching contribution; and
- Cash equivalent of the accrued and unused vacation and sick leave, if any.

The defined contribution retirement plan has a defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, the liability for the defined benefit minimum guarantee is actuarially calculated similar to the defined benefit plan.

The funding status of the defined contribution plan as at December 31 is shown below:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Fair value of plan assets	**2,261**	1,961	**1,898**	1,684
Present value of defined benefit obligation	**(595)**	(889)	**(531)**	(767)
	1,666	1,072	**1,367**	917
Effect of asset ceiling	**1,666**	1,072	**1,367**	917
	-	-	**-**	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**889**	760	**767**	563
Interest cost	**66**	37	**56**	28
Current service cost	**120**	122	**95**	84
Benefit payments	**(184)**	(147)	**(156)**	(128)
Remeasurement - changes in financial assumptions	**54**	(212)	**45**	(161)
Remeasurement - experience adjustment	**369**	282	**336**	284
Remeasurement - changes in demographic assumptions	**(719)**	-	**(601)**	-
Past service cost - plan amendment	**-**	47	**-**	36
Transfer to the plan	**-**	-	**(11)**	61
At December 31	**595**	889	**531**	767

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**1,961**	1,981	**1,684**	1,474
Contribution paid by employer	**332**	176	**270**	121
Interest income	**145**	100	**124**	74
Benefit payments	**(184)**	(147)	**(156)**	(128)
Remeasurement - return on plan assets	**7**	(149)	**(24)**	108
Transfer to the plan	**-**	-	**-**	35
At December 31	**2,261**	1,961	**1,898**	1,684

Total retirement expense for the year ended December 31, 2023 under the defined contribution plan for the BPI Group and Parent Bank amounts to P119 million (2022 - P210 million) and P94 million (2022 - P170 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities	**619**	554	**520**	476
Equity securities	**1,495**	1,302	**1,255**	1,118
Others	**147**	105	**123**	90
	2,261	1,961	**1,898**	1,684

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 8.17 years (2022 - 15.46 years).

Critical accounting estimate - Calculation of defined benefit obligation

The BPI Group estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate and future salary increases. The BPI Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. The present value of the defined benefit obligations of the BPI Group at December 31, 2023 and 2022 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the BPI Group’s assumptions are reflected as remeasurements in other comprehensive income. The BPI Group’s assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

24 Asset management business

At December 31, 2023, the total trust and fund assets under management of the BPI Group through BPI Wealth amounts to P1,223 billion (2022 - P875 billion).

As required by the General Banking Act, BPI Wealth has deposited government securities with the BSP valued at P990 million (2022 - P673 million).

25 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank’s Chief Finance Officer, and the Bank’s Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank's risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank's prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

A summary of significant related party transactions and outstanding balances as at and for the years ended December 31 is shown below (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Consolidated

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	**71**	**113**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.45% to 7.58% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	**(3,087)**	**61,567**	
Other related parties	**-**	**-**	
	(3,016)	**61,680**	
Deposits from:			
Associates	**912**	**1,949**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.70% Savings - 0.08% to 0.10% Time - 4.35% to 5.38% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	**(2,239)**	**687**	
Key management personnel	**958**	**1,215**	
	(369)	**3,851**	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(18)	42	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,105)	64,696	
Deposits from:			
Associates	(236)	1,037	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(8,475)	2,926	
Key management personnel	(727)	257	
	(9,438)	4,220	

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(449)	60	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 9.63% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(35,474)	65,195	
Other related parties	546	546	
	(35,377)	65,801	
Deposits from:			
Associates	(4)	1,273	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.24% Time - 1.73% to 2.00% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(7,349)	11,401	
Key management personnel	200	984	
	(7,153)	13,658	

Parent

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**53**	**87**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.22% to 7.23% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Associates	**71**	**113**	
Ayala Group	**(3,087)**	**61,567**	
Other related parties	**-**	**-**	
	(2,963)	**61,767**	
Deposits from:			
Subsidiaries	**442**	**6,365**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.80% Savings - 0.09% to 0.09% Time - 4.35% to 5.35% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	**912**	**1,949**	
Ayala Group	**(2,239)**	**687**	
Key management personnel	**936**	**1,191**	
	51	**10,192**	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	34	34	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(18)	42	
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,071)	64,730	
Deposits from:			
Subsidiaries	(5,408)	5,923	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(234)	1,037	
Ayala Group	(7,203)	2,926	
Key management personnel	(692)	255	
	(13,537)	10,141	

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	-	-	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 4.56% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(449)	60	
Ayala Group	(13,474)	65,195	
Other related parties	546	546	
	(13,377)	65,801	
Deposits from:			
Subsidiaries	3,399	11,331	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.22% Time - 0.79% to 1.04% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	17	1,271	
Ayala Group	(6,721)	10,129	
Key management personnel	219	947	
	(3,086)	23,678	

The aggregate amounts included in the determination of income before income tax (after elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated	**2023**	2022	2021
	(In Millions of Pesos)		
Interest income			
Associates	**8**	-	11
Ayala Group	**2,297**	1,724	2,782
Other related parties	**-**	-	21
	2,305	1,724	2,814
Other income			
Associates	**327**	1,771	312
Ayala Group	**935**	833	2,470
	1,262	2,604	2,782
Interest expense			
Associates	**18**	1	1
Ayala Group	**4**	29	18
Key management personnel	**14**	1	2
	36	31	21
Other expenses			
Associates	**191**	389	-
Ayala Group	**799**	1,769	1,112
	990	2,158	1,112
Retirement benefits			
Key management personnel	**50**	52	46
Salaries, allowances and other short-term benefits			
Key management personnel	**1,477**	831	829
Directors' remuneration	**113**	157	119

Parent	**2023**	2022	2021
	(In Millions of Pesos)		
Interest income			
Subsidiaries	**19**	5	5
Associates	**8**	-	11
Ayala Group	**2,297**	1,724	2,782
Other related parties	**-**	-	21
	2,324	1,729	2,819
Other income			
Subsidiaries	**209**	733	1,630
Associates	**139**	1,771	312
Ayala Group	**935**	648	1,645
	1,283	3,152	3,587
Interest expense			
Subsidiaries	**19**	5	5
Associates	**18**	1	1
Ayala Group	**4**	29	13
Key management personnel	**14**	1	1
	55	36	20
Other expenses			
Subsidiaries	**127**	817	10
Associates	**-**	282	-
Ayala Group	**799**	1,744	867
	926	2,843	877
Retirement benefits			
Key management personnel	**48**	51	41
Salaries, allowances and other short-term benefits			
Key management personnel	**1,433**	796	746
Directors' remuneration	**88**	131	86

Other income mainly consists of revenue from service arrangements with related parties in which the related outstanding balance is included under accounts receivable. Other expenses pertain to shared costs with related parties and the related outstanding balance is recognized as accounts payable.

Details of DOSRI loans are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	**18,701**	19,571	**18,701**	19,571

As at December 31, 2023, allowance for credit losses amounting to P247 million (2022 - P589 million) have been recognized against receivables from related parties.

26 Financial risk management

The BOD carries out its risk management function through the Risk Management Committee (RMC). The RMC is tasked with nurturing a culture of risk management across the BPI Group. The RMC sets the risk appetite; proposes and approves risk management policies, frameworks, and guidelines; and regularly reviews risk management structures, metrics, limits, and issues across the BPI Group, in order to meet and comply with regulatory and international standards on risk measurement and management.

At the management level, the Risk Management Office (RMO) is headed by the Chief Risk Officer (CRO). The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall business strategy of BPI, ensuring that risks are prudently and rationally undertaken and within its risk appetite, as well as commensurate and disciplined to maximize returns on shareholders' capital. Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience. BPI's risk managers regularly monitor key risk indicators and report exposures against carefully established financial and business risk metrics and limits approved by the RMC.

Finally, independent reviews are regularly conducted by the Internal Audit group, external auditors, and regulatory examiners to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

Credit risk, liquidity risk and market risk, as well as operational and cyber security risks are some of the top risks that the BPI Group manages.

26.1 Credit risk

The BPI Group takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed repayment terms. Credit risk is the single largest risk for the BPI Group's business; management therefore carefully manages its exposure to credit risk as governed by prudent credit policies, standards and methodologies, relevant regulatory requirements, and international benchmarks.

Loans and advances are the most evident source of credit risks; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking books, investment securities in the trading books and off-balance sheet transactions.

26.1.1 Credit risk management

The Credit Policy and Risk Management (CPRM) division is responsible for the overall management of the BPI Group's credit risks. CPRM supports the Senior Management in coordination with various business lending and operations units in identifying, measuring, reporting, and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risks. The BPI Group monitors its loan and investment portfolios based on different segmentations to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be eliminated. However, said risk may be reduced by adopting proper risk controls, mitigation, and diversification strategies to prevent undue credit risk concentrations from excessive exposures to counterparties, borrower-groups, industries, countries or regions.

The BPI Group structures the levels of credit risks it undertakes by placing limits or monitoring thresholds on the amount of risks accepted in relation to one borrower, or group of borrowers, industry segments, and countries or regions. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the RMC.

The exposure to any borrower may also be further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against risk limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, borrower or counterparties' risk profiles, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default (PD) of an obligor or counterparty, the loss severity given a default (LGD) event and the exposure at default (EAD).

A rigorous control framework is applied in the determination of expected credit loss (ECL) models. The BPI Group has policies and procedures that govern the calculation of ECL, which is performed by the Credit Risk Modeling, Analytics and MIS (CRMA-MIS) division. All ECL models are regularly reviewed by the Risk Management Office to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation of ECL models are performed by groups that are independent of CRMA-MIS, e.g., Risk Models Validation Division, Internal Auditors, and/or external assurance partners. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions across the Parent Bank.

Credit loss estimates are based on estimates of the PD and loss severity given a default. The PD is the likelihood that a borrower will default on its obligation; the LGD is the estimated loss that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by RMO and revised as needed to reflect the borrower's current financial position, risk profile, related collateral or credit enhancements, and other credit risk mitigants. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

The BPI Group's forward-looking, point-in-time PD models are driven by internal forecasts of macroeconomic variables (MEVs) over the next five years. These models were previously recalibrated annually, but in view of the COVID-19 pandemic, more frequent review and update of these models were conducted starting April 2020 as MEV forecasts were revised quarterly in response to changing macroeconomic conditions. Furthermore, the pandemic was expected to significantly increase foreclosures and dampen demand for auto and real estate collaterals and thus decrease market prices, so appropriate haircuts were applied on estimated recoveries from collaterals.

The BPI Group also manages counterparty credit risk arising from both pre-settlement and settlement risks. Pre-settlement risk is the risk that a counterparty will default prior to the final settlement/maturity of a transaction, while settlement risk pertains to the risk that a counterparty fails to deliver on settlement/maturity date when the Bank has already delivered on its contractual obligations. In managing counterparty risks, pre-settlement and settlement risk limits are established and exposures are monitored daily for each counterparty to cover the aggregate of pre-settlement and settlement risks arising from transactions with the BPI Group. The BPI Group also employs various tools and methods including use of delivery versus payment settlement, payment versus payment settlement, use of collateral agreements, and other acceptable credit risk mitigation techniques to further manage counterparty credit risk.

The BPI Group employs specific control and risk mitigation measures, some of which are outlined below:

(a) Collateral or guarantees

One of the most traditional and common practice in mitigating credit risks is requiring collaterals and/or securities particularly for loans and advances. The BPI Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The BPI Group assesses the valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The common collateral types for loans and advances are:

- Mortgages over physical properties (e.g., real estate and personal);
- Mortgages over financial assets [e.g., guarantees, investments (bonds or equities)]; and
- Margin agreement for derivatives, for which the BPI Group has also entered into master netting agreements.

In order to minimize credit loss, the BPI Group seeks additional collateral and/or securities from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

The BPI Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the BPI Group since the prior period.

(b) Market Limits

The BPI Group maintains market limits on net open derivative positions (i.e., the difference between purchase and sale contracts). Credit risk is limited to the net current fair value of instruments, which in relation to derivatives is only a portion of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments (except where the BPI Group requires margin deposits from counterparties).

(c) Master netting arrangements

The BPI Group further restricts its exposure to credit losses by entering master netting arrangements with certain counterparties with which it undertakes significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The BPI Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

Documentary and commercial letters of credit - which are written undertakings by the BPI Group on behalf of a customer authorizing a third party to draw drafts on the BPI Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods and therefore carry less risk than a direct loan.

26.1.2 Credit risk rating

The BPI Group uses internal credit risk gradings that reflect its assessment of the PD of individual counterparties. The BPI Group uses its internal credit risk rating system, credit models (e.g. credit risk scorecards) or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application and credit evaluation (such as financial and business information, source of incomes/revenues, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are used in the internal credit scoring models. In addition, the internal models allow expert judgment from the Credit Risk Rating Committee and consideration of other data inputs not captured into the model in the determination of the final internal credit score for each borrower.

The BPI Group has adopted an internal credit classification system that is aligned with regulatory guidelines and aims to identify deteriorating credit exposures on a timely basis. Exposures are classified into each of the following categories:

- *Standard monitoring* - This category includes accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The borrower or counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.

- *Special monitoring* - This category includes accounts which need closer and frequent monitoring to prevent any further credit deterioration. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.

- *Default* - This category includes accounts which exhibit probable to severe weaknesses wherein probability of non-repayment of loan obligation is ranging from high to extremely high.

i. Corporate (including cross-border loans, contracts-to-sell/group plans with recourse, floorstock lines) and Small and Medium-sized Enterprise (SME) loans

The BPI Group's internal credit risk rating system comprises a 22-scale rating with eighteen (18) 'pass' rating levels for large corporate accounts, a 14-scale rating system with ten (10) 'pass' rating grades for SME accounts, and a 23-scale rating with nineteen (19) 'pass' rating levels for cross-border accounts. For cross-border accounts, the BPI Group also uses available external/benchmark credit ratings issued by reputable rating agencies if there is no internal rating. The level of risk and associated PD are determined using either the internal credit risk ratings or external/benchmark credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

Classifications	**Large corporate**	**SME**	**Cross-Border**
Standard monitoring	AAA to B-, unrated, and ≤ 30 days past due (dpd)	AAA to B-, unrated, and ≤ 30 dpd	AAA to B- with no significant increase in credit risk (SICR), and ≤ 30 dpd
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Downgraded to lower than BB+ with SICR but not impaired, or based on prescribed dpd threshold
Default	Adversely classified accounts (ACA) or >90 dpd or Items in Litigation (IL)	ACA or >90 dpd or IL	Default/ACA with objective evidence of impairment, or > 90 dpd

ii. Retail loans

The BPI Group uses automated credit scoring models to assess the level of risk for retail accounts. Behavioral indicators are considered in conjunction with other forward-looking information (e.g., industry forecast) to assess the level of risk of a loan. After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score which is mapped to a PD.

In 2023, the BPI Group updated the default definition for SEME loan portfolio from 7 days to 10 days in line with the amended cure period from 7 days to 10 days in 2022 as a result of the Cure Period Analysis study conducted by the BPI Group's Enterprise Risk Stress Testing Department of the RMO, taking into account the changes in the BPI Group's collection activities and impact of the Coronavirus pandemic to the borrowers.

Classifications	**Credit cards**	**Personal, auto and housing**	**SEME***
Standard monitoring	≤ 29 dpd	≤ 30 dpd	≤ 10 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd or based on prescribed dpd threshold	Not applicable
Default	>89 dpd or IL	>90 dpd or IL	>10 dpd

**Self-employed micro-entrepreneurs*

iii. Treasury and other investment debt securities

Investments in high grade securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using either internal ratings or reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of both internal and external credit ratings, a comparable issuer or guarantor rating is used. Should there be a change in the credit rating of the chosen comparable, evaluation is made to ascertain whether the rating change is applicable to the security being assessed for impairment.

Classifications	Applicable ratings
Standard monitoring	AAA to B- with no SICR
Special monitoring	Downgraded to lower than BB+ with SICR but not impaired
Default	Default, with objective evidence of impairment

iv. Other financial assets at amortized cost

For other financial assets (non-credit receivables), the BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

26.1.3 Maximum exposure to credit risk

26.1.3.1 Loans and advances, net

Credit risk exposures relating to on-balance sheet loans and advances are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Corporate and SME loans, net	**1,482,335**	1,372,660	**1,478,037**	1,366,793
Retail loans, net	**399,672**	330,330	**371,803**	313,891
	1,882,007	1,702,990	**1,849,840**	1,680,684

The carrying amount of loans and advances above also represents the BPI Group’s maximum exposure to credit risk. The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

Credit quality of loans and advances, net

Consolidated

Corporate and SME loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	1,152,071	1,865	-	**1,153,936**	1,171,215	52,183	-	1,223,398
Special monitoring	129,537	199,296	-	**328,833**	78,737	79,040	-	157,777
Default	-	-	38,812	**38,812**	-	-	35,167	35,167
Gross amount	1,281,608	201,161	38,812	**1,521,581**	1,249,952	131,223	35,167	1,416,342
Loss allowance	(10,596)	(3,483)	(25,167)	**(39,246)**	(9,855)	(1,444)	(32,383)	(43,682)
Carrying amount	1,271,012	197,678	13,645	**1,482,335**	1,240,097	129,779	2,784	1,372,660

Retail loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	373,296	16,217	3	**389,516**	308,616	13,005	-	321,621
Special monitoring	525	8,705	-	**9,230**	401	6,333	-	6,734
Default	-	-	19,154	**19,154**	-	-	16,060	16,060
Gross amount	373,821	24,922	19,157	**417,900**	309,017	19,338	16,060	344,415
Loss allowance	(4,890)	(3,242)	(10,096)	**(18,228)**	(4,045)	(2,195)	(7,845)	(14,085)
Carrying amount	368,931	21,680	9,061	**399,672**	304,972	17,143	8,215	330,330

Parent

Corporate and SME loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	1,147,940	1,865	-	**1,149,805**	1,165,519	52,183	-	1,217,702
Special monitoring	129,537	199,296	-	**328,833**	78,737	79,040	-	157,777
Default	-	-	38,813	**38,813**	-	-	35,117	35,117
Gross amount	1,277,477	201,161	38,813	**1,517,451**	1,244,256	131,223	35,117	1,410,596
Loss allowance	(10,767)	(3,483)	(25,164)	**(39,414)**	(10,026)	(1,444)	(32,333)	(43,803)
Carrying amount	1,266,710	197,678	13,649	**1,478,037**	1,234,230	129,779	2,784	1,366,793

Retail loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	345,864	16,160	3	**362,027**	292,362	12,940	-	305,302
Special monitoring	524	8,286	-	**8,810**	401	6,162	-	6,563
Default	-	-	16,601	**16,601**	-	-	14,254	14,254
Gross amount	346,388	24,446	16,604	**387,438**	292,763	19,102	14,254	326,119
Loss allowance	(4,135)	(3,229)	(8,271)	**(15,635)**	(3,509)	(2,188)	(6,531)	(12,228)
Carrying amount	342,253	21,217	8,333	**371,803**	289,254	16,914	7,723	313,891

The tables below present the gross amount of "Stage 2" loans and advances by age category.

Consolidated

	2023			2022		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	200,390	12,072	**212,462**	130,601	9,721	140,322
Past due up to 30 days	389	4,544	**4,933**	520	3,618	4,138
Past due 31 - 90 days	382	8,306	**8,688**	102	5,999	6,101
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	201,161	24,922	**226,083**	131,223	19,338	150,561

Parent

	2023			2022		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	200,390	12,033	**212,423**	130,601	9,671	140,272
Past due up to 30 days	389	4,522	**4,911**	520	3,596	4,116
Past due 31 - 90 days	382	7,891	**8,273**	102	5,835	5,937
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	201,161	24,446	**225,607**	131,223	19,102	150,325

26.1.3.2 Treasury and other investment securities, net

Credit risk exposures arising from treasury and other investment securities are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Due from BSP	**199,619**	182,869	**192,246**	178,534
Due from other banks	**36,292**	45,190	**33,081**	43,096
Interbank loans receivable and SPAR, net	**20,643**	12,382	**17,342**	11,631
Financial assets at FVTPL	**23,543**	21,941	**17,456**	16,941
Financial assets at FVOCI	**215,780**	92,447	**212,442**	90,477
Investment securities at amortized cost, net	**382,711**	420,533	**377,120**	415,035
	878,588	775,362	**849,687**	755,714

Credit quality of treasury and other investment securities, net

Consolidated

	2023				2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)							
Credit grade								
Standard monitoring								
Due from BSP	199,619	-	-	**199,619**	182,869	-	-	182,869
Due from other banks	36,292	-	-	**36,292**	45,190	-	-	45,190
Interbank loans receivable and SPAR	20,645	-	-	**20,645**	12,382	-	-	12,382
Financial assets at FVTPL	23,543	-	-	**23,543**	21,941	-	-	21,941
Financial assets at FVOCI	215,438	342	-	**215,780**	92,040	407	-	92,447
Investment securities at amortized cost	381,811	931	-	**382,742**	419,614	930	-	420,544
Default								
Interbank loans receivable and SPAR	-	-	41	**41**	-	-	40	40
Gross carrying amount	**877,348**	**1,273**	**41**	**878,662**	774,036	1,337	40	775,413
Loss allowance	(33)	-	(41)	**(74)**	(1)	(10)	(40)	(51)
Carrying amount	**877,315**	**1,273**	**-**	**878,588**	774,035	1,327	-	775,362

Parent

	2023				2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)							
Credit grade								
Standard monitoring								
Due from BSP	192,246	-	-	**192,246**	178,534	-	-	178,534
Due from other banks	33,081	-	-	**33,081**	43,096	-	-	43,096
Interbank loans receivable and SPAR	17,344	-	-	**17,344**	11,631	-	-	11,631
Financial assets at FVTPL	17,456	-	-	**17,456**	16,941	-	-	16,941
Financial assets at FVOCI	212,100	342	-	**212,442**	90,070	407	-	90,477
Investment securities at amortized cost	376,220	931	-	**377,151**	414,116	930	-	415,046
Default								
Interbank loans receivable and SPAR	-	-	41	**41**	-	-	40	40
Gross carrying amount	**848,447**	**1,273**	**41**	**849,761**	754,388	1,337	40	755,765
Loss allowance	(33)	-	(41)	**(74)**	(1)	(10)	(40)	(51)
Carrying amount	**848,414**	**1,273**	**-**	**849,687**	754,387	1,327	-	755,714

26.1.3.3 Other financial assets at amortized cost

Other financial assets at amortized cost that are exposed to credit risk are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Accounts receivable, net	**1,242**	1,346	**2,758**	1,791
Rental deposits	**828**	825	**781**	782
Other accrued interest and fees receivable	**76**	64	**9**	10
Others	**377**	216	**358**	212
	2,523	2,451	**3,906**	2,795

The carrying amounts of the above financial assets represent the BPI Group's maximum exposure to credit risk.

The BPI Group's other financial assets at amortized cost (shown under Other assets, net) generally arise from transactions with various unrated counterparties with good credit standing. The BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss methodology for other financial assets.

26.1.3.4 Loan commitments

Credit risk exposures arising from undrawn loan commitments are as follows:

Consolidated

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	542,193	1,749	-	**543,942**	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	**16,241**	111,801	-	-	111,801
Default	-	-	543	**543**	-	-	579	579
Gross amount	558,434	1,749	543	**560,726**	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	**(1,232)**	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	**559,494**	1,198,070	1,224	525	1,199,819

**Included in "Miscellaneous liabilities" in Note 17*

Parent

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	542,193	1,749	-	**543,942**	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	**16,241**	111,801	-	-	111,801
Default	-	-	543	**543**	-	-	579	579
Gross amount	558,434	1,749	543	**560,726**	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	**(1,232)**	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	**559,494**	1,198,070	1,224	525	1,199,819

**Included in "Miscellaneous liabilities" in Note 17*

26.1.4 Credit impaired loans and advances

The BPI Group closely monitors collaterals held for financial assets considered to be credit-impaired (Stage 3), as it becomes more likely that the BPI Group will take possession of collateral to mitigate potential credit losses. Loans and advances that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Consolidated

	2023			2022		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	38,812	25,167	13,645	35,167	32,383	2,784
Retail loans	19,157	10,096	9,061	16,060	7,845	8,215
Total credit-impaired assets	**57,969**	**35,263**	**22,706**	51,227	40,228	10,999
Fair value of collateral	**21,713**			35,970		

Parent

	2023			2022		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	38,813	25,164	13,649	35,117	32,333	2,784
Retail loans	16,604	8,271	8,333	14,254	6,531	7,723
Total credit-impaired assets	**55,417**	**33,435**	**21,982**	49,371	38,864	10,507
Fair value of collateral	**27,654**			35,856		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2023, the BPI Group’s foreclosed collaterals have carrying amount of P4,743 million (2022 - P3,760 million). The related foreclosed collaterals have aggregate fair value of P14,424 million (2022 - P12,607 million). Foreclosed collaterals include real estate (land, building, and improvements), auto and chattel. Repossessed properties are sold as soon as practicable and are classified as Assets held for sale in the statement of condition. In 2023, the Parent Bank realized a gain of P83 million (2022 - P81 million loss) from disposals of foreclosed collaterals with book value of P2,149 million (2022 - P1,731 million).

26.1.5 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent transfer between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written off during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The following tables summarize the changes in the loss allowance for loans and advances between the beginning and the end of the annual period. No movement analysis of allowance for impairment is presented for treasury and other investment debt securities and other financial assets subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	9,855	1,444	32,383	**43,682**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	**2,795**
Transfer from Stage 2	26	(211)	143	**(42)**
Transfer from Stage 3	-	-	(106)	**(106)**
New financial assets originated	3,727	-	-	**3,727**
Financial assets derecognized during the year	(872)	(426)	(1,596)	**(2,894)**
Changes in assumptions and other movements in provision	102	243	(7,564)	**(7,219)**
	746	2,041	(6,526)	**(3,739)**
Write-offs and other movements	(5)	(2)	(690)	**(697)**
Loss allowance, at December 31, 2023	**10,596**	**3,483**	**25,167**	**39,246**

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	4,045	2,195	7,845	**14,085**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,839)	2,348	4,569	**5,078**
Transfer from Stage 2	116	(1,198)	1,573	**491**
Transfer from Stage 3	6	40	(266)	**(220)**
New financial assets originated	2,744	-	-	**2,744**
Financial assets derecognized during the year	(395)	(107)	(502)	**(1,004)**
Changes in assumptions and other movements in provision	222	(32)	400	**590**
	854	1,051	5,774	**7,679**
Write-offs and other movements	(9)	(4)	(3,523)	**(3,536)**
Loss allowance, at December 31, 2023	**4,890**	**3,242**	**10,096**	**18,228**

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	10,026	1,444	32,333	**43,803**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	**2,795**
Transfer from Stage 2	26	(211)	143	**(42)**
Transfer from Stage 3	-	-	(106)	**(106)**
New financial assets originated	3,727	-	-	**3,727**
Financial assets derecognized during the year	(872)	(426)	(1,596)	**(2,894)**
Changes in assumptions and other movements in provision	102	243	(7,567)	**(7,222)**
	746	2,041	(6,529)	**(3,742)**
Write-offs and other movements	(5)	(2)	(640)	**(647)**
Loss allowance, at December 31, 2023	**10,767**	**3,483**	**25,164**	**39,414**

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	3,509	2,188	6,531	**12,228**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,049)	2,337	3,315	**4,603**
Transfer from Stage 2	116	(1,152)	1,489	**453**
Transfer from Stage 3	6	40	(252)	**(206)**
New financial assets originated	1,525	-	-	**1,525**
Financial assets derecognized during the year	(112)	(106)	(415)	**(633)**
Changes in assumptions and other movements in provision	142	(74)	96	**164**
	628	1,045	4,233	**5,906**
Write-offs and other movements	(2)	(4)	(2,493)	**(2,499)**
Loss allowance, at December 31, 2023	**4,135**	**3,229**	**8,271**	**15,635**

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	11,318	2,728	23,865	37,911
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,105)	(356)	10,153	8,692
	(1,351)	(1,288)	8,817	6,178
Write-offs and other movements	(112)	4	(299)	(407)
Loss allowance, at December 31, 2022	9,855	1,444	32,383	43,682

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	4,967	1,970	8,916	15,853
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,233)	1,381	2,565	2,713
Transfer from Stage 2	113	(1,324)	1,338	127
Transfer from Stage 3	13	66	(440)	(361)
New financial assets originated	1,669	-	-	1,669
Financial assets derecognized during the year	(519)	(124)	(729)	(1,372)
Changes in assumptions and other movements in provision	(960)	228	(7)	(739)
	(917)	227	2,727	2,037
Write-offs and other movements	(5)	(2)	(3,798)	(3,805)
Loss allowance, at December 31, 2022	4,045	2,195	7,845	14,085

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	10,689	2,709	21,866	35,264
Impact of merger	806	19	1,941	2,766
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,110)	(356)	10,152	8,686
	(1,356)	(1,288)	8,816	6,172
Write-offs and other movements	(113)	4	(290)	(399)
Loss allowance, at December 31, 2022	10,026	1,444	32,333	43,803

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	1,057	920	3,623	5,600
Impact of merger	3,500	1,040	3,869	8,409
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(838)	1,376	1,905	2,443
Transfer from Stage 2	112	(1,291)	1,292	113
Transfer from Stage 3	11	66	(423)	(346)
New financial assets originated	955	-	-	955
Financial assets derecognized during the year	(280)	(123)	(625)	(1,028)
Changes in assumptions and other movements in provision	(1,007)	202	8	(797)
	(1,047)	230	2,157	1,340
Write-offs and other movements	(1)	(2)	(3,118)	(3,121)
Loss allowance, at December 31, 2022	3,509	2,188	6,531	12,228

Critical accounting estimate and judgment - Measurement of expected credit loss for loans and advances

The measurement of the expected credit loss (ECL) for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 31.3.2.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for SICR;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Forward-looking information incorporated in the ECL models

Three distinct macroeconomic scenarios (baseline, upside and downside) are considered in the BPI Group's estimation of expected credit losses in Stage 1 and Stage 2. These scenarios are based on assumptions supported by economic theories and historical experience. The downside scenario reflects a negative macroeconomic event occurring within the first 12 months, with conditions deteriorating for up to two years, followed by a recovery for the remainder of the period. This scenario is grounded in historical experience and assumes a monetary policy response that returns the economy to a long-run, sustainable growth rate within the forecast period. The probability of each scenario is determined using expert judgment and recession probability tools provided by reputable external service providers. The baseline case incorporates the BPI Group's outlook both for the domestic and global economy. The upside and downside scenarios take into account certain adjustments that will lead to a more positive or negative economic outcome, respectively.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any climate, regulatory, legislative or political changes is likewise considered as post-model adjustments, if material.

The BPI Group has performed historical analyses and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The most significant period-end assumptions used for the ECL estimate are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

At December 31, 2023

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.2	6.3	7.3	7.9	1.9	1.0
Inflation rate (%)	3.7	2.8	3.4	2.1	6.5	9.2
BVAL 5Y (%)	6.1	5.3	4.9	3.4	7.8	10.1
US Treasury 5Y (%)	4.6	4.0	3.5	2.1	6.4	8.8
Exchange rate	54.325	57.325	53.459	55.648	55.648	67.662

At December 31, 2022

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	5.5	5.1	6.7	6.8	4.3	3.4
Inflation rate (%)	3.9	2.8	2.9	1.5	5.0	4.0
BVAL 5Y (%)	7.3	5.8	5.1	3.2	9.4	8.4
US Treasury 5Y (%)	5.5	4.2	3.4	1.5	7.6	6.8
Exchange rate	56.725	56.552	56.379	53.158	57.071	60.148

Sensitivity analysis

The loan portfolios have different sensitivities to movements in MEVs, so the above three scenarios have varying impact on the expected credit losses of the BPI Group's portfolios. The allowance for impairment is calculated as the weighted average of expected credit losses under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment by P247 million as at December 31, 2023 from the baseline scenario (2022 - P15 million).

Transfers between stages

Transfers from Stage 1 and Stage 2 are based on the assessment of SICR from initial recognition. The impact of moving from 12 month expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment would have decreased by P2,626 million as at December 31, 2023
(2022 - P1,059 million).

26.1.6 Concentrations of risks of financial assets with credit risk exposure

The BPI Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

<u>Consolidated (December 31, 2023)</u>

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
					(In Millions of Pesos)				
Financial and insurance activities	199,619	36,292	20,686	7,415	26,354	15,988	188,185	-	**494,539**
Real estate activities	-	-	-	-	438	3,061	448,479	-	**451,978**
Manufacturing	-	-	-	261	4,260	5,204	300,056	-	**309,781**
Consumer	-	-	-	-	-	-	221,824	-	**221,824**
Transportation, storage and communications	-	-	-	-	1,915	12,453	219,845	-	**234,213**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	-	1,455	6,433	217,264	-	**225,152**
Electricity, gas, steam and air-conditioning supply	-	-	-	18	537	30,803	177,949	-	**209,307**
Others	-	-	-	15,849	180,821	308,800	165,879	3,438	**674,787**
Allowance	-	-	(43)	-	-	(31)	(57,474)	(915)	**(58,463)**
At December 31, 2023	**199,619**	**36,292**	**20,643**	**23,543**	**215,780**	**382,711**	**1,882,007**	**2,523**	**2,763,118**

Consolidated (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
					(In Millions of Pesos)				
Financial and insurance activities	182,869	45,190	12,422	11,145	1,822	18,090	163,038	-	434,576
Real estate activities	-	-	-	2	407	3,955	404,678	-	409,042
Manufacturing	-	-	-	221	2,331	4,525	288,524	-	295,601
Consumer	-	-	-	-	-	-	162,155	-	162,155
Transportation, storage and communications	-	-	-	-	829	11,210	193,222	-	205,261
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	191,816	-	198,160
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,671	-	240,983
Others	-	-	-	10,548	86,327	344,864	148,653	3,402	593,794
Allowance	-	-	(40)	-	-	(11)	(57,767)	(951)	(58,769)
At December 31, 2022	182,869	45,190	12,382	21,941	92,447	420,533	1,702,990	2,451	2,480,803

Parent Bank (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
					(In Millions of Pesos)				
Financial and insurance activities	192,246	33,081	17,385	3,335	26,073	15,264	187,619	-	**475,531**
Real estate activities	-	-	-	31	438	3,061	447,244	-	**450,743**
Manufacturing	-	-	-	85	4,260	4,452	299,068	-	**307,780**
Consumer	-	-	-	-	-	-	202,241	-	**202,241**
Transportation, storage and communications	-	-	-	64	1,915	11,073	218,718	-	**231,706**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	1	1,455	5,489	209,654	-	**216,598**
Electricity, gas, steam and air-conditioning supply	-	-	-	135	537	29,677	177,890	-	**208,121**
Others	-	-	-	13,805	177,764	308,135	162,455	4,742	**666,672**
Allowance	-	-	(43)	-	-	(31)	(55,049)	(836)	**(55,959)**
At December 31, 2023	**192,246**	**33,081**	**17,342**	**17,456**	**212,442**	**377,120**	**1,849,840**	**3,906**	**2,703,433**

Parent Bank (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
					(In Millions of Pesos)				
Financial and insurance activities	178,534	43,096	11,671	7,570	1,822	18,090	162,971	-	423,754
Real estate activities	-	-	-	2	407	3,955	403,380	-	407,744
Manufacturing	-	-	-	221	2,202	4,525	286,928	-	293,876
Consumer	-	-	-	-	-	-	151,910	-	151,910
Transportation, storage and communications	-	-	-	-	829	11,210	191,819	-	203,858
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	186,567	-	192,911
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,636	-	240,948
Others	-	-	-	9,123	84,486	339,366	144,504	3,703	581,182
Allowance	-	-	(40)	-	-	(11)	(56,031)	(908)	(56,990)
At December 31, 2022	178,534	43,096	11,631	16,941	90,477	415,035	1,680,684	2,795	2,439,193

26.1.7 Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses are attributable to the following accounts:

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Loans and advances	10	**3,940**	8,215	12,765	**2,164**	7,512	10,226
Assets held for sale		**(222)**	411	44	**(223)**	396	20
Interbank loans receivable and SPAR	5	**3**	(6)	5	**3**	(6)	5
Investment securities at amortized cost	9	**20**	5	(7)	**20**	5	(7)
Undrawn loan commitments	32	**198**	287	(212)	**198**	287	(199)
Impairment on equity investment	12	**-**	-	-	**-**	-	60
Accounts receivable	14	**34**	172	83	**12**	160	215
Other assets		**27**	83	457	**28**	83	271
		4,000	9,167	13,135	**2,202**	8,437	10,591

26.2 Market risk

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, and interest rate risk in the banking book.

Market risk management is incumbent on the BOD through the RMC. At the management level, the BPI Group's market risk exposures are managed by the RMO, headed by the Parent Bank's CRO who reports directly to the RMC. In order to effectively manage market risk, the Bank has well established policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD. In addition, the Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from BPI's market-making and risk-taking activities. The BPI Group also has derivatives exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities. Non-trading portfolios include positions arising from core banking activities, which includes the BPI Group's retail and commercial banking assets and liabilities.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group's market risk control system. This metric estimates, at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR. To ensure model soundness, the VaR is periodically subject to model validation and back testing. VaR is supplemented by other risk metrics and measurements that would provide preliminary signals to Treasury and to Management to assess the vulnerability of BPI Group's positions. To control the risk, the RMC sets risk limits for trading portfolios which are consistent with the BPI Group's goals, objectives, risk appetite, and strategies.

Stress tests indicate the potential losses that could arise in extreme conditions that would have detrimental effect to the BPI Group's positions. The BPI Group periodically performs price stress testing to assess the BPI Group's condition on assumed stress scenarios. Contingency plans are frequently reviewed to ensure the BPI Group's preparedness in the event of real stress. Results of stress tests are reviewed by Senior Management and by the RMC.

The average daily VaR for the trading portfolios are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Local fixed-income	**50**	28	**47**	27
Foreign fixed-income	**184**	89	**173**	81
Foreign exchange	**214**	131	**118**	48
Derivatives	**158**	180	**158**	115
Equity securities	**14**	24	**-**	-
Mutual fund	**18**	31	**-**	-
	638	483	**496**	271

26.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured.

The BPI Group takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The table below summarizes the BPI Group's exposure to more material foreign currency exchange rate risk primarily in USD, shown in their Peso equivalent at December 31:

Consolidated

	2023			2022		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,196	344	**3,540**	2,886	385	3,271
Due from other banks	16,038	12,530	**28,568**	27,638	16,993	44,631
Interbank loans receivable and SPAR	2,287	32	**2,319**	4,553	524	5,077
Financial assets at FVTPL	12,745	455	**13,200**	6,537	1,111	7,648
Financial assets at FVOCI - debt securities	51,353	1,143	**52,496**	23,336	1,083	24,419
Investment securities at amortized cost	138,928	1,768	**140,696**	141,692	2,597	144,289
Loans and advances, net	115,324	5,284	**120,608**	139,617	6,171	145,788
Others financial assets	22,429	1	**22,430**	35,983	1	35,984
Total financial assets	362,300	21,557	**383,857**	382,242	28,865	411,107
Financial liabilities						
Deposit liabilities	271,646	17,685	**289,331**	269,677	37,096	306,773
Due to BSP and other banks	1,149	-	**1,149**	2,284	-	2,284
Derivative financial liabilities	1,568	449	**2,017**	2,109	928	3,037
Bills payable	53,497	-	**53,497**	67,158	-	67,158
Manager's checks and demand drafts outstanding	209	1	**210**	210	8	218
Accounts payable	475	3	**478**	346	2	348
Other financial liabilities	712	1	**713**	121	2	123
Total financial liabilities	329,256	18,139	**347,395**	341,905	38,036	379,941
Net on-balance sheet position	33,044	3,418	**36,462**	40,337	(9,171)	31,166

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Parent Bank

	2023			2022		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,195	344	**3,539**	2,886	385	3,271
Due from other banks	15,701	12,510	**28,211**	27,330	16,975	44,305
Interbank loans receivable and SPAR	2,214	-	**2,214**	4,460	-	4,460
Financial assets at FVTPL	11,661	385	**12,046**	6,107	910	7,017
Financial assets at FVOCI - debt securities	50,898	1,143	**52,041**	22,792	1,066	23,858
Investment securities at amortized cost	134,797	303	**135,100**	137,606	1,180	138,786
Loans and advances, net	111,902	659	**112,561**	134,884	5,212	140,096
Others financial assets	22,429	-	**22,429**	35,982	-	35,982
Total financial assets	352,797	15,344	**368,141**	372,047	25,728	397,775
Financial liabilities						
Deposit liabilities	270,759	17,566	**288,325**	268,592	36,978	305,570
Due to BSP and other banks	1,149	-	**1,149**	2,209	-	2,209
Derivative financial liabilities	1,520	449	**1,969**	2,090	928	3,018
Bills payable	50,119	-	**50,119**	62,656	-	62,656
Manager's checks and demand drafts outstanding	209	1	**210**	210	8	218
Accounts payable	208	3	**211**	346	2	348
Other financial liabilities	712	-	**712**	121	2	123
Total financial liabilities	324,676	18,019	**342,695**	336,224	37,918	374,142
Net on-balance sheet position	28,121	(2,675)	**25,446**	35,823	(12,190)	23,633

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Presented below is a sensitivity analysis demonstrating the impact on pre-tax income of reasonably possible change in the exchange rate between US Dollar and Philippine Peso. The fluctuation rate is based on the historical movement of US Dollar against the Philippine Peso year on year.

Year	Change in currency	Effect on pre-tax income Consolidated	Parent
		(In millions of Pesos)	
2023	**+/-1.42%**	**+/- 469**	**+/- 399**
2022	+/-4.82%	+/- 1,948	+/- 1,727

26.2.2 Interest rate risk

Interest rate risk is the risk that cash flows or fair value of a financial instrument will fluctuate due to movements in market interest rates.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current and prospective risk to the BPI Group's capital and earnings arising from the adverse movements in interest rates that affect its banking book positions (core banking activities). The BPI Group is exposed to interest rate risk arising from financial assets and liabilities that have different maturities and repricing schedules and are re-priced taking into account the prevailing market interest rates. Excessive levels of interest rate risks in the banking book can pose a significant threat to the BPI Group's earnings and capital base.

The BPI Group employs two methods to measure the potential impact of interest rate risk in the banking book: (i) one that focuses on the impact on economic value of the future cash flows in the banking book due to changes in interest rates - Balance Sheet VaR (BSVaR), and (ii) one that focuses on the potential deterioration in net interest earnings - Earnings-at-Risk (EaR). The RMC sets limits on the two interest rate risk metrics which are monitored daily by the Market and Liquidity Risk Management Division of the RMO. The EaR and BSVaR are built on the interest rate/repricing gap profile of the bank.

The interest rate gap is the difference between the amount of interest rate sensitive assets and liabilities and off-balance sheet items. It distributes the balance sheet accounts according to their contractual maturity if fixed, or repricing date if floating. For accounts that do not have defined maturity or repricing schedules (i.e., non-maturity deposits), and accounts with embedded optionality (i.e., time deposit pretermination, fixed-rate loan prepayment), historical patterns/behaviors are utilized and assessed to determine their expected repricing schedules. These behavioral assumptions are derived from historical customer behavior and are regularly back tested to ensure accuracy and propriety of these assumptions. Interest rate derivatives are used to hedge banking book interest rate exposures, and these are also included in the repricing gap analysis. There were no outstanding interest rate hedges as at December 31, 2023 and 2022.

Earnings-at-Risk (EaR)

The EaR is built on the repricing profile of the BPI Group and considers principal payments only. The BPI Group projects interest inflows from its financial assets and interest outflows from its financial liabilities in the next 12 to 36 months as earnings are affected when interest rates move against the BPI Group’s position. In determining the appropriate rate shocks in calculating EaR, the daily year-on-year change in rates is determined using the parametric approach at 99% confidence level. The Parent Bank uses more than ten years’ worth of data in deriving the rate shocks. As at December 31, 2023, the net interest income impact of movement in interest rates resulted in an increase of P275 million (2022 - P1,199 million decrease) for the whole BPI Group and an increase of P329 million (2022 - P1,195 million decrease) for the Parent Bank over a short-term (12-month) horizon. Likewise, the net interest income impact of movement in interest rates over the medium-term (36-month) horizon resulted in an increase of P7,019 million (2022 - P371 million decrease) for the whole BPI Group and an increase of P7,005 million (2022 - P501 million decrease) for the Parent Bank.

Balance Sheet Value at Risk (BSVaR)

The BSVaR model is also built on repricing gap or the difference between the amount of rate-sensitive financial assets and liabilities which considers both principal and interest payments. It measures the deterioration in the economic/present value of the BPI Group's expected net cash flows due to adverse interest rate movements. In determining the appropriate rate shocks in calculating BSVaR, the adverse daily year-on-year change in rates is determined using the historical approach for the past one year at 99% confidence level. As at December 31, 2023, the average monthly BSVaR for the banking book stood at P16,842 million (2022 - P16,861 million) for the whole BPI Group and P15,883 million (2022 - P16,277 million) for the Parent Bank.

The IRRBB levels are closely monitored against RMC-approved limits and results are reported and discussed regularly at the Management level through the Asset and Liability Committee (ALCO) and at the Board level through the RMC. The BPI Group manages interest rate exposures related to its assets and liabilities through a transfer-pricing system administered by Treasury. Investment securities and interest rate derivatives are also used to hedge interest rate risk and manage repricing gaps in the balance sheet.

The BPI Group also conducts price stress tests in the banking book and EaR stress tests utilizing a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the BPI Group's economic value and earnings. The design of the price and EaR stress tests include the following:

- Internal rate shocks scenarios including extreme yet plausible historical stressed events, curve shifting (parallel up/down) and twisting (steepening and flattening yield curves), and forward-looking scenarios; and
- Other rate shocks as prescribed by Basel.

The interest rate shocks applied are calibrated for all major currencies in which the BPI Group has significant positions. The BPI Group also conducts Uniform Stress Testing in accordance with the prescribed scenarios of the BSP.

The results of the stress test are reported to the RMC and Senior Management and are integrated into the overall risk management framework of the BPI Group.

The BPI Group has established comprehensive risk management framework (e.g., policies, procedures, risk limits structures) supported by a robust risk management system. Furthermore, the risk management process, including its various components, is subject to periodic independent review (i.e. internal audit and model validation) and consistently calibrated to ensure accuracy, relevance, propriety and timeliness of data and assumptions employed. The assumptions and parameters used in building these metrics are properly documented. Any changes in the methodology and assumptions used are duly approved by the Chief Risk Officer and noted by the RMC.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,843	**34,843**
Due from BSP	-	-	-	199,619	**199,619**
Due from other banks	-	-	-	36,292	**36,292**
Interbank loans receivable and SPAR	-	-	-	20,643	**20,643**
Financial assets at FVTPL	150	1,144	1,023	21,226	**23,543**
Financial assets at FVOCI	-	-	-	215,780	**215,780**
Investment securities at amortized cost	-	-	-	382,711	**382,711**
Loans and advances, net	1,096,399	327,690	257,835	200,083	**1,882,007**
Other financial assets	-	-	-	2,523	**2,523**
Total financial assets	1,096,549	328,834	258,858	1,113,720	**2,797,961**
Financial Liabilities					
Deposit liabilities	1,392,507	349,672	552,927	-	**2,295,106**
Due to BSP and other banks	-	-	-	1,881	**1,881**
Derivative financial liabilities	12	822	672	1,315	**2,821**
Bills payable and other borrowed funds	1,661	-	-	135,443	**137,104**
Manager's checks and demand drafts outstanding	-	-	-	8,463	**8,463**
Other financial liabilities	-	-	-	11,316	**11,316**
Total financial liabilities	1,394,180	350,494	553,599	158,418	**2,456,691**
Total interest gap	(297,631)	(21,660)	(294,741)	955,302	**341,270**

Consolidated (December 31, 2022)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
			(In Millions of Pesos)		
As at December 31, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,613	39,613
Due from BSP	-	-	-	182,869	182,869
Due from other banks	-	-	-	45,190	45,190
Interbank loans receivable and SPAR	-	-	-	12,382	12,382
Financial assets at FVTPL	48	957	2,159	18,777	21,941
Financial assets at FVOCI	-	-	-	92,447	92,447
Investment securities at amortized cost	-	-	-	420,533	420,533
Loans and advances, net	983,901	291,744	292,685	134,660	1,702,990
Other financial assets	-	-	-	2,451	2,451
Total financial assets	983,949	292,701	294,844	948,922	2,520,416
Financial Liabilities					
Deposit liabilities	1,272,993	337,648	485,360	-	2,096,001
Due to BSP and other banks	-	-	-	2,887	2,887
Derivative financial liabilities	28	879	1,154	2,236	4,297
Bills payable and other borrowed funds	2,176	-	-	95,327	97,503
Manager's checks and demand drafts outstanding	-	-	-	6,755	6,755
Other financial liabilities	-	-	-	6,138	6,138
Total financial liabilities	1,275,197	338,527	486,514	113,343	2,213,581
Total interest gap	(291,248)	(45,826)	(191,670)	835,579	306,835

Parent Bank (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,444	**34,444**
Due from BSP	-	-	-	192,246	**192,246**
Due from other banks	-	-	-	33,081	**33,081**
Interbank loans receivable and SPAR	-	-	-	17,342	**17,342**
Financial assets at FVTPL	150	1,144	1,023	15,139	**17,456**
Financial assets at FVOCI	-	-	-	212,442	**212,442**
Investment securities at amortized cost	-	-	-	377,120	**377,120**
Loans and advances, net	1,091,862	327,352	257,263	173,363	**1,849,840**
Other financial assets	-	-	-	3,906	**3,906**
Total financial assets	1,092,012	328,496	258,286	1,059,083	**2,737,877**
Financial Liabilities					
Deposit liabilities	1,368,484	346,892	548,757	-	**2,264,133**
Due to BSP and other banks	-	-	-	1,881	**1,881**
Derivative financial liabilities	12	822	673	1,267	**2,774**
Bills payable and other borrowed funds	-	-	-	133,726	**133,726**
Manager’s checks and demand drafts outstanding	-	-	-	8,431	**8,431**
Other financial liabilities	-	-	-	10,721	**10,721**
Total financial liabilities	1,368,496	347,714	549,429	156,026	**2,421,666**
Total interest gap	(276,484)	(19,218)	(291,143)	903,057	**316,211**

Parent Bank (December 31, 2022)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
			(In Millions of Pesos)		
As at December 31, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,359	39,359
Due from BSP	-	-	-	178,534	178,534
Due from other banks	-	-	-	43,096	43,096
Interbank loans receivable and SPAR	-	-	-	11,631	11,631
Financial assets at FVTPL	48	957	2,159	13,777	16,941
Financial assets at FVOCI	-	-	-	90,477	90,477
Investment securities at amortized cost	-	-	-	415,035	415,035
Loans and advances, net	976,541	291,337	292,618	120,188	1,680,684
Other financial assets	-	-	-	2,794	2,794
Total financial assets	976,589	292,294	294,777	914,891	2,478,551
Financial Liabilities					
Deposit liabilities	1,265,986	335,084	481,514	-	2,082,584
Due to BSP and other banks	-	-	-	2,811	2,811
Derivative financial liabilities	28	879	1,154	2,192	4,253
Bills payable and other borrowed funds	-	-	-	93,002	93,002
Manager’s checks and demand drafts outstanding	-	-	-	6,751	6,751
Other financial liabilities	-	-	-	5,542	5,542
Total financial liabilities	1,266,014	335,963	482,668	110,298	2,194,943
Total interest gap	(289,425)	(43,669)	(187,891)	804,593	283,608

26.3 Liquidity risk

Liquidity risk is the risk that the BPI Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The BPI Group's liquidity profile is observed and monitored through its metric, the Minimum Cumulative Liquidity Gap (MCLG). The MCLG is the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three (3) months. The MCLG indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the BPI Group. A red flag is immediately raised and reported to management and the RMC when the MCLG level projected over the next 3 months is about to breach the RMC-prescribed MCLG limit.

26.3.1 Liquidity risk management process

The BPI Group's liquidity management process, as carried out within the BPI Group and monitored by the RMC includes:

- day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as borrowed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity gaps and ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the BPI Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities (Note 26.3.2) and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed by the BPI Group to maintain a wide diversification by currency, geography, counterparty, product and term.

The BPI Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit.

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016, the Parent Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the BPI Group's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Parent Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. This serves as defense against potential stress events.

The main drivers of the Parent Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, committed and/or uncommitted facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Significant portion of funding comes from retail and wholesale deposits, and unsecured wholesale funding. The Parent Bank has derivatives exposures in foreign exchange derivatives and interest rate swaps. Cash outflows from the derivatives contracts are effectively offset by the derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively. The exposures coming from derivatives and potential counterparty collateral calls are not significant to impact the LCR, with Parent Bank's Peso and USD LCR both well above the minimum regulatory limit of 100%. There is also no significant currency mismatch noted in the LCR.

The Parent Bank manages its liquidity position through line of business and asset-liability management activities. A centralized approach to funding and liquidity management enhances the Parent Bank's ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Parent Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Parent Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the BPI Group. The NSFR is expressed as the ratio of Available Stable Funding (ASF) and the Required Stable Funding and complements the LCR as it takes a longer view of the BPI Group's liquidity risk profile. The BPI Group's capital, retail deposits and long-term debt are considered as stable funding sources whereas the BPI Group's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance items form part of the required stable funding. The Parent Bank's solo and consolidated NSFRs are well-above the regulatory minimum of 100%.

The Parent Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Parent Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Parent Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Parent Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the BPI Group and the Parent Bank:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
Liquidity coverage ratio	**206.67%**	194.52%	**207.35%**	194.37%
Net stable funding ratio	**153.55%**	148.81%	**152.54%**	148.02%
Leverage ratio	**10.95%**	10.71%	**10.38%**	10.08%
Total exposure measure	**2,957,335**	2,669,592	**2,892,222**	2,607,989

The increase in the Parent Bank's LCR was driven by higher HQLA coming from reserves and government securities. Cash, reserves and due from BSP make up 31% (2022 - 33%) of the total stock of HQLA for the year ended December 31, 2023. Likewise, the Parent Bank's NSFR increased driven by higher ASF from deposits and borrowings.

26.3.2 Maturity profile - Non-derivative financial instruments

The tables below present the maturity profile of non-derivative financial instruments based on undiscounted cash flows including future interest which the BPI Group uses to manage the inherent liquidity risk. The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized, or the financial liability will be settled.

Consolidated (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,843	-	-	**34,843**
Due from BSP	199,631	-	-	**199,631**
Due from other banks	36,292	-	-	**36,292**
Interbank loans receivable and SPAR	19,336	1,571	-	**20,907**
Financial assets at FVTPL	6,969	2,334	10,797	**20,100**
Financial assets at FVOCI	51,952	70,326	153,682	**275,960**
Investment securities at amortized cost	82,480	116,931	241,188	**440,599**
Loans and advances	909,354	343,250	740,942	**1,993,546**
Other financial assets	2,523	-	-	**2,523**
Total financial assets	1,343,380	534,412	1,146,609	**3,024,401**
Financial Liabilities				
Deposit liabilities	1,385,666	348,469	543,061	**2,277,196**
Due to BSP and other banks	1,882	-	-	**1,882**
Bills payable and other borrowed funds	69,861	67,243	-	**137,104**
Manager's checks and demand drafts outstanding	8,463	-	-	**8,463**
Lease liabilities	2,144	4,686	3,230	**10,060**
Other financial liabilities	11,316	-	-	**11,316**
Total financial liabilities	1,479,332	420,398	546,291	**2,446,021**
Total maturity gap	(135,952)	114,014	600,318	**578,380**

Consolidated (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,613	-	-	39,613
Due from BSP	182,879	-	-	182,879
Due from other banks	45,190	-	-	45,190
Interbank loans receivable and SPAR	12,353	51	2	12,406
Financial assets at FVTPL	6,145	1,964	6,500	14,609
Financial assets at FVOCI	12,973	57,426	41,665	112,064
Investment securities at amortized cost	62,896	110,946	314,923	488,765
Loans and advances	888,065	435,069	752,413	2,075,547
Other financial assets	2,451	-	-	2,451
Total financial assets	1,252,565	605,456	1,115,503	2,973,524
Financial Liabilities				
Deposit liabilities	1,268,490	332,382	472,451	2,073,323
Due to BSP and other banks	2,887	-	-	2,887
Bills payable and other borrowed funds	52,227	46,191	-	98,418
Manager's checks and demand drafts outstanding	6,755	-	-	6,755
Lease liabilities	1,896	3,852	4,013	9,761
Other financial liabilities	6,138	-	-	6,138
Total financial liabilities	1,338,393	382,425	476,464	2,197,282
Total maturity gap	(85,828)	223,031	639,039	776,242

Parent Bank (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,444	-	-	**34,444**
Due from BSP	192,246	-	-	**192,246**
Due from other banks	33,081	-	-	**33,081**
Interbank loans receivable and SPAR	16,036	1,571	-	**17,607**
Financial assets at FVTPL	4,544	2,116	10,498	**17,158**
Financial assets at FVOCI	50,373	69,399	152,626	**272,398**
Investment securities at amortized cost	81,802	114,845	237,741	**434,388**
Loans and advances	895,784	321,011	736,857	**1,953,652**
Other financial assets	3,906	-	-	**3,906**
Total financial assets	1,312,216	508,942	1,137,722	**2,958,880**
Financial Liabilities				
Deposit liabilities	1,362,155	345,688	538,892	**2,246,735**
Due to BSP and other banks	1,882	-	-	**1,882**
Bills payable and other borrowed funds	67,038	66,688	-	**133,726**
Manager's checks and demand drafts outstanding	8,431	-	-	**8,431**
Lease liabilities	1,977	4,385	3,200	**9,562**
Other financial liabilities	10,721	-	-	**10,721**
Total financial liabilities	1,452,204	416,761	542,092	**2,411,057**
Total maturity gap	(139,988)	92,181	595,630	**547,823**

Parent Bank (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,359	-	-	39,359
Due from BSP	178,538	-	-	178,538
Due from other banks	43,096	-	-	43,096
Interbank loans receivable and SPAR	11,602	51	2	11,655
Financial assets at FVTPL	4,595	1,852	6,500	12,947
Financial assets at FVOCI	11,117	57,220	40,939	109,276
Investment securities at amortized cost	62,648	108,971	310,935	482,554
Loans and advances	871,926	421,804	747,813	2,041,543
Other financial assets	2,794	-	-	2,794
Total financial assets	1,225,675	589,898	1,106,189	2,921,762
Financial Liabilities				
Deposit liabilities	1,144,684	290,277	409,293	1,844,254
Due to BSP and other banks	2,811	-	-	2,811
Bills payable and other borrowed funds	49,937	43,830	-	93,767
Manager's checks and demand drafts outstanding	6,751	-	-	6,751
Lease liabilities	1,722	3,639	3,991	9,352
Other financial liabilities	5,542	-	-	5,542
Total financial liabilities	1,211,447	337,746	413,284	1,962,477
Total maturity gap	14,228	252,152	692,905	959,285

26.3.3 Maturity profile - Derivative instruments

- *Derivatives settled on a net basis*

The BPI Group's derivatives that are settled on a net basis consist of interest rate swaps, non-deliverable forwards and non-deliverable swaps. The table below presents the contractual undiscounted cash flows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates that are subject to offsetting, enforceable master netting arrangements and similar agreements.

Consolidated and Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	**150**	**1,144**	**1,023**	**2,317**
- Outflow	**(12)**	**(822)**	**(672)**	**(1,506)**
- Net inflow	**138**	**322**	**351**	**811**
Non-deliverable forwards and swaps - held for trading				
- Inflow	**34**	**-**	**-**	**34**
- Outflow	**(172)**	**-**	**-**	**(172)**
- Net outflow	**(138)**	**-**	**-**	**(138)**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	48	957	2,159	3,164
- Outflow	(28)	(879)	(1,154)	(2,061)
- Net inflow	20	78	1,005	1,103
Non-deliverable forwards and swaps - held for trading				
- Inflow	123	356	-	479
- Outflow	(147)	-	-	(147)
- Net outflow	(24)	356	-	332

- *Derivatives settled on a gross basis*

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly currency forwards and currency swaps and warrants. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	**1,273**	**124**	**49**	**1,446**
- Outflow	**(1,097)**	**(36)**	**(9)**	**(1,142)**
- Net inflow	**176**	**88**	**40**	**304**
Warrants				
- Inflow	**-**	**-**	**2**	**2**
- Outflow	**-**	**-**	**-**	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	3,385	52	55	3,492
- Outflow	(2,025)	(54)	(9)	(2,088)
- Net inflow	1,360	(2)	46	1,404
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	**1,272**	**124**	**49**	**1,445**
- Outflow	**(1,050)**	**(36)**	**(9)**	**(1,096)**
- Net inflow	**222**	**88**	**40**	**349**
Warrants				
- Inflow	**-**	**-**	**2**	**2**
- Outflow	**-**	**-**	**-**	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	3,282	52	55	3,389
- Outflow	(1,980)	(54)	(9)	(2,043)
- Net inflow	1,302	(2)	46	1,346
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

26.4 Fair value measurement

The following tables present the carrying value of assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

26.4.1 Assets and liabilities measured at fair value on a recurring or non-recurring basis

Consolidated (December 31, 2023)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	**3,802**
Trading assets					
- Debt securities	19,741	19,741	-	-	**19,741**
- Equity securities	111	111	-	-	**111**
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	**215,780**
- Equity securities	2,874	1,266	699	909	**2,874**
	242,308	236,898	4,501	909	**242,308**
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	**2,821**
Non-recurring measurements					
Assets held for sale, net	4,743	-	14,424	-	**14,424**

Consolidated (December 31, 2022)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Recurring measurements:		(In Millions of Pesos)			
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,147	-	7,147	-	7,147
Trading assets					
- Debt securities	14,794	14,794	-	-	14,794
- Equity securities	192	191	1	-	192
Financial assets at FVOCI					
- Debt securities	92,447	92,317	130	-	92,447
- Equity securities	2,820	1,709	346	765	2,820
	117,400	109,011	7,624	765	117,400
Financial liabilities					
Derivative financial liabilities	4,297	-	4,297	-	4,297
Non-recurring measurements					
Assets held for sale, net	3,760	-	12,607	-	12,607

Parent Bank (December 31, 2023)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:		(In Millions of Pesos)			
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,796	-	3,796	-	**3,796**
Trading assets					
- Debt securities	13,660	13,660	-	-	**13,660**
- Equity securities	-	-	-	-	**-**
Financial assets at FVOCI					
- Debt securities	212,442	212,442	-	-	**212,442**
- Equity securities	1,741	1,043	698	-	**1,741**
	231,639	227,145	4,494	-	**231,639**
Financial liabilities					
Derivative financial liabilities	2,774	-	2,774	-	**2,774**
Non-recurring measurements					
Assets held for sale, net	4,646	-	14,092	-	**14,092**

Parent Bank (December 31, 2022)

	Carrying Amount	Fair value Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,035	-	7,035	-	7,035
Trading assets					
- Debt securities	9,906	9,906	-	-	9,906
- Equity securities	-	-	-	-	-
Financial assets at FVOCI					
- Debt securities	90,477	90,477	-	-	90,477
- Equity securities	1,676	1,331	345	-	1,676
	109,094	101,714	7,380	-	109,094
Financial liabilities					
Derivative financial liabilities	4,253	-	4,253	-	4,253
Non-recurring measurements					
Assets held for sale, net	3,650	-	12,183	-	12,183

The table below shows the valuation techniques and applicable unobservable inputs used to measure the BPI Group’s Level 3 financial instruments (equities classified at FVOCI) as at December 31:

Description	Valuation technique	Unobservable inputs	Amount 2023	2022
Unlisted equity securities	Net asset value; investment multiple	Net asset value; investment multiple	909	765

The investment valuation sensitivity of the underlying portfolio investee company is mainly impacted by the movement in net asset value and investment multiple. At December 31, 2023, if the net asset value and investment had increased/ decreased by 1% with all other variables held constant, net income and equity as at and for the year ended December 31, 2023 would have been P6.82 million (2022 - P5.74 million) higher/lower.

There were no transfers between the fair value hierarchy levels during the years ended December 31, 2023 and 2022.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,843	-	34,843	**34,843**
Due from BSP	199,619	-	199,619	**199,619**
Due from other banks	36,292	-	36,292	**36,292**
Interbank loans receivable and SPAR, net	20,643	-	20,643	**20,643**
Investment securities at amortized cost, net	382,711	364,286	-	**364,286**
Loans and advances, net	1,882,007	-	2,154,136	**2,154,136**
Other financial assets	2,523	-	2,523	**2,523**
Financial liabilities				
Deposit liabilities	2,295,106	-	2,277,196	**2,277,196**
Due to BSP and other banks	1,881	-	1,881	**1,881**
Bills payable and other borrowed funds	137,104	133,726	3,378	**137,104**
Manager’s checks and demand drafts outstanding	8,463	-	8,463	**8,463**
Other financial liabilities	11,316	-	11,316	**11,316**
Non-financial assets				
Investment properties	69	-	463	**463**

Consolidated (December 31, 2022)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	39,613	-	39,613	39,613
Due from BSP	182,869	-	182,869	182,869
Due from other banks	45,190	-	45,190	45,190
Interbank loans receivable and SPAR, net	12,382	-	12,382	12,382
Investment securities at amortized cost, net	420,533	391,540	-	391,540
Loans and advances, net	1,702,990	-	2,060,167	2,060,167
Other financial assets	2,451	-	2,451	2,451
Financial liabilities				
Deposit liabilities	2,096,001	-	2,073,323	2,073,323
Due to BSP and other banks	2,887	-	2,887	2,887
Bills payable and other borrowed funds	97,503	93,001	4,651	97,652
Manager’s checks and demand drafts outstanding	6,755	-	6,755	6,755
Other financial liabilities	6,138	-	6,138	6,138
Non-financial assets				
Investment properties	74	-	248	248

Parent Bank (December 31, 2023)

	Carrying amount	Fair value Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,444	-	34,444	**34,444**
Due from BSP	192,246	-	192,246	**192,246**
Due from other banks	33,081	-	33,081	**33,081**
Interbank loans receivable and SPAR, net	17,342	-	17,342	**17,342**
Investment securities at amortized cost, net	377,120	359,164	-	**359,164**
Loans and advances, net	1,849,840	-	1,923,161	**1,923,161**
Other financial assets	3,906	-	3,906	**3,906**
Financial liabilities				
Deposit liabilities	2,264,133	-	2,246,735	**2,246,735**
Due to BSP and other banks	1,881	-	1,881	**1,881**
Bills payable and other borrowed funds	133,726	133,726	-	**133,726**
Manager’s checks and demand drafts outstanding	8,431	-	8,431	**8,431**
Other financial liabilities	10,721	-	10,721	**10,721**
Non-financial assets				
Investment properties	58	-	463	**463**

Parent Bank (December 31, 2022)

	Carrying amount	Fair value Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	39,359	-	39,359	39,359
Due from BSP	178,534	-	178,534	178,534
Due from other banks	43,096	-	43,096	43,096
Interbank loans receivable and SPAR, net	11,631	-	11,631	11,631
Investment securities at amortized cost, net	415,035	386,717	-	386,717
Loans and advances, net	1,680,684	-	1,656,995	1,656,995
Other financial assets	2,794	-	2,794	2,794
Financial liabilities				
Deposit liabilities	2,082,584	-	1,844,254	1,844,254
Due to BSP and other banks	2,811	-	2,811	2,811
Bills payable and other borrowed funds	93,002	93,002	-	93,002
Manager’s checks and demand drafts outstanding	6,751	-	6,751	6,751
Other financial liabilities	5,542	-	5,542	5,542
Non-financial assets				
Investment properties	64	-	227	227

26.5 Insurance risk management

The non-life insurance entities decide on the retention, or the absolute amount that they are ready to assume insurance risk from one event. The retention amount is a function of capital, experience, actuarial study and risk appetite or aversion.

In excess of the retention, these entities arrange reinsurances either thru treaties or facultative placements. They also accredit reinsurers based on certain criteria and set limits as to what can be reinsured. The reinsurance treaties and the accreditation of reinsurers require BOD’s approval.

27 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the BPI Group is the generation of recurring acceptable returns to shareholders' capital. To this end, the BPI Group's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the BPI Group maintains sufficient capital to absorb unexpected losses, stay in business for the long haul, and satisfy regulatory requirements. The BPI Group further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular No. 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

Information on the regulatory capital is summarized below:

	Consolidated		Parent	
	2023	2022	**2023**	2022
		(In Millions of Pesos)		
Tier 1 capital	**355,303**	349,160	**355,255**	349,113
Tier 2 capital	**18,792**	16,929	**18,414**	16,634
Gross qualifying capital	**374,095**	366,089	**373,669**	365,747
Less: Regulatory adjustments/required deductions	**31,359**	63,351	**55,040**	86,177
Total qualifying capital	**342,736**	302,738	**318,629**	279,570
Risk weighted assets	**2,118,317**	1,890,562	**2,058,301**	1,835,412
CAR (%)	**16.18**	16.01	**15.48**	15.23
CET1 (%)	**15.29**	15.12	**14.59**	14.33

The BPI Group has fully complied with the CAR requirement of the BSP.

Likewise, regulatory capital structures of certain subsidiaries on a standalone basis are managed to meet the requirements of the relevant regulatory bodies (i.e. Insurance Commission (IC), SEC, PSE etc.). These subsidiaries have fully complied with the applicable regulatory capital requirements.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Bank is likewise fully compliant with this requirement.

28 Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

29 Subsequent event

BPI and RBC Merger

As the merger between the Parent Bank and RBC was agreed to be effective on the first day of the calendar quarter following the completion of the regulatory approval, the merger is effective January 1, 2024 (Note 30.3).

In line with this, the Parent Bank issued 314 million common shares on January 1, 2024 bringing the total issued and outstanding shares to 5.36 billion shares.

30 Other disclosures

30.1 BPI and BFB merger

On January 1, 2022, the merger of BPI and BFB, its wholly owned thrift bank subsidiary, officially took effect, with BPI as the surviving entity. The Parent Bank has secured all necessary approvals for the transaction from its regulatory agencies and shareholders.

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

Purchase consideration

On January 1, 2022, the Parent Bank issued common shares to BFB amounting to the net assets of the latter as reflected in the standalone financial statements as at December 31, 2020.

The Parent Bank, owning 100% of the shares of BFB, issued treasury shares as a consideration of the merger. The number of treasury shares issued was computed based on the net assets of BFB as of December 31, 2020 over the share price of the Parent Bank as of December 29, 2020. The details are as follows:

	Amount (In Thousands of Pesos, except share price and number of treasury shares)
Net assets of BFB as of December 31, 2020	
Total assets	287,090,333
Total liabilities	254,047,648
	33,042,685
Share price of BPI as of December 29, 2020	P81.35
Number of treasury shares issued	406,179,276

These treasury shares are expected to be sold or disposed of by the Parent Bank within six (6) months following the effective date of the merger in accordance with Chapter 3, Section 10 of the General Banking Law of 2000 (Republic Act 8791).

Net assets acquired

Details of BFB assets and liabilities as at acquisition date (January 1, 2022) and December 31, 2020 are as follows:

	January 1, 2022	December 31, 2020
	(In Thousands of Pesos)	
Assets acquired		
Cash and other cash items	982,150	1,004,339
Due from BSP	67,065,132	17,846,031
Due from other banks	10,152,692	4,935,660
Interbank loans receivable and securities purchased under agreements to resell	-	3,631,258
Financial assets at fair value through profit or loss	101,960	-
Financial assets at fair value through other comprehensive income	16,220,549	6,802,621
Investment securities at amortized cost, net	-	24,233,039
Loans and advances, net	228,649,520	219,636,857
Assets held for sale, net	2,639,361	2,452,159
Bank premises, furniture, fixtures and equipment, net	1,713,807	1,791,553
Deferred income tax assets	3,448,694	3,885,474
Other assets, net	686,981	871,342
	331,660,846	287,090,333
Liabilities assumed		
Deposit liabilities	274,766,919	234,582,648
Other borrowed funds	9,583,528	9,544,988
Manager's checks and demand drafts outstanding	1,676,663	1,644,409
Accrued taxes, interest and other expenses	1,698,772	1,734,264
Deferred credits and other liabilities	11,018,995	6,541,339
	298,744,877	254,047,648
Net assets	32,915,969	33,042,685

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill; Other reserves

As the transaction is outside the scope of PFRS 3, *Business Combinations*, the merger was accounted for using the pooling of interests method following the guidance under the PIC Q&A No. 2018-06. In applying the pooling of interests method, all assets and liabilities of BFB are taken into the merged business at their carrying values with no restatement of comparative 2020 figures. Likewise, no goodwill was recognized as a result of a business combination.

The difference between the carrying amount of the net assets acquired and the purchase consideration shall be an addition/deduction to the other reserves balance as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	33,042,685
Carrying amount of net assets acquired	32,915,969
Other reserves (addition to capital funds)	126,716

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items pertaining to undrawn loan commitments within the scope of PFRS 9. Details of such liabilities are as follows:

	Amount
	(In Thousands of Pesos)
Undrawn loan commitments	6,422,982
Loss allowance	(18,984)
Carrying amount	6,403,998

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value is as follows:

	Amount
	(In Thousands of Pesos)
Corporate loans	
Large corporate customers	15,135,453
Small and medium enterprises	17,916,051
Retail loans	
Real estate mortgages	151,807,726
Auto loans	51,177,718
Credit cards	1,922,634
Others	174
	237,959,756
Accrued interest receivable	1,972,675
Unearned discount/income	(107,809)
	239,824,622
Allowance for impairment	(11,175,102)
Net carrying amount	228,649,520
Fair value	292,693,036

The details of the other receivables, net, which form part of Other assets, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	In Thousands of Pesos
Gross carrying amount	256,831
Allowance for impairment	(136,311)
Net carrying amount	120,520
Fair value	120,520

iii. Revenue and profit contribution

In accordance with the Plan of Merger between the Parent Bank and BFB, any net income earned by the latter from January 1, 2021 until the effective date shall be declared and paid as dividends to the Parent Bank. On December 29, 2021, the BOD of BFB declared cash dividends amounting to P3,532 million (P353 per share) out of its unrestricted surplus payable to the Parent Bank as at December 29, 2021. The remaining net income after dividend declaration amounting to P18 million formed part of Other reserves (Note 18) upon effectivity of the merger.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2022. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	982,150
Due from BSP	67,065,132
Due from other banks	10,152,692
	78,199,974

v. Acquisition-related costs

Acquisition-related costs of P121 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2021 until effectivity of the merger.

30.2 Regulatory treatment of restructured loans for purposes of measuring expected credit losses

On October 14, 2021, the Monetary Board approved the guidelines on restructured loans under BSP Memorandum No. M-2021-056 which shall be effective until December 31, 2022.

Key points of the issuance include:
- Establishment of prudent criteria in the assessment and modification of terms and conditions of loans.
- Classification under Stage 1, 2, or 3 shall be based on the assessment of the borrowers' financial difficulty and ability to pay based on revised terms.
- Restructured loans should not automatically be considered as credit-impaired warranting classification as non-performing. It will only be classified as such when it falls under Stage 3.
- Monitoring of list of restructured loans including risk classification, staging, and provisioning.

The Bank adopted the BSP guidelines also for prudential reporting purposes of its corporate and business banking loan portfolio beginning January 1, 2022. Following the reprieve requirements, the Bank implemented a process to identify and evaluate accounts that were qualified under the regulations and applied the necessary internal risk controls for qualified exposures from credit evaluation to credit monitoring and risk reporting. As at December 31, 2022, Modified Loans consist 0.01% of total corporate loan portfolio, while Restructured-Modified Loans consist 0.12% of the total corporate loan portfolio. As at December 31, 2022, there are no past due or non-performing loans which availed the reprieve under BSP M-2021-056.

30.3 BPI and RBC merger

On September 30, 2022, the BOD of BPI approved the merger of BPI and RBC, subject to shareholders and regulatory approvals. In exchange, BPI shall issue to the RBC shareholders 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 more than 314,003,992 shares.

Subsequently, the BOD of BPI in its meeting on December 14, 2022 amended the previous resolution dated September 30, 2022 to increase the number of BPI common shares that may be issued to the RBC shareholders pursuant to the proposed merger from "in no case more than 314,003,992 primary common shares" to "in no case more than 318,912,309 primary common shares."

On January 17, 2023, the shareholders of BPI approved the merger with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released by the Commission on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger will be effective on the first day of the calendar quarter following the completion of the regulatory approvals which is on January 1, 2024 and therefore, the December 31, 2023 and 2022 financial statements of the BPI Group do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI's expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares to be issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) based on provisional amounts determined by management are as follows:

	Amount
	(In Thousands of Pesos)
Assets acquired	
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
Interbank loans receivable and SPAR	5,491,857
Financial assets at FVTPL	24,191
Financial assets at FVOCI	7,098,491
Investment securities at amortized cost, net	26,391,007
Loans and advances, net	111,444,574
Investments in subsidiary and associates, net	903,663
Bank premises, furniture, fixtures and equipment, net	953,683
Investment properties	2,583,060
Branch licenses	380,510
Deferred tax asset, net	919,713
Other assets, net	2,685,605
Core deposits	6,935,408
Customer relationship	423,690
Trust business	9,684
Deferred tax asset - fair value (FV) adjustments	1,893,968
	188,710,366
Liabilities assumed	
Deposit liabilities	
Demand	27,640,996
Savings	91,837,208
Time	21,156,959
Long-term negotiable certificate of deposits	1,781,750
Derivative financial liabilities	24
Bills payable	14,951,631
Manager's checks	1,103,883
Accrued taxes, interest and other expenses	1,388,443
Other liabilities	4,137,608
Deferred tax liability - FV adjustments	627,291
	164,625,793
Net assets	24,084,573

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	24,084,573
Goodwill	8,509,041

The goodwill is attributable to the workforce and the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount
	(In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

**The trust accounts will be transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.*

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	(In Thousands of Pesos)
Receivables from customers	
Commercial	62,743,614
Real estate	36,235,122
Consumption	11,145,903
Credit cards	1,809,555
Domestic bills purchased	573,816
Other receivables	
Accrued interest receivable	1,433,010
Accounts receivable	1,670,012
Sales contract receivable	321,023
	115,932,055
Unearned interest and discounts	(70,408)
	115,861,647
Allowance for credit losses	(2,993,718)
Net carrying amount	112,867,929
Fair value	111,444,574

iii. Revenue and profit contribution

There is no revenue and profit contribution for the year ended December 31, 2023 as the merger will be effective on January 1, 2024.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount (In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
	20,571,262

v. Acquisition-related costs

Acquisition-related costs of P179 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2023 until effectivity of the merger.

31 Summary of material accounting policies

The material information of the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

31.1 Basis of preparation

The financial statements of the BPI Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as Financial Reporting Standards Council) and adopted by the SEC.

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC and adopted by the IC.

The financial statements comprise the statements of condition, statements of income and statements of total comprehensive income shown as two statements, statements of changes in capital funds, statements of cash flows and the notes.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, financial assets at FVOCI, and plan assets of the BPI Group's defined benefit plans.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the BPI Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the BPI Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are shown below:

Critical accounting estimates
- Fair value of derivatives and other financial instruments (Note 7)
- Useful lives of bank premises, furniture, fixtures and equipment (Note 11)
- Impairment of investments subsidiaries and associates (Note 12)
- Calculation of defined benefit obligation (Note 23)
- Measurement of expected credit losses for loans and advances (Note 26.1.4)

Critical accounting judgments
- Classification of investment securities at amortized cost (Note 9)
- Realization of deferred income tax assets (Note 13)
- Determining the lease term (Note 20)
- Determining the incremental borrowing rate (Note 20)

31.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the BPI Group

The BPI Group has adopted the following amendments to existing standards effective January 1, 2023:

- Amendments to PAS1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support these amendments, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 31 series.

(b) New standard not yet adopted by the BPI Group

The following new accounting standard is not mandatory for December 31, 2023 reporting period and has not been early adopted by the BPI Group:

- *PFRS 17, 'Insurance Contracts'*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  The IC, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB. The BPI Group is assessing the quantitative impact of PFRS 17 as at reporting date.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the BPI Group.

31.3 Financial instruments

31.3.1 Measurement methods

Amortized cost and effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition on Note 31.3.2.2) at initial recognition - the BPI Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the BPI Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset.

At initial recognition, the BPI Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 31.3.2.1 below, which results in the loss provision being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the BPI Group recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

31.3.2 Financial assets

31.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at FVTPL, FVOCI, and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the BPI Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the BPI Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The BPI Group's amortized cost financial assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other financial assets.

- *FVOCI*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *FVTPL*

  Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within "Securities trading gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately.

Business model

The business model reflects how the BPI Group manages the assets in order to generate cash flows. That is, whether the BPI Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at FVTPL. Factors considered by the BPI Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the BPI Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the BPI Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The BPI Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The BPI Group subsequently measures all equity investments at FVTPL, except where the BPI Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The BPI Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Other operating income' when the BPI Group's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the "Securities trading gain" in the statements of income.

31.3.2.2 Impairment of amortized cost and FVOCI financial assets

The BPI Group assesses impairment as follows:

- individually for loans that exceed specified thresholds. Where there is objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.

Expected credit losses

The BPI Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The BPI Group recognizes a loss allowance for such losses including post-model adjustments, as applicable, at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the BPI Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The BPI Group determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information both in the ECL models and post-model adjustments, as applicable.
- POCI financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). The BPI Group has no POCI as at December 31, 2023 and December 31, 2022.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Determination of SICR

The BPI Group compares the probabilities of default occurring over its expected life as at the reporting date with the PD occurring over its expected life on the date of initial recognition to determine SICR. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category (refer to Note 26.1.2 for the description of special monitoring); and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the BPI Group.

Measuring ECL - Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

(a) The PD represents the likelihood that the borrower will default (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

(b) EAD is based on the amounts the BPI Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). For example, for a revolving commitment, the BPI Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

    The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

    - For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
    - For committed credit lines, the EAD is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

(c) LGD represents the BPI Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

    The LGDs are determined based on the factors which impact the recoveries made post-default.

    - For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
    - For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies and historical recoveries.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change - are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period from the time of the adoption of PFRS 9 on January 1, 2018 to the reporting date.

Forward-looking information incorporated in the ECL models

The BPI Group incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and expected credit losses for each portfolio. MEVs that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgment. The BPI Group's economics team establishes possible global and domestic economic scenarios. With the use of economic theories and conventions, expert judgment and external forecasts, the economics team develops assumptions to be used in forecasting variables in the next five (5) years, subsequently reverting to long run-averages. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 26.

Financial assets with low credit risk

Loss allowance for financial assets at amortized cost and FVOCI that have low credit risk is limited to 12-month expected credit losses. Management considers "low credit risk" for listed government bonds to be an investment grade credit rating with at least one major rating agency. Other debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default and credit-impaired assets

The BPI Group considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the exception of credit cards and micro-finance loans where a borrower is required to be 90 days past due and over 7 days past due, respectively, to be considered in default).

Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- The counterparty is in breach of major financial covenant(s) which lead(s) to event of default;
- An active market for the security has disappeared;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the BPI Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the BPI Group's expected credit loss calculations.

The BPI Group's definition of default is substantially consistent with non-performing loan definition of the BSP. For cross-border, treasury and debt securities, these are classified as defaulted based on combination of BSP and external credit rating agency definitions.

31.3.3 Modification of loans

The BPI Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the BPI Group assesses whether or not the new terms are substantially different to the original terms. The BPI Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the BPI Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BPI Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the BPI Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

31.3.4 Derecognition of financial assets other than modification

The BPI Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the BPI Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.5 Write-off of financial assets

The BPI Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the BPI Group’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The BPI Group may write-off financial assets that are still subject to enforcement activity. The write-off of loans is approved by the BOD in compliance with the BSP requirements. Loans written-off are fully covered with allowance.

Recoveries on charged-off assets

Collections on accounts or recoveries from impaired financial assets previously written off are recognized in profit or loss under Miscellaneous income in the period where the recovery transaction occurs.

31.3.6 Financial liabilities

31.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statements of income and are reported as “Securities trading gain”. The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at FVTPL fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, bills payable, amounts due to BSP and other banks, manager's checks and demand drafts outstanding, subordinated notes and other financial liabilities under deferred credits and other liabilities.

31.3.6.2 Subsequent measurement and derecognition

Financial liabilities at FVTPL are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.7 Loan commitments

Loan commitments are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument.

31.3.8 Derivative financial instruments

A derivative instrument is initially recognized at fair value on the date a derivative contract is entered into, and is subsequently remeasured to its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument or is held for trading.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting (and therefore, held for trading) are recognized immediately in profit or loss and are included in "Securities trading gain".

31.3.8.1 Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the BPI Group assesses the entire contract for classification and measurement in accordance with the policy outlined in Note 31.3.2 above. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statements of income unless the BPI Group chooses to designate the hybrid contracts at FVTPL.

31.3.9 Fair value measurement

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at December 31, 2023 and 2022 (Note 26.4.1).

31.3.10 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

31.3.11 Cash and cash equivalents

Interbank loans receivable and securities purchased under agreements to resell (SPAR) are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

31.3.12 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks and customers and included in the statement of condition under “Interbank loans receivable and securities purchased under agreements to resell”. Securities lent to counterparties are also retained in the financial statements.

31.4 Consolidation

The subsidiaries’ financial statements are prepared for the same reporting year as the consolidated financial statements. Refer to Note 1 for the list of the Parent Bank’s subsidiaries.

(a) Subsidiaries

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group, except for the pre-need subsidiary which follows the provisions of the PNUCA as allowed by the SEC.

(b) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting.

The BPI Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the BPI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to ‘share of profit (loss) of an associate’ in profit or loss.

Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

(c) Business combination between entities under common control

Business combinations under common control are accounted for using the pooling of interest method following the guidance under the PIC Q&A No. 2018-06. Under this method, the Parent Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

(d) Business combination under PFRS 3

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BPI Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any, and fair value of any pre-existing equity interest in the acquiree, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BPI Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the BPI Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Measurement period

The quantitative information disclosed in Note 30.3 are provisional amounts as at audit report date. PFRS 3 allows a one year measurement period for the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

31.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Parent Bank's separate financial statements are accounted for using the cost method in accordance with PAS 27. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Parent Bank recognizes a dividend from a subsidiary or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary or associate is impaired. If this is the case, the Parent Bank calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in subsidiaries and associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statements of condition. Any gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

31.6 Segment reporting

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main banking business segments: consumer banking, corporate banking and investment banking. Its insurance business is assessed separately from these banking business segments (Note 3).

31.7 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction-in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements.

Land is carried at historical cost and is not depreciated. Depreciation for buildings and furniture and equipment is calculated using the straight-line method to allocate cost or residual values over the estimated useful lives of the assets, as follows:

Building	25-50 years
Furniture and equipment	3-5 years
Equipment for lease	2-8 years

Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years). Major renovations are depreciated over the remaining useful life of the related asset.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are fully impaired as at December 31, 2023 and 2022.

31.8 Investment properties

Properties that are held either to earn rental income or for capital appreciation or both, and that are not significantly occupied by the BPI Group are classified as investment properties. Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

(a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
(c) End of owner occupation, for a transfer from owner-occupied property to investment property; or
(d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Transfers to and from investment property do not result in gain or loss.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on investment property is determined using the same policy as applied to Bank premises, furniture, fixtures, and equipment. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

31.9 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statements of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

(a) Investment property is accounted for using the cost model under PAS 40;
(b) Bank-occupied property is accounted for using the cost model under PAS 16; and
(c) Financial assets are accounted for under PFRS 9.

When foreclosed assets are recovered through a sale transaction, the gain or loss recognized from the difference between the carrying amount of the foreclosed asset disposed and the net disposal proceeds is recognized in profit or loss.

31.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BPI Group's share in the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under Other assets, net in the statements of condition. Goodwill on acquisitions of associates is included in Investments in subsidiaries and associates. Separately recognized goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary/associate include carrying amount of goodwill relating to the subsidiary/associate sold.

Goodwill is an indefinite-lived intangible asset and hence not subject to amortization.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by each primary reporting segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have finite useful lives of ten years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship. Contractual customer relationships are included under Other assets, net in the statements of condition.

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over the expected useful lives (three to five years). Computer software is included under Other assets, net in the statements of condition.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the BPI Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other assets to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Management contracts

Management contracts are recognized at fair value at the acquisition date. They have a finite useful life of five years and are subsequently carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method over the estimated useful life of the contract. Management contracts are included under Other assets in the statement of condition.

31.11 Impairment of non-financial assets

Assets that have indefinite useful lives - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment and more frequently if there are indicators of impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

31.12 Borrowings and borrowing costs

The BPI Group's borrowings consist mainly of bills payable and other borrowed funds. Borrowings are recognized initially at fair value, which is the issue proceeds, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred. The BPI Group has no qualifying asset as at December 31, 2023 and 2022. Borrowings derecognized when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the Statements of Income as other income.

31.13 Fees and commission income

The BPI Group has applied PFRS 15 where revenue is recognized when (or as) The BPI Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the BPI Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the BPI Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The BPI Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The BPI Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the BPI Group does not adjust any of the transaction prices for the time value of money.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

31.14 Credit card income

Credit card arrangements involve numerous contracts between various parties. The BPI Group has determined that the more significant contracts within the scope of PFRS 15 are (1) the contract between the BPI Group and the credit card holder ('Cardholder Agreement') under which the BPI Group earn miscellaneous fees (e.g., annual membership fees, late payment fees, foreign exchange fees, etc.) and (2) an implied contract between the BPI Group and merchants who accept the credit cards in connection with the purchase of their goods and/or services ('Merchant Agreement') under which the BPI Group earn interchange fees.

The Cardholder Agreement obligates the BPI Group, as the card issuer, to perform activities such as process redemption of loyalty points by providing goods, services, or other benefits to the cardholder; provide ancillary services such as concierge services, travel insurance, airport lounge access and the like; process late payments; provide foreign exchange services and others. The amount of fees stated in the contract represents the transaction price for that performance obligation.

The implied contract between the BPI Group and the merchant results in the BPI Group receiving an interchange fee from the merchant. The interchange fee represents the transaction price associated with the implied contract between the BPI Group and the merchant because it represents the amount of consideration to which the BPI Group expects to be entitled in exchange for transferring the promised service (i.e., purchase approval and payment remittance) to the merchant. The performance obligation associated with the implied contract between the BPI Group and the merchant is satisfied upon performance and simultaneous consumption by the customer of the underlying service. Therefore, a portion of the interchange fee is allocated to the performance obligations based on stand-alone transaction price and revenue is recognized when these performance obligations are satisfied.

31.15 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Parent Bank's functional and presentation currency.

(b) *Foreign subsid*iaries

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component (Currency translation differences) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

(c) *Income from foreign exchange trading*

Foreign exchange gains and losses arising from trading of foreign currencies are recorded under "Income from foreign exchange trading" in the statement of income. Gains or losses are calculated as the difference between the carrying amount of the asset sold and the net disposal proceeds at the date of sale.

31.16 Provisions for legal or contractual obligations

Provisions are recognized when all of the following conditions are met: (i) the BPI Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item is included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

31.17 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in Income tax expense - Current.

(b) Deferred income tax

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

The BPI Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

31.18 Employee benefits

(a) Short-term benefits

The BPI Group recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined benefit retirement plan

The BPI Group has a defined benefit plan that shares risks among entities within the group. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Defined benefit costs comprise of service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when the plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest income or expense in the statement of income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For individual financial reporting purposes, the unified plan assets are allocated among the BPI Group entities based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(c) Defined contribution retirement plan

The BPI Group also maintains a defined contribution plan that covers certain full-time employees. Under its defined contribution plan, the BPI Group pays fixed contributions based on the employees' monthly salaries. The BPI Group, however, is covered under RA No. 7641, otherwise known as The Philippine Retirement Pay Law, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the BPI Group accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The BPI Group and Parent Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) then, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plan are recognized in the statement of income.

The defined contribution liability is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Actuarial gains and losses arising from the remeasurements of the net defined contribution liability are recognized immediately in the other comprehensive income.

(d) Share-based compensation

The BPI Group engages in equity-settled share-based payment transactions in respect of services received from certain employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of employee services received in respect of the shares or share options granted is recognized in profit or loss (with a corresponding increase in reserve in capital funds) over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

When the stock options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (par value) and share premium for the excess of exercise price over par value.

(e) Bonus plans

The BPI Group recognizes a liability and an expense for bonuses and recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

31.19 Capital funds

Treasury shares

Except for dividends to be settled through BPI's own shares which are recognized in equity, dividends on common shares are recognized as a liability in the BPI Group's financial statements in the period in which the dividends are approved by the BOD.

Cash dividends are measured based on the amount declared by the BPI Group. Treasury shares declared as dividends are measured at its fair value at the time of declaration. Any costs attributable to the distribution of treasury shares are deducted from fair value and recognized within equity.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method and the difference between the results of operations of BFB during the year ended December 31, 2021 and the dividends declared on December 29, 2021.

31.20 Fiduciary activities

The BPI Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 24).

31.21 Leases

31.21.1 BPI Group is the lessee

Measurement of lease liabilities

Lease payments to be made under reasonably certain extension options are included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the BPI Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the BPI Group:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Measurement of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the BPI Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the BPI Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The BPI Group accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the BPI Group:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the BPI Group accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The BPI Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statements of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

31.21.2 BPI Group is the lessor

BPI Group (as a lessor) continues to classify its leases as operating leases.

31.22 Insurance and pre-need operations

(a) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiaries follow: (a) gross premiums written from short-term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiaries' reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to profit or loss; and (d) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The material provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (b) pre-need reserves which represent the accrued net liabilities of the subsidiary to its plan holders are actuarially computed based on standards and guidelines set forth by the Insurance Commission; the increase or decrease in the account is charged or credited to other costs of contracts issued in profit or loss; and (c) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid plan holders, are actuarially computed based on standards and guidelines set forth by the Insurance Commission.

32 Supplementary information required under BSP Circular No. 1074

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.

(i) Basic Quantitative Indicators of Financial Performance

The key financial performance indicators follow (in %):

	Consolidated		Parent	
	2023	2022	**2023**	2022
Return on average equity				
- Daily average[1]	**15.35**	13.14	**15.71**	13.02
- Simple average[2]	**15.22**	12.88	**15.76**	13.64
Return on average assets				
- Daily average[3]	**1.93**	1.59	**1.91**	1.52
- Simple average[4]	**1.88**	1.58	**1.87**	1.61
Net interest margin				
- Daily average[5]	**4.09**	3.59	**3.93**	3.47
- Simple average[6]	**3.98**	3.55	**3.82**	3.68

[1]Net income divided by average total equity for the period indicated. Average equity is based on the daily average balance of equity for the years ended December 31, 2023 and 2022.
[2]Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.
[3]Net income divided by average total assets as at period indicated. Average total assets are based on the daily average balance of total assets as at December 31, 2023 and 2022.
[4]Net income divided by average total assets as at period indicated. Average total assets are based on the year-on-year balance of total assets as at December 31, 2023 and 2022.
[5]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the daily average balance of interest earning assets as at December 31, 2023 and 2022.
[6]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2023 and 2022.

(ii) Description of Capital Instrument Issued

BPI considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2023 and 2022.

Significant credit exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector over total loan portfolio (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Real estate, renting and other related activities	**23.12**	22.98	**23.48**	15.88
Manufacturing	**15.47**	16.39	**15.70**	19.21
Consumer	**11.44**	9.21	**10.62**	6.21
Transportation, storage and communications	**11.33**	10.74	**11.48**	11.04
Wholesale and retail trade	**11.20**	10.42	**11.01**	11.98
Financial institutions	**9.70**	9.26	**9.85**	10.88
Electricity, gas, steam and air-conditioning supply	**9.18**	11.85	**9.34**	12.01
Agriculture and forestry	**1.73**	1.91	**1.75**	2.23
Others	**6.83**	7.24	**6.77**	10.56
	100.00	100.00	**100.00**	100.00

Details of the loans and advances portfolio as to concentration per industry/economic sector over Tier 1 Capital (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Real estate, renting and other related activities	**138.44**	115.90	**148.97**	67.71
Manufacturing	**92.63**	82.63	**99.62**	81.88
Consumer	**68.48**	46.44	**67.37**	26.48
Transportation, storage and communications	**67.87**	55.34	**72.85**	54.94
Wholesale and retail trade	**67.07**	52.56	**69.83**	51.07
Financial institutions	**58.09**	46.69	**62.49**	46.40
Electricity, gas, steam and air-conditioning supply	**54.93**	59.76	**59.25**	59.76
Agriculture and forestry	**10.36**	9.63	**11.11**	9.51
Others	**40.84**	35.32	**43.00**	31.85

Breakdown of total loans

Details of the loans and advances portfolio as at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**304,090**	281,974	**302,870**	280,633
Project assets	**138,915**	143,541	**138,915**	143,541
Chattel mortgage	**75,028**	60,287	**75,028**	60,287
Others	**25,912**	39,698	**25,757**	38,944
	543,945	525,500	**542,570**	523,405
Unsecured loans	**1,382,593**	1,224,068	**1,350,313**	1,202,678
	1,926,538	1,749,568	**1,892,883**	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Breakdown of performing and non-performing loans net of allowance for credit losses, as reported to the BSP, are as follows:

Consolidated

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
	(In Millions of Pesos)					
Corporate loans	**1,483,876**	**16,662**	**1,500,538**	1,385,660	14,502	1,400,162
Credit cards	**124,606**	**5,107**	**129,713**	90,515	2,970	93,485
Other retail loans	**282,627**	**13,666**	**296,293**	242,496	13,407	255,903
	1,891,109	**35,435**	**1,926,544**	1,718,671	30,879	1,749,550
Allowance for probable losses	**(11,154)**	**(22,726)**	**(33,880)**	(6,934)	(21,415)	(28,349)
Net carrying amount	**1,879,955**	**12,709**	**1,892,664**	1,711,737	9,464	1,721,201

**Amounts exclude accrued interest receivables and GLLP*

Parent

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	**1,483,636**	**16,635**	**1,500,271**	1,385,211	14,428	1,399,639
Credit cards	**124,606**	**5,107**	**129,713**	90,515	2,970	93,485
Other retail loans	**251,171**	**11,735**	**262,906**	220,904	12,038	232,942
	1,859,413	**33,477**	**1,892,890**	1,696,630	29,436	1,726,066
Allowance for probable losses	**(11,336)**	**(21,280)**	**(32,616)**	(7,116)	(20,359)	(27,475)
Net carrying amount	**1,848,077**	**12,197**	**1,860,274**	1,689,514	9,077	1,698,591

**Amounts exclude accrued interest receivables and GLLP*

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans,* states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(iii) Information on Related Party Loans

Details of related party loans are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated		Parent	
	2023	2022	**2023**	2022
		(In Millions of Pesos)		
Loans and advances from:				
Subsidiaries	**-**	-	**87**	34
Associates	**113**	42	**113**	42
Ayala Group	**61,567**	64,654	**61,567**	64,654
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**61,680**	64,696	**61,767**	64,730
% to total outstanding related party loans				
Subsidiaries	**-**	-	**0.14**	0.05
Associates	**0.18**	0.06	**0.18**	0.06
Ayala Group	**99.82**	99.94	**99.68**	99.89
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**61,680**	64,696	**61,767**	64,730
% to total outstanding related party loans				
Unsecured related party loans	**8.82**	63.77	**8.81**	63.74
Past due related party loans	**-**	-	**-**	-
Non-performing related party loans	**-**	-	**-**	-

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	**18,701**	19,571	**18,701**	19,571

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In percentages)			
% to total outstanding loans and advances	**0.97**	1.12	**0.99**	1.13
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	**2.30**	2.40	**2.30**	2.40
Past due DOSRI loans	**0.04**	0.02	**0.04**	0.02
Non-performing DOSRI loans	**0.02**	0.03	**0.02**	0.03

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2023 and 2022.

(iv) Secured Liabilities and Assets Pledged as Security

The BPI Group's Bills payable (Note 16) include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group. As at December 31, 2023 and 2022, part of the bills payable of the Parent Bank is secured by government securities classified as investment securities at amortized cost (Note 9).

Contingencies and commitments arising from off-balance sheet items

The following is a summary of BPI's contingencies and commitments at their equivalent peso amounts as reported to the BSP:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Trust accounts	**1,223,096**	875,063	**-**	-
Derivatives	**319,337**	422,807	**314,881**	413,679
Commitments	**186,611**	148,935	**186,611**	148,935
Financial standby letters of credit - foreign	**30,472**	28,960	**30,472**	28,960
Bills for collection	**22,923**	23,470	**22,923**	23,470
Commercial letters of credit	**11,322**	14,142	**11,322**	14,142
Performance standby letters of credit - foreign	**10,898**	6,045	**10,898**	6,045
Spot foreign exchange contracts	**7,310**	13,264	**7,310**	13,264
Guarantees issued	**2,521**	2,774	**2,521**	2,774
Trade related guarantees	**1,208**	5,203	**1,208**	5,203
Other contingent accounts	**39,712**	160,435	**39,618**	11,536
	1,855,410	1,701,098	**627,764**	668,008

Other contingent accounts pertain to late deposits or payments received, deficiency claims receivable, items held for safekeeping, and items held as collateral.

Significant credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Undrawn loan commitments	**504,918**	1,143,705	**504,918**	1,143,705
Unused letters of credit	**55,808**	57,148	**55,808**	57,148
Gross carrying amount	**560,726**	1,200,853	**560,726**	1,200,853
Loss allowance	**(1,232)**	(1,034)	**(1,232)**	(1,034)
Carrying amount	**559,494**	1,199,819	**559,494**	1,199,819

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the BPI Group is required to provide a loan with pre-specified terms to the customer. These off-balance sheet items are within the scope of PFRS 9 where the BPI Group estimates that the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to the off-balance sheet items is recognized in “Miscellaneous liabilities” (Note 17).

The BPI Group has no other off-balance sheet items other than the items listed above.

33 Supplementary information required by the Bureau of Internal Revenue

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRSs.

Below is the additional information required by RR No. 15-2010 that is relevant to the Parent Bank. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

(i) Documentary stamp tax

Documentary stamp taxes paid through the Electronic Documentary Stamp Tax System for the year ended December 31, 2023 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	**10,685**
Trade finance documents	**846**
Mortgage documents	**500**
Shares of stocks	**3**
Others	**4**
	12,038

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Income taxes withheld on compensation	2,829	338	3,167
Withholding tax on withdrawal from decedent's account	19	1	20
Final income taxes withheld on interest on deposits and yield on deposit substitutes	5,013	589	5,602
Final income taxes withheld on income payment	2,610	399	3,009
Creditable income taxes withheld (expanded)	727	103	830
Fringe benefit tax	87	31	118
Withholding value-added tax	56	10	66
	11,341	**1,471**	**12,812**

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Gross receipts tax	6,661	750	7,411
Real property tax	153	-	153
Municipal taxes	338	-	338
Others	100	-	100
	7,252	**750**	**8,002**

Local and national taxes imposed by the government which are incurred under the normal courses of business are part of "Taxes and Licenses" within Other Operating Expense (Note 21).

(iv) Tax cases and assessments

As at reporting date, the Parent Bank has various claims of tax refund pending with tax authorities. There are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

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