COVER SHEET

PW-121

S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA NORTH EXCHANGE, TOWER 1,
6796 AYALA AVENUE COR. SALCEDO
STREET, LEGASPI VILLAGE
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. ANGELA PILAR B. MARAMAG	8246-5902
Contact Person	Company Telephone Number

12 31	DEFINITIVE INFORMATION STATEMENT	04 28 22
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of the Bank of the Philippine Islands (BPI) will be conducted virtually via http://www.ayalagroupshareholders.com/ on **Thursday, April 28, 2022 at 9:00 A.M.**, for the transaction of the following business:

1. Calling of Meeting to Order

2. Certification of Notice of Meeting, Determination of Quorum, and Rules of Conduct and Procedures

3. Approval of the Minutes of the Annual Meeting of the Stockholders on April 22, 2021

4. Approval of Annual Report and Audited Financial Statements

5. Ratification of the Acts of the Board of Directors and Officers

6. Election of the Board of Directors (including the Independent Directors)

7. Election of External Auditors and Fixing of their Remuneration

8. Amendment of the Bank's Articles of Incorporation and By-Laws
   a. Amendment of Article Seventh of the Articles of Incorporation
   b. Amendment of the Amended By-Laws

9. Consideration of Such Other Business as May Properly Come Before the Meeting

10. Adjournment

Stockholders of record as of March 11, 2022 will be entitled to notice and to vote at this meeting.

Given the current circumstances, stockholders may only attend the meeting by appointing the Chairman of the meeting as their proxy or by remote communication.

Duly accomplished proxies shall be submitted to the Office of the Corporate Secretary, Ayala North Exchange Tower 1, 6796 Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City or by email to bpi-asm@bpi.com.ph not later than 5:00 P.M. of April 18, 2022. Validation of proxies is set for April 19, 2022 at 2:00 P.M.

Stockholders intending to participate by remote communication should notify the Bank by email to bpi-asm@bpi.com.ph on or before April 18, 2022. Stockholders may vote electronically *in absentia*, subject to validation procedures. The procedures for participation in the meeting through remote communication and for casting votes *in absentia* are set forth in the Bank's website and Information Statement.

For this purpose and in accordance with Article XII of the Bank's Amended By-Laws, the Stock and Transfer Book of BPI will be closed from March 29, 2022 to April 27, 2022.

Makati City, March 18, 2022

FOR THE BOARD OF DIRECTORS

(Sgd.) ANGELA PILAR B. MARAMAG
Corporate Secretary

EXPLANATION OF AGENDA ITEMS FOR ANNUAL STOCKHOLDERS' MEETING – APRIL 28, 2022

1. Calling of Meeting to Order

Mr. Jaime Augusto Zobel de Ayala, Chairman of the BPI Board of Directors, will call the meeting to order.

2. Certification of Notice of Meeting, Determination of Quorum and Rules of Conduct and Procedures

The Corporate Secretary will certify the date when written notice of the meeting was sent to all stockholders of record as of March 11, 2022, and the date of publication of the notice at a newspaper of general circulation.

The Corporate Secretary will further certify whether a quorum is present for the valid transaction of the Annual Stockholders' Meeting. Pursuant to Sections 57 and 23 of the Revised Corporation Code which allow voting *in absentia* by stockholders, the Bank has set up a designated online web address which may be accessed by the stockholders to register and vote *in absentia* on the matters for resolution at the meeting. The holders of record of a majority of the stock of the Bank then issued and outstanding and entitled to vote, represented by proxy or participating through remote communication or voting *in absentia*, shall constitute a quorum for the transaction of business.

The following are the rules of conduct and procedures for the meeting:

(a) Stockholders may attend the meeting remotely through the online web address (URL) provided. Questions and comments may be sent via e-mail prior to or during the meeting to bpi-asm@bpi.com.ph, and shall be limited to the items in the Agenda of the meeting.

(b) Stockholders must notify the Bank of their intention to participate in the meeting by remote communication to be included in the determination of quorum, together with stockholders who voted *in absentia* and by proxy.

(c) Voting shall only be allowed for stockholders registered in the Bank's Voting *In Absentia* & Shareholder (VIASH) System or through the Chairman of the meeting as proxy. Detailed requirements and instructions pertaining to the VIASH System and the user thereof are provided in the Bank's website and Information Statement. Stockholders may also contact the BPI Stock Transfer Office for information and assistance.

(d) For items on the agenda for approval, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the meeting will be required for approval. For item 8 of the agenda, the affirmative vote of at least 2/3 of the issued and outstanding capital stock is required. Each outstanding share of stock entitles the registered holder to one vote. The election of directors will be by plurality of votes and every stockholder shall be entitled to cumulate his votes. All votes received shall be tabulated by the Office of the Corporate Secretary and the results will be validated by the Bank's auditor.

(e) The meeting proceedings will be recorded in audio and video format.

3. Approval of the Minutes of the Annual Meeting of the Stockholders on April 22, 2021

The minutes of the meeting held on April 22, 2021 are available at the Bank's website, www.bpi.com.ph. Copies of the minutes will also be distributed to the stockholders before the meeting.

4. Approval of Annual Report and Audited Financial Statements as of December 31, 2021

The audited financial statements (AFS) as of December 31, 2021 will be presented for approval of the stockholders. Prior thereto, the Chairman, Mr. Jaime Augusto Zobel de Ayala, and the President and Chief Executive Officer, Mr. Jose Teodoro K. Limcaoco, will deliver their report to the stockholders on the highlights of BPI's performance in 2021 and the outlook for 2022. After the presentation of the Chairman and the President/CEO, the stockholders will be given an opportunity to ask relevant questions and express appropriate comments.
A copy of the Annual Report will be available to stockholders during the meeting. Further, a copy of the Bank's AFS is posted at the Bank's website.

5. Ratification of the acts of the Board of Directors and Officers

The acts and resolutions of the Board of Directors and its committees were those taken or adopted since the annual stockholders' meeting on April 22, 2021 until April 28, 2022, contracts and transactions entered into by the Bank, credit/loan transactions including to related parties, projects and investments, treasury matters, manpower related decisions/approvals, corporate governance-related actions, and other matters covered by disclosures to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The acts of Management were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

6. Election of the Board of Directors (including the Independent Directors)

Any stockholder, including minority stockholders, may submit to the Nomination Committee nominations to the Board of Directors not later than March 11, 2022. The Nomination Committee will determine whether the nominees for the Board, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website.

7. Election of External Auditor and Fixing of their Remuneration

The Audit Committee will endorse to the stockholders the appointment of the external auditor for the ensuing year as well as its proposed remuneration.

8. Amendment of the Bank's Articles of Incorporation and By-Laws

a. Amendment of Article Seventh of the Articles of Incorporation

The proposed amendment of Article Seventh of the Bank's Articles of Incorporation, as approved by the Board of Directors at its meeting on March 16, 2022, will be presented to the stockholders for approval, to reflect: a) decrease of the Bank's Authorized Capital Stock particularly the common stock from 5,000,000,000 shares to 4,593,820,724 shares by retiring 406,179,276 common shares (previously issued and recorded as treasury shares pursuant to the merger between the Bank and BPI Family Savings Bank, Inc.) to comply with the disposition requirement under Section 10 of Republic Act No. 8791 or the General Banking Law of 2000; and b) the combination of the allocation of authorized common shares for the Bank's Executive Stock Option Plan (ESOP) and for Stock Purchase Plan (SPP) to allow the Bank flexibility in designing future ESOP and/or SPP programs.

b. Amendment of the Amended By-Laws

The proposal to amend the Bank's Amended By-Laws will be submitted to the stockholders for ratification.

The Board of Directors of the Bank, at its meeting on March 16, 2022, approved the proposed amendments to the Amended By-Laws which are intended for alignment with the Revised Corporation Code and good corporate governance practices, in particular: (a) digitalization of service of notice for regular and special meetings, holding of virtual annual stockholders' meetings and provision of the right for stockholders to vote through remote communication or in absentia at the Bank's annual stockholders' meetings (Articles IV and V); (b) raising the minimum quorum at any meeting for the transaction of corporate business from majority to two-thirds of the members of the Board of Directors (Article V); (c) clarification on the powers of the Board of Directors and the Executive Committee (Articles VI and VII); (d) deletion of provisions referring to the Trust Committee and Trust Operations, in view of the spin-off of the Trust Department of the Bank to BPI Asset Management and Trust Corporation (Articles VII-B and XI); (e) incorporation of Manual of Regulations for Bank (MORB) provisions on the Audit Committee (Article VII-C, renumbered to Article VII-B; (f) new article stating that the Manual on Corporate Governance, board and board-level committee charters are suppletory to the By-Laws (new Article XI); (g) digital payment of dividends (Article XIV); (h) correction of clerical/typographical errors and references to the Revised Corporation Code (Article I; Article XII); (i) corresponding adjustment and re-numbering of article and section numbers. The provisions of the By-Laws reflecting the foregoing changes are attached hereto as Annex A-4.

The Bank's stockholders have previously delegated to the Board of Directors the authority to amend the By-Laws (per Article XVII of the Bank's Amended By-Laws), provided that the proposed amendments to the By-Laws will be reported to the stockholders as part of the acts of the Board for ratification. Accordingly, ratification will be requested from the stockholders on the foregoing changes. Further, the stockholders will be requested to approve/confirm the delegation to the Board of the power to further amend, modify, repeal or adopt new by-laws of the Bank as it deems necessary and proper, or as may be required by law, regulations, or the relevant regulators.

9. Consideration of Such Other Business as May Properly Come Before the Meeting

The Chairman will open the floor for comments and questions by the stockholders, and take up items included on the agenda received from stockholders in accordance with existing laws, rules and regulations of the Securities and Exchange Commission[1].

10. Adjournment

Upon determination that there are no other matters to be considered, the Chairman upon motion made and duly seconded by a stockholder shall declare the meeting adjourned.

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[1]SEC Memorandum Circular No. 14, series of 2020 or "Shareholders' Right to Put items on the Agenda for Regular/Special Stockholders' Meetings"

BANK OF THE PHILIPPINE ISLANDS
2022 Annual Stockholders Meeting
April 28, 2022

PROXY

The undersigned stockholder of **The Bank of the Philippine Islands** (the "Company") hereby appoints the Chairman of the meeting, as *attorney* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 28, 2022 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting.
   ❑ Yes ❑ No ❑ Abstain

2. Approval of annual report.
   ❑ Yes ❑ No ❑ Abstain

3. Ratification of the acts of the Board of Directors and Officers.
   ❑ Yes ❑ No ❑ Abstain

4. Election of Directors

   ❑ Vote for all nominees listed below:
   Jaime Augusto Zobel de Ayala
   Fernando Zobel de Ayala
   Janet Guat Har Ang (Independent)
   René G. Bañez
   Romeo L. Bernardo
   Ignacio R. Bunye (Independent)
   Cezar P. Consing
   Emmanuel S. de Dios (Independent)
   Ramon R. del Rosario, Jr.
   Octavio V. Espiritu
   Jose Teodoro K. Limcaoco
   Aurelio R. Montinola III
   Cesar V. Purisima, (Independent)
   Eli M. Remolona, Jr. (Independent)
   Maria Dolores B. Yuvienco (Independent)

   ❑ Withhold authority to vote for all nominees listed above.

   ❑ Withhold authority to vote for the nominees listed below:
   ________________ ________________
   ________________ ________________
   ________________ ________________
   ________________ ________________

5. Election of Isla Lipana & Co. as independent auditors and fixing of their remuneration.
   ❑ Yes ❑ No ❑ Abstain

6. Amendment of the Bank's Articles of Incorporation and By-Laws

   a. Amendment of Article Seventh of the Articles of Incorporation
   ❑ Yes ❑ No ❑ Abstain

   b. Amendment of the Amended By-Laws
   ❑ Yes ❑ No ❑ Abstain

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
   ❑ Yes ❑ No ❑ Abstain

____
PRINTED NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER / AUTHORIZED SIGNATORY

____
DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 18, 2022**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED UPON NOTICE TO THE CORPORATE SECRETARY.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✔] Definitive Information Statement

2. Name of Registrant as specified in its charter: **BANK OF THE PHILIPPINE ISLANDS**

3. Province, country or other jurisdiction of incorporation or organization: **MANILA, PHILIPPINES**

4. SEC Identification Number: **PW-121**

5. BIR Tax Identification Code: **000-438-366-000**

6. Address of principal office: **Ayala North Exchange Tower 1, 6796 Ayala Ave. cor. Salcedo St., Legaspi Village, Makati City, Metro Manila**
   Postal Code: **1229**

7. Registrant's telephone number, including area code: **(632) 8246-5902**

8. Date, time and place of the meeting of security holders:

   Date: **April 28, 2022**
   Time: **9:00 a.m.**
   Place: **to be conducted virtually through http://www.ayalagroupshareholders.com/**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **March 31, 2022**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding **(as of February 28, 2022)**
Common Shares	**4,513,128,255**

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ✔ No ____.

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange, Inc. - Common Shares

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

(a) Date : **April 28, 2022**
Time : **9:00 a.m.**
Place : **to be conducted virtually through http://www.ayalagroupshareholders.com/**

(b) Approximate date on which the information statement is first to be sent or given to security holders: **March 31, 2022**

**WE ARE NOT ASKING FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY**

Item 2. **Dissenters' Right of Appraisal**

Under Title X of the Revised Corporation Code, shareholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporation action: (i) amendment to the Bank's articles and by-laws which has the effect of changing or restricting the rights of any shareholder or class of shares; or authorizing preferences in any respect superior to those of outstanding shares of any class; (ii) sale, lease, mortgage or other disposition of all or substantially all of the Bank's assets; (iii) merger or consolidation; (iv) investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and (v) extension or shortening of term of corporate existence.

There are no matters or proposed corporate actions included in the agenda of the meeting, which may give rise to a possible exercise, by security holders of their appraisal rights.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

(a) No current director or officer of the Bank, or nominee for election as director has any substantial interest, direct, indirect, by security holdings, or otherwise, in any matter to be acted upon other than election to office.

(b) No director has informed the Bank of his opposition to any action to be taken up at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) **Class of Voting Securities** — Common Shares
Number of Shares Outstanding as of February 28, 2022: 4,513,128,255
Number of Votes Entitled: One (1) vote per share

(b) **Record Date**

Stockholders of record as of March 11, 2022 are entitled to notice and to vote in the Annual Stockholders' Meeting.

(c) **Manner of Voting**

Article IV of the Amended By-Laws of the Bank states that:

"Voting for the election of members of the Board of Directors and upon all questions before the stockholders' meeting, shall be by shares of stock, that is, one share entitles the holder thereof to one vote, two shares to two votes, etc.; but in the election of members of the Board of Directors, any stockholder may cumulate his vote as provided for in the Corporation Code.

"In the election of members of the Board of Directors, the fifteen (15) nominees receiving the highest number of votes shall be declared elected."

Article IV of said Amended By-Laws further provides that a stockholder may delegate in writing their right to vote, provided the said proxy is attested by two (2) witnesses and filed with the Bank at least ten (10) days before the meeting. Voting shall be by shares and not per capita.

Pursuant to Sections 57 and 23 of the Revised Corporation Code, which allow voting by remote communication or *in absentia* by stockholders, on February 16, 2022 the Board of Directors of the Bank authorized voting through remote communication or *in absentia* during meetings of the stockholders of the Bank, subject to compliance with the rules and regulations as may be issued by the Securities and Exchange Commission. The requirements and procedures for electronic voting *in absentia* or via absentee ballot are provided in Annex "A-2" and the Bank's website.

(d) **Security Ownership of Certain Record and Beneficial Owners and Management**

i. Security Ownership of Certain Record and Beneficial Owners of more than 5% as of February 28, 2022

Title of Class	Name/Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares	Percent of Holdings
Common	**PCD Nominee Corporation**[1] **- Non-Filipino** **- Filipino** 37/F Tower 1, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City	PCD Participants acting for themselves or for their customers	Various Filipino	884,302,372 789,259,134 1,673,561,506	19.5940% 17.4881% 37.0821%
Common	**Ayala Corporation**[2] 33rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Ayala Corporation[3]	Filipino	1,000,261,934	22.1634%
Common	**Liontide Holdings, Inc.**[4] 33rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Liontide Holdings, Inc.[5]	Filipino	904,194,682	20.0348%
Common	**AC International Finance Limited** c/o Ayala Corporation 34th Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Ayala Corporation[6]	Cayman Islands	390,269,162	8.6474%
Common	**Roman Catholic Archbishop of Manila**	Roman Catholic Archbishop of Manila[7]	Filipino	327,904,251	7.2656%

[1] PCD Nominee Corporation (PCD), Non-Filipino and Filipino, is the registered owner of the shares beneficially owned by its participants. The Board of Directors of each participant generally has the power to decide on how shares are to be voted. Out of the 1,673,561,506 common shares registered in the name of PCD, 515,304,857 shares (or 11.4179% of the total outstanding shares), 346,499,275 shares (or 7.6776% of the total outstanding shares), and 302,170,166 shares (or 6.6954% of the total outstanding shares) are for the accounts of The Hongkong and Shanghai Banking Corporation, Citibank N.A., and Standard Chartered Bank, respectively.

[2] Mermac, Inc. owns 47.8657% of common shares and 57.2651% of total voting shares, while Mitsubishi Corporation owns 6.0952% of common shares and 6.9952% of total voting shares, respectively, of the outstanding shares of Ayala Corporation (AC).

[3] The Board of Directors of AC has the power to decide how AC's shares in BPI are to be voted.

[4] AC owns 84.16% of the outstanding shares of Liontide Holdings, Inc. (formerly Ayala DBS Holdings, Inc.), which translates to 78.07% effective ownership.

[5] The Board of Directors of Liontide Holdings, Inc. ("Liontide") has the power to decide how Liontide's shares in BPI are to be voted.

[6] Under a Voting Trust Agreement dated October 12, 2017, the Board of Directors of AC International Finance Limited (AC International) has the power to decide how AC International's shares in BPI are to be voted. AC International Finance Limited is a 100%-owned subsidiary of Ayala Corporation.

Title of Class	Name/Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares	Percent of Holdings
	121 Arzobispo St., Intramuros Manila Stockholder				

ii. Security Ownership of Directors and Management as of February 28, 2022

Title of Class	Name of Beneficial Owner	Position	No. of Shares	Nature of Ownership	Citizenship	% of Holdings
Common	Jaime Augusto Zobel de Ayala	Chairman	9,628	Direct	Filipino	0.000%
Common	Fernando Zobel de Ayala	Vice-Chairman	89,137	Direct	Filipino	0.002%
Common	Jose Teodoro K. Limcaoco	Director & President	291,416	Direct/Indirect	Filipino	0.006%
Common	Janet Guat Har Ang	Director	10	Direct	Singaporean	0.000%
Common	René G. Bañez	Director	10	Direct	Filipino	0.000%
Common	Romeo L. Bernardo	Director	12	Direct	Filipino	0.000%
Common	Ignacio R. Bunye	Director	133,452	Direct	Filipino	0.003%
Common	Cezar P. Consing	Director	2,834,093	Direct	Filipino	0.063%
Common	Ramon R. del Rosario, Jr.	Director	2,287	Direct	Filipino	0.000%
Common	Octavio V. Espiritu	Director	1,105,110	Direct	Filipino	0.024%
Common	Aurelio R. Montinola III	Director	1,794,863	Direct	Filipino	0.040%
Common	Cesar V. Purisima	Director	10	Direct	Filipino	0.000%
Common	Eli M. Remolona, Jr.	Director	10	Direct	Filipino	0.000%
Common	Maria Dolores B. Yuvienco	Director	5,813	Direct	Filipino	0.000%
Common	Ma. Theresa M. Javier	EVP & CFO	284,994	Direct	Filipino	0.006%
Common	Ramon L. Jocson	EVP & COO	63,783	Direct	Filipino	0.001%
Common	Marie Josephine M. Ocampo	EVP	281,692	Direct	Filipino	0.006%
Common	Juan Carlos L. Syquia	EVP	8,982	Direct	Filipino	0.000%
Aggregate Shareholdings of Directors & Officers as a Group			**6,905,302**			**0.153%**

None of the members of the Bank's Board of Directors and Management owns 2.0% or more of the outstanding capital stock of the Bank.

iii. Voting Trust Holders of 5% or More

Ayala Corporation has a Voting Trust Agreement with AC International Finance Limited.

iv. Changes in Control

No change of control in the Bank has occurred since the beginning of its last fiscal year.

(e) **Certain Relationships and Related Party Transactions**

In the normal course of business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), where all transactions are dealt with on an arm's length basis. AC is a substantial stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee that vets and endorses all significant related party transactions, including those involving directors, officers, stockholders and their related interests (DOSRI), for which the latter shall require final Board approval. The Committee consists of three directors, majority of whom are independent directors including the Chairman, and two non-voting members from management, namely, the Chief Audit Executive and the Chief Compliance Officer.

These transactions have terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

Significant related party transactions and outstanding balances as at and for the year ended December 31, 2021 are summarized below:

[7] The Archbishop of Manila has the power to decide how the Roman Catholic Archbishop of Manila's shares in BPI are to be voted.

Consolidated

2021			
	Transactions	Outstanding Balances	Terms and Conditions
	(In Millions of Pesos)		
Loans and Advances from:			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.
Subsidiaries	(189)	-	
Associates	(449)	60	
Ayala Group	(11,314)	65,195	
Other related parties	(23,614)	546	
	(35,566)	65,801	
Deposits from:			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.
Subsidiaries	3,441	11,383	
Associates	(4)	1,273	
Ayala Group	(7,349)	11,401	
Key management personnel	200	984	
	(3,712)	**25,041**	

A more detailed discussion on related party transactions can be found in Note 25 of the 2021 Audited Financial Statements.

Item 5. Directors and Executive Officers

(a) Board of Directors

Article V of the Bank's Amended By-Laws provides:

> "Unless otherwise provided in the Corporation Law, the corporate powers of the Bank are exercised, its business conducted and its properties controlled and held, by a Board of Directors consisting of fifteen (15) members elected from among the stockholders of the Bank, said members so elected to hold their office for one year and until their successors are elected annually by the stockholders during their annual meeting or adjournment thereof, or at any special meeting called for that purpose."

The attendance of the directors at the meetings of the Board of Directors held during the year 2021 is as follows:

Name	No. of Meetings Attended/Held	Percent Present
Jaime Augusto Zobel de Ayala	15/15	100%
Fernando Zobel de Ayala	14/15	93%
Jose Teodoro K. Limcaoco	14/14	100%
Janet Guat Har Ang*	9/9	100%
René G. Bañez**	7/7	100%
Romeo L. Bernardo	15/15	100%
Ignacio R. Bunye	15/15	100%
Cezar P. Consing	15/15	100%
Ramon R. del Rosario, Jr.	14/15	93%
Octavio V. Espiritu	14/15	93%
Rebecca G. Fernando***	8/8	100%
Aurelio R. Montinola III	15/15	100%
Mercedita S. Nolledo****	6/6	100%
Antonio Jose U. Periquet*****	14/14	100%
Cesar V. Purisima******	14/14	100%
Eli M. Remolona, Jr.	15/15	100%
Maria Dolores B. Yuvienco	15/15	100%

**Board member effective 19 May 2021*
***Board member effective 18 August 2021*

Name	No. of Meetings Attended/Held	Percent Present

****Board member until 17 August 2021*
*****Board member until 18 May 2021*
******Board member until 15 December 2021*
*******Board member effective 20 January 2021*

(b) **Board Committees**

The Board carries out its various responsibilities through the Executive Committee and delegates specific responsibilities to other committees that focus on certain areas as allowed by law. The different committees of the Board and its membership are as follows:

Name	Executive Committee	Corporate Governance Committee	Nomination Committee	Audit Committee	Risk Management Committee	Personnel and Compensation Committee	Retirement/ Pension Committee	Related Party Transaction Committee
Jaime Augusto Zobel de Ayala	C		M					
Fernando Zobel de Ayala	VC		M			C		
Jose Teodoro K. Limcaoco	M							
Janet Guat Har Ang*					M******			
René G. Bañez*******	M						M	M
Romeo L. Bernardo								
Ignacio R. Bunye**		M				M		C
Cezar P. Consing	M				M			
Ramon R. del Rosario, Jr.		M						
Octavio V. Espiritu				M	M		M	
Rebecca G. Fernando***	M						M	M
Aurelio R. Montinola III	M					M	C******	
Mercedita S. Nolledo****							C	
Antonio Jose U. Periquet*****	M		M			M		
Cesar V. Purisima*		C	C	M	M			
Eli M. Remolona, Jr.*					C			
Maria Dolores B. Yuvienco*				C		M		M

C – Chairman; VC – Vice-Chairman; M – Member
** Independent Director*
*** Lead Independent Director*
**** Committee Member until 17 August 2021*
***** Committee Member until 18 May 2021*
****** Committee Member until 16 December 2021*
******* Committee Member effective 19 May 2021*
******** Committee Member effective 18 August 2021*
The attendance of each member of the Board of Directors, according to his/her respective Committee meetings, is enumerated in “Annex A-3(a)”.

(c) **The Board of Directors/Nominees for Election at the Annual Stockholders’ Meeting and Key Executive Officers**

Per Article V of the Amended By-Laws of the Bank, all nominations for election as Directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary, together with the written acceptance of the nominee, not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix. No nominee shall qualify to be elected as Director unless this requirement is complied with. In accordance with the resolution of the Board of Directors of the Bank dated December 15, 2021, which resolution was disclosed and reported to PSE and SEC, all nominations for election of Directors for the term 2022-2023 were required to be submitted to the Corporate Secretary not later than March 11, 2022. As of said date, there were only 15 nominees to the Board received by the Corporate Secretary and all the nominees confirmed their acceptance of said nomination. Mr. Rene G. Bañez was nominated by the Roman Catholic Archbishop of Manila and the rest of the nominees were formally nominated by Ms. Josenia Jessica D. Nemeño, a long time stockholder of BPI who is not related to any of the nominees including the nominees for independent director. The nominations were subsequently processed and evaluated by the Nomination Committee of the Bank in a meeting called for that purpose and it was determined by the Committee that all the nominees (both regular Directors and Independent Directors) possess all the qualifications required by relevant law, rules, regulations and BPI's By-Laws and Manual on Corporate Governance and no provision on disqualification would apply to any of them.

The following is the list of current directors and the list of nominees for election as members of the Board of Directors of BPI for the term as approved by the Nomination Committee:

i. Current Board of Directors

Name	Age (as of 2022 ASM)	Citizenship
1. Jaime Augusto Zobel de Ayala	63	Filipino
2. Fernando Zobel de Ayala	62	Filipino
3. Jose Teodoro K. Limcaoco	60	Filipino
4. Janet Guat Har Ang (Independent Director)	62	Singaporean
5. René G. Bañez	66	Filipino
6. Romeo L. Bernardo	67	Filipino
7. Ignacio R. Bunye (Independent Director)	77	Filipino
8. Cezar P. Consing	62	Filipino
9. Ramon R. del Rosario, Jr.	77	Filipino
10. Octavio V. Espiritu	78	Filipino
11. Aurelio R. Montinola III	70	Filipino
12. Cesar V. Purisima (Independent Director)	62	Filipino
13. Eli M. Remolona, Jr. (Independent Director)	69	Filipino
14. Maria Dolores B. Yuvienco (Independent Director)	74	Filipino

ii. Nominees for Election to the Board of Directors for the Term 2022-2023

Name	Age (as of 2022 ASM)	Citizenship
1. Jaime Augusto Zobel de Ayala	63	Filipino
2. Fernando Zobel de Ayala	62	Filipino
3. Jose Teodoro K. Limcaoco	60	Filipino
4. Janet Guat Har Ang (Independent Director)	62	Singaporean
5. René G. Bañez	66	Filipino
6. Romeo L. Bernardo	67	Filipino
7. Ignacio R. Bunye (Independent Director)	77	Filipino
8. Cezar P. Consing	62	Filipino
9. Emmanuel S. de Dios (Independent Director)	67	Filipino
10. Ramon R. del Rosario, Jr.	77	Filipino
11. Octavio V. Espiritu	78	Filipino
12. Aurelio R. Montinola III	70	Filipino
13. Cesar V. Purisima (Independent Director)	62	Filipino
14. Eli M. Remolona, Jr. (Independent Director)	69	Filipino
15. Maria Dolores B. Yuvienco (Independent Director)	74	Filipino

The following is the list of Key Executive Officers of BPI:

The Key Executive Officers			
Name	Rank/Title	Age (As of 2022 ASM)	Citizenship
1. Jose Teodoro K. Limcaoco	President & CEO	60	Filipino
2. Maria Theresa M. Javier	EVP & CFO	51	Filipino
3. Ramon L. Jocson	EVP & COO	62	Filipino
4. Juan Carlos L. Syquia	EVP	55	Filipino
5. Marie Josephine M. Ocampo	EVP	60	Filipino

None of the above-named Directors and Officers of the Bank works for the government.

Please refer to attached Annex "A" for the brief background of the Directors/Nominees and Executive Officers of BPI.

(d) **Significant Employees**

The Bank values its human resources and considers its entire workforce as significant employees. It expects each employee to do his share in achieving the company's set goals and objectives.

(e) **Family Relationships**

The Chairman of the Board of Directors, Mr. Jaime Augusto Zobel de Ayala, and Mr. Fernando Zobel de Ayala, the Vice-Chairman of the Board, are brothers.

(f) **Legal Proceedings**

To the knowledge of the Bank, none of its nominees for election as Directors and its Executive Officers have been subject of the following legal proceedings during the last five (5) years:

i. any bankruptcy petition filed by or against any business of which such director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
ii. any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
iii. any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
iv. being found by domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

(g) **Resignation of Directors**

To date, no director has resigned from, or declined to stand for election or re-election to the Board since the date of the 2021 annual meeting of stockholders due to any disagreement with the Bank relative to its operations, policies and practices.

Item 6. **Compensation of Directors and Executive Officers**

(a) **Executive Compensation**

Names arranged By Rank/ By Surname	Position	2020		
		Salary	Bonuses	Fees and Other Compensation
Cezar P. Consing	President & CEO			
Maria Theresa M. Javier	EVP & CFO			
Ramon L. Jocson	EVP & COO			
Marie Josephine M. Ocampo	EVP			
Juan Carlos L. Syquia	EVP			
All above-named Officers as a group		**158,818,822**	**95,507,700**	
All other unnamed Officers as a group		**10,075,502,316**	**1,277,868,000**	

Names arranged By Rank/ By Surname	Position	2021		
		Salary	Bonuses	Fees and Other Compensation
Jose Teodoro K. Limcaoco	President & CEO (from April 2021)			
Cezar P. Consing	President & CEO (until April 2021)			
Maria Theresa M. Javier	EVP & CFO			
Ramon L. Jocson	EVP & COO			
Marie Josephine M. Ocampo	EVP			
Juan Carlos L. Syquia	EVP			
All above-named Officers as a group		**187,848,883.51**	**72,813,500**	
All other unnamed Officers as a group		**8,732,179,018.14**	**1,029,675,000**	

Names arranged By Rank/ By Surname	Position	2022 Estimates		
		Salary	Bonuses	Fees and Other Compensation
Jose Teodoro K. Limcaoco	President & CEO			
Maria Theresa M. Javier	EVP & CFO			
Ramon L. Jocson	EVP & COO			
Marie Josephine M. Ocampo	EVP			
Juan Carlos L. Syquia	EVP			
All above-named Officers as a group		**159,230,603**	**79,513,500**	
All other unnamed Officers as a group		**9,502,218,275**	**1,109,599,500**	

(b) **Compensation of Directors**

Article V of the Bank's Amended By-Laws provides:

> "Each director shall be entitled to receive from the Bank, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year.
>
> The Personnel and Compensation Committee of the Bank shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the Committee shall be guided by the objective of ensuring that compensation should fairly pay directors for work required in a company of the Bank's size and scope."

Pursuant to the above provisions, the total compensation for 2021 for the members of the Board of Directors amounted to P81,000,000.00[8]. Directors who hold executive or management positions do not receive directors' fees or per diems. In accordance with the requirements of the Revised Corporation Code relating to an annual report of compensation of each director, the total compensation for 2021 for each non-executive and independent director is attached as Annex "A-3(b)".

(c) **Standard Arrangement**

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

Item 7. **Independent Public Accountants**

(a) The principal accountant of the Bank for the fiscal year 2021 is the accounting firm of Isla Lipana & Co. The same accounting firm is being recommended for re-election at the Annual Stockholders' Meeting of the Bank. Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Bank has engaged Isla Lipana & Co., as the external auditor with Mr. John-John Patrick V. Lim as the Partner-in-Charge.

The appointment or re-appointment of the Bank's external auditor is subject to the approval and endorsement by the Audit Committee, for subsequent confirmation and approval by the Board of Directors and finally the Stockholders.

The Audit Committee of BPI is chaired by Ms. Maria Dolores B. Yuvienco (Independent Director), with the following members: Mr. Octavio V. Espiritu, and Mr. Cesar V. Purisima (Independent Director).

(b) Representatives of Isla Lipana & Co. are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions and to count and/or validate the votes, if needed, during the Annual Stockholders' Meeting.

[8] *Includes P25.7M for the year 2021 representing per diem of Directors at P70,000 per Board meeting and P30,000 per Committee meeting attended.*

(c) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with Isla Lipana & Co. on accounting and financial disclosures.

(d) Audit and Audit-Related Fees

BPI has paid the following fees, inclusive of taxes, to its external auditors in the past two (2) years:

Fiscal Year	Audit Fees	Audit-related Fees
2019 paid in 2020 Bond Offerings	₱18.210 M ₱ 1.250 M	₱ 3.559 M ₱203.161 K
2020 paid in 2021	₱18.340 M	₱3.767 M
Approved for 2021 (not yet paid)	₱21.010 M	-

The audit and audit-related fees cover services by the external auditor that are reasonably related to the performance of the audit or review of the annual, half year or quarter end financial statements for BPI and its subsidiaries. There were no non-audit fees for other services not related to the audit/review of the financial statements.

Item 8. **Compensation Plans**

As currently provided in Article Seventh of the Bank's Amended Articles of Incorporation, not more than one and one half percent (1½%) of the authorized capital stock of BPI is set aside for an Executive Stock Option Plan (ESOP) and another one and one half percent (1½%) for Executive Stock Purchase Plan (ESPP) for employees and officers of BPI and its subsidiaries, over which shares the stockholders shall have no pre-emptive rights. Said provision was approved by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission and the Stockholders.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

There are no matters or actions to be taken up in the meeting with respect to the authorization or issuance of securities other than for exchange.

Item 10. **Modification or Exchange of Securities**

There are no matters or actions to be taken up in the meeting with respect to the modification of any class of the Company's securities or the issuance of authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

The management's discussion and analysis, market price of shares and dividends and other data related to the Company's financial information and the Statement of Management's Responsibility for Financial Statements including the audited financial statements as of December 31, 2021, are attached hereto as Annexes "A-1" and "B".

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

There are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. **Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to material acquisition or disposition of any property by the Company.

Item 14. **Restatement of Accounts**

There are no matters or actions to be taken up in the meeting with respect to restatement of accounts.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following are to be submitted for approval during the stockholders' meeting:

(a) Approval of the Minutes of the Annual Meeting of the Stockholders on April 22, 2021, containing:

(i) Approval of Minutes of Annual Stockholders' Meeting on April 23, 2020.
(ii) Approval of Annual Report and the Bank's Audited Financial Statements as of 31 December 2020 incorporated in the Annual Report.
(iii) Ratification of the Acts of the Board of Directors and Officers.
(iv) Election of Board of Directors (including the Independent Directors).
(v) Election of External Auditors and Fixing of their Remuneration.
(vi) Merger of BFSB into BPI, Increase in Authorized Capital Stock and Amendment of Article VII of the Bank's Articles of Incorporation.

The minutes of the 2021 Annual Stockholders Meeting, which is available on the website of the Bank, contain the following information:
(i) Description of the voting and voting tabulation procedures used in the previous meeting;
(ii) Description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given
(iii) The matters discussed and resolutions reached
(iv) A record of the voting results for each agenda item
(v) List of directors, officers and stockholders who attended the meeting.

The minutes is attached as Annex "A-3(c)" and may be viewed through the following link: https://www.bpi.com.ph/about/disclosures/minutes-of-asm

(b) Approval of the Annual Report and the Bank's Audited Financial Statements as of December 31, 2021 containing the performance of the Bank and its financial condition.

The Audited Financial Statements as of December 31, 2021 will be presented for approval of the stockholders.

(c) Ratification of the acts of the Board of Directors and Officers.

The acts and resolutions of the Board of Directors and its committees were those taken or adopted since the annual stockholders' meeting on April 22, 2021 until April 28, 2022, contracts and transactions entered into by the Bank, credit/loan transactions including to related parties, projects and investments, treasury matters, manpower related decisions/approvals, including programs of the Bank's Executive Stock Option Plan and Stock Purchase Plan for employees and officers, corporate governance-related actions, and other matters covered by disclosures to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). The acts of Management were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

(d) Election of the Board of Directors (Including the Independent Directors)

The members of the Board of Directors (regular and independent) of the Bank for the term 2022-2023 are to be elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting, and/or until their respective successors have been duly elected and qualified.

(e) Election of External Auditors and Fixing of their Remuneration

The Accounting Firm of Isla Lipana & Co. is proposed to be re-elected as the Bank's External Auditors for the Fiscal year 2022, at the remuneration agreed upon between BPI Management and the External Auditors.

Item 16. **Matters Not Required to be Submitted**

All matters or actions that will require the vote of the security holders will be submitted in the meeting.

Item 17. **Amendment of Charter, By-Laws or Other Documents**

(a) Amendment of Article Seventh of the Articles of Incorporation

The proposed amendment of Article Seventh of the Bank's Articles of Incorporation, as approved by the Board of Directors at its meeting on March 16, 2022, will be presented to the stockholders for approval, to reflect: a) decrease of the Bank's Authorized Capital Stock particularly the common stock from 5,000,000,000 shares to 4,593,820,724 shares by retiring 406,179,276 common shares (previously issued and recorded as treasury shares pursuant to the merger between the Bank and BPI Family Savings Bank, Inc.) to comply with the disposition requirement under Section 10 of the Republic Act No. 8791 or the General Banking Law of 2000 which requires that the Bank's treasury shares shall, within six (6) months from the time of its purchase or acquisition, be sold or disposed of at a public or private sale; and b) the combination of the allocation of authorized common shares for the Bank's Executive Stock Option Plan (ESOP) and for Stock Purchase Plan (SPP) to allow the Bank flexibility in designing future ESOP and/or SPP programs.

Upon approval by the stockholders, the Amended Articles of Incorporation of the Bank will read as follows:

"**SEVENTH.** – That the Capital Stock of the Corporation is Forty Six Billion Five Hundred Thirty Eight Million, Two Hundred Seven Thousand Two Hundred Forty Pesos (P46,538,207,240.00) divided into:

- Common Stock consisting of Four Billion Five Hundred Ninety Three Million, Eight Hundred Twenty Thousand, Seven Hundred Twenty Four (4,593,820,724) shares with a par value of Ten Pesos (P10.00) per share, not more than three percent (3%) of which is set aside for employee stock incentive plans, such as an Executive Stock Option Plan and a Stock Purchase Plan for Employees and Officers of BPI and its Subsidiaries, over which shares the stockholders shall have no pre-emptive rights;

- Preferred Stock consisting of Sixty Million (60,000,000) Preferred "A" shares with a par value of Ten Pesos (P10.00) per share."

(b) Amendment of the Amended By-Laws

The proposal to amend the Bank's Amended By-Laws will be submitted to the stockholders for ratification.

The Board of Directors of the Bank, at its meeting on March 16, 2022, approved the proposed amendments to the Amended By-Laws which are intended for alignment with the Revised Corporation Code and good corporate governance practices, in particular: (a) digitalization of service of notice for regular and special meetings, holding of virtual annual stockholders' meetings and provision of the right for stockholders to vote through remote communication or in absentia at the Bank's annual stockholders' meetings (Articles IV and V); (b) raising the minimum quorum at any meeting for the transaction of corporate business from majority to two-thirds of the members of the Board of Directors (Article V); (c) clarification on the powers of the Board of Directors and the Executive Committee (Articles VI and VII); (d) deletion of provisions referring to the Trust Committee and Trust Operations, in view of the spin-off of the Trust Department of the Bank to BPI Asset Management and Trust Corporation (Articles VII-B and XI); (e) incorporation of Manual of Regulations for Bank (MORB) provisions on the Audit Committee (Article VII-C, renumbered to Article VII-B; (f) new article stating that the Manual on Corporate Governance, board and board-level committee charters are suppletory to the By-Laws (new Article XI); (g) digital payment of dividends (Article XIV); (h) correction of clerical/typographical errors and references to the Revised Corporation Code (Article I; Article XII); (i) corresponding adjustment and re-numbering of article and section numbers. The provisions of the By-Laws reflecting the foregoing changes are attached hereto as Annex "A-4".

The Bank's stockholders have previously delegated to the Board of Directors the authority to amend the By-Laws (per Article XVII of the Bank's Amended By-Laws), provided that the proposed amendments to the By-Laws will be reported to the stockholders as part of the acts of the Board for ratification. Accordingly, ratification will be requested from the stockholders on the foregoing changes. Further, the stockholders will be requested to approve/confirm the delegation to the Board of the power to further amend, modify, repeal or adopt new by-laws of the Bank as it deems necessary and proper, or as may be required by law, regulations, or the relevant regulators.

Item 18. **Other Proposed Action**

There are no proposed actions other than those indicated in the notice for this Annual Meeting of Stockholders.

Item 19. **Voting Procedures**

(a) Vote Required for Approval or Election

The election of directors will be by plurality of votes and every stockholder shall be entitled to cumulate his votes.

Approval of the amendment of Article Seventh of the Articles of Incorporation will need the affirmative vote of at least two-thirds (2/3) of the outstanding capital stock.

Approval of matters required to be acted upon will need the affirmative vote of at least a majority of the issued and outstanding stock entitled to vote and represented at the meeting.

(b) Method by which the Votes will be Counted

Votes will be counted by shares and not per capita. Each outstanding share of stock entitles the registered holder to one vote. Any stockholder may cumulate his vote as provided in the Corporation Code for purposes of election of the members of the Board. All votes received shall be tabulated by the Office of the Corporate Secretary and the results will be validated by the Bank's auditor. In light of the Regulations (as defined in Item 19(c) below), stockholders will only be allowed to vote by appointing the Chairman of the meeting as proxy or electronically *in absentia*.

(c) Participation of Shareholders by Remote Communication

To comply with applicable regulations prohibiting mass gatherings, identifying authorized persons outside residence, and/or requiring social distancing to prevent the spread of COVID-19 (the "Regulations") and to ensure the safety and welfare of our stockholders, the Bank will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication, as set forth below, and by voting in absentia, as provided in Items 4(c) and 19(b) above, or voting through the Chairman of the meeting as proxy.

The live webcast of the meeting shall be accessible through the following online web address: http://www.ayalagroupshareholders.com/. To enable the Bank to perform validation procedures, identify the shareholders participating by remote communication and record their presence for purposes of quorum, the shareholders shall inform the Bank by email to bpi-asm@bpi.com.ph on or before April 18, 2022, of their participation in the meeting by remote communication. Stockholders may email questions or comments prior to or during the meeting at the following email address: bpi-asm@bpi.com.ph. The detailed instructions for participation through remote communication are set forth in Annex "A-2".

Item 20. **Management Report - Annex "A-1"**

Item 21. **Statement of Management's Responsibility and Audited Financial Statements – Annex "B"**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 18th day of March 2022.

BANK OF THE PHILIPPINE ISLANDS

by : (Sgd.) ANGELA PILAR B. MARAMAG
Corporate Secretary

ANNEX "A"

THE NOMINEES TO THE BPI BOARD OF DIRECTORS FOR THE TERM 2022-2023

1. **JAIME AUGUSTO ZOBEL DE AYALA,** Filipino, 62, has been a member of the board of directors (non-executive director) of BPI since March 1990 and chairman since March 2004. He is currently the chairman of the Bank's Executive Committee and a member of the Nomination Committee. Mr. Zobel served as vice chairman from 1995 to March 2004.

   Mr. Zobel also serves as a director of Ayala Corporation since May 1987. He is the chairman of the board of Ayala Corporation since April 2006. He was its CEO from April 2006 to April 2021. He holds the following positions in publicly listed companies: chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc.; and vice chairman of Ayala Land, Inc., and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the chairman of AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of AC Ventures Holding Corp., Alabang Commercial Corporation, AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Limited.

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

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

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

2. **FERNANDO ZOBEL DE AYALA,** Filipino, 62 years old, has been a member of the board of directors (non-executive director) of BPI since October 1994 and was elected vice chairman in April 2013. He also serves as chairman of the Bank's Personnel and Compensation Committee, vice chairman of the Executive Committee, and member of the Nomination Committee. He is also a member of the board of BPI Asset Management and Trust Corporation and chairman of the board of trustees of The Bank of the Philippine Islands Foundation, Inc.

   Mr. Zobel is the president and Chief Executive Officer of Ayala Corporation, the chairman of Ayala Land, Inc., and AC Energy Corporation. He is the co-vice chairman of Globe Telecom, Inc. and is a director for Manila Water Company, Inc., Integrated Micro- Electronics, Inc.; and serves as an independent director of Pilipinas Shell Petroleum Corporation.

   He is the chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation, Ayala Healthcare Holdings, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; co- chairman of Ayala Foundation, Inc.

He is the vice chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc. AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc. He is a director of LiveIt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., Altaraza Development, Corporation and The Manila Peninsula.

He is a director of INSEAD Business School and Georgetown University; member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; vice chairman of the Philippine-Singapore Business Council, Chief Executives Organization; member of Habitat for Humanity International's Asia Pacific Development Council; co-chair of the Tate Museum Asia-Pacific Acquisitions Committee, member of the board of trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum; and Asia Philanthropy Circle and The Metropolitan Museum International Council.

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

3. **JOSE TEODORO K. LIMCAOCO**, Filipino, 60 years old, was elected as President and Chief Executive Officer of Bank of the Philippine Islands (BPI) in April 2021.

He serves as chairman of BPI Capital Corporation, BPI Asset Management and Trust Corporation, BPI/MS Insurance Corporation, BPI AIA Life Assurance Corporation and BPI Europe Plc; president and vice chairman of The Bank of the Philippine Islands Foundation, Inc.; vice chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation, and director of Globe Fintech Innovations, Inc. and AC Energy International Inc. 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 for Ayala Life Assurance, Inc. in 2009 and director/chairman of Ayala Plans, Inc. in 2010-2011. He also worked at BPI from 1989 to 1992 and at BPI Capital from 1995 to 1997.

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

Mr. Limcaoco joined Ayala Corporation as a managing director in 1998. His responsibilities prior to his secondment to BPI in 2007 included assistant treasurer of Ayala Corporation, trustee and treasurer of Ayala Foundation, Inc., president of myAyala.com, and CFO of Azalea Technology Investments, Inc.

He served as the president of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia.

He is a director and treasurer of Just For Kids, Inc., a family-owned company.

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

4. **JANET GUAT HAR ANG**, Singaporean, 62 years old, was elected as an independent director of BPI in May 2021. She is a member of the Bank's Risk Management Committee.

Ms. Ang is currently the chairman of SISTIC.com Pte Ltd and an independent director of the board of the SPH Limited. She also serves as the chairman of the NUS Institute of Systems Science, the Singapore Polytechnic and the Caritas Singapore Agape Fund Board of Trustees. Ms. Ang is also the deputy chairman of the Singapore Business Federation Foundation as well as member of the Board of The Esplanade Company Ltd, the Home Team Science & Technology Agency, and the Cenacle Mission (Singapore).

Ms. Ang serves on the Council for Board Diversity and the Singapore Business Federation, and is a Senior Advisor of the RGE Group and board member of the Tanoto Foundation. She is a Fellow of the Singapore Computer Society, a Fellow of Singapore Institute of Directors and a member and past president of the International Women's Forum (Singapore). She is a nominated MP of the Parliament of Singapore and Singapore's Non-Resident Ambassador to the Holy See.

Ms. Ang had a thirty-seven year career in the information technology industry and had lived and worked in Japan and China over a span of eleven years. She was a managing director of IBM Singapore from 2001 to 2003 and again from 2011-2015. Ms. Ang was a member of the IBM Industry Academy. Her last executive role was as IBM Vice President, Industry Solutions, IBM Asia Pacific.

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

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

5. **RENÉ G. BAÑEZ**, Filipino, 66 years old, was elected as director of BPI in August 2021. He is a member of the Bank's Executive, Related Party Transaction, and Retirement/Pension Committees. Mr. Bañez also serves as a board director of BPI Asset Management and Trust Corporation and BPI Capital Corporation.

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

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

Before his appointment to the BIR in 1993, he spent more than 11 years at accounting firm Isla Lipana & Co./PwC (formerly Joaquin Cunanan & Co.), starting as a tax consultant in 1982 until he became tax principal (Partner) from 1990 to 1993. He was a faculty member at the Ateneo de Manila University College of Law, handling Taxation, from 1990 to 2007.

He is affiliated with the Equestrian Order of the Holy Sepulchre, and is a member of the Finance Board of the Archdiocese of Manila and Diocese of Pasig, a board member/trustee of Radio Veritas Corporation, Pope Pius Foundation, Catholic Travel Inc., Mirador Jesuit Villa & Retreat House Corporation, Loyola School of Theology Corporation, and Unitas Asia Corp. (a subsidiary of Radio Veritas Asia).

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

6. **ROMEO L. BERNARDO**, Filipino, 67 years old, has served as a member of the board of directors of BPI since February 1998, and an independent director since August 2002 until April 2019.

Mr. Bernardo serves as an independent director of the following PSE-listed companies: Aboitiz Equity Ventures, Inc, and RFM Corporation. He is also a non-executive director of Globe Telecom, Inc. He is the chairman of the board of directors of the ALFM family of mutual funds. He also serves as a board director of the Management Association of the Philippines and the Finex Foundation. He is likewise a public advocate of good corporate and national governance and frequently writes on the subject in his capacity as vice chairman and cofounder of the Foundation for Economic Freedom and the Philippine Partner of GlobalSource Partners, Inc., a worldwide network providing insights on emerging markets.

Mr. Bernardo is a former undersecretary of the Department of Finance and founded his consultancy practice, Lazaro Bernardo Tiu & Associates in 1997. He has worked and/or been engaged as consultant in various multilateral institutions such as the World Bank, International Finance Corporation, Asian Development Bank, and Japan International Cooperation Agency. He has also worked with government institutions such as the Department of Finance and the National Economic Development Authority (NEDA) in policy matters involving pension reform, capital markets reform, and fiscal and debt management.

Mr. Bernardo graduated with a B.S. Business Economics degree (Magna Cum Laude), from the University of the Philippines in 1974. He obtained his M.A. Development Economics at Williams College, Williamstown, Massachusetts in 1977.

7. **IGNACIO R. BUNYE**, Filipino, 76 years old, was elected as an independent director of BPI in April 2016. He is the chairman of the Bank's Related Party Transaction Committee and a member of the Corporate Governance and Personnel and Compensation Committees. He was appointed lead independent director in April 2021. Mr. Bunye also serves as an independent director of BPI Asset Management and Trust Corporation, BPI Direct BanKo, Inc., A Savings Bank and BPI Capital Corporation.

Mr. Bunye was a member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2008 to 2014. He previously held the positions of Presidential Political Adviser in 2008, Presidential Spokesperson in 2003, and Press Secretary in 2002. He also worked in BPI's Treasury and Corporate Finance departments from 1983 to 1986 before he began his government service in the City of Muntinlupa (then a municipality) as officer-in-charge and later as Mayor between 1986 and 1998.

During his twelve-year stewardship in Muntinlupa, Mr. Bunye founded the Muntinlupa Polytechnic College (now Pamantasan ng Lungsod ng Muntinlupa) and laid the foundation for the establishment of the Ospital ng Muntinlupa. In a concurrent capacity, he also served as Chairman of the Metropolitan Manila Authority (now Metropolitan Manila Development Authority) between 1991 and 1992, and was a member of the House of Representatives representing Muntinlupa between 1998 and 2001. A former print and broadcast journalist, he now writes a regular weekly column for Manila Bulletin, Tempo, People's Tonight, Sun Star, BusinessWeek Mindanao, Panay News and Filipino Reporter (in New York).

Significant awards and recognition received by Mr. Bunye include the Asian Institute of Management Honor and Prestige Award, the Bangko Sentral Service Excellence Medal, the Gran Oden de Isabela Catolica, and the Order of Lakandula (rank of Bayani).

Mr. Bunye is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University in 1964 and 1969, respectively. He passed the Philippine Bar Examination in 1969.

8. **CEZAR P. CONSING**, Filipino, 62 years old, was elected as regular director of the Bank in April 2021. He served as President and Chief Executive Officer of BPI from 2013 to 2021. He is a member of BPI's Executive and Risk Management Committees. Mr. Consing also serves as member of the board of directors of BPI Asset Management and Trust Corporation, BPI Capital Corporation, and BPI Direct BanKo, Inc., A Savings Bank.

Mr. Consing is the chairman of Philippine Dealing System Holdings and its three operating subsidiaries, a position he has held since 2019. Mr. Consing is a board director of the publicly listed Ayala Corporation (2020-present) and three of its publicly listed companies: Bank of the Philippine Islands, or BPI (1995-2000, 2004-2007, 2010-present), Globe Telecom (2021-present), and AC Energy (2021-present). He is also a director of the Singapore-listed Yoma Strategic Holdings Ltd. and the Myanmar-listed First Myanmar Investment Public Company Limited.

Mr. Consing served as the chairman and president of the Bankers Association of the Philippines from 2019-2021. He was the president of Bancnet, Inc. from 2017-2021. Mr.

Consing was a partner at the Rohatyn Group from 2004-2013. He headed its Hong Kong office and its private investing business in Asia and was a board director of its real estate and energy and infrastructure private equity investing subsidiaries. Mr. Consing worked for J. P. Morgan & Co. in Hong Kong and Singapore from 1985-2004. He headed the firm's investment banking business in Asia Pacific from 1997-2004 and served as president of J. P. Morgan Securities (Asia Pacific) Ltd. as a senior managing director, Mr. Consing was a member of the firm's Global Investment Banking Management Committee, its Asia Pacific Management Committee, and its Global Managing Director Selection Committee.

Mr. Consing worked for BPI from 1981-1985, as a management trainee and eventually as assistant vice president. Mr. Consing has served as an independent board director of four publicly listed companies in Asia: Jollibee Foods Corporation (2010-2021), CIMB Group Holdings (2006-2013), First Gen Corporation (2005-2013), and National Reinsurance Corporation (2014-2019), where he also served as chairman (2018-2019). He currently serves on the board of FILGIFTS.com. He has also served on the boards of SQREEM Technologies, Endeavor Philippines and the Hongkong based Asian Youth Orchestra. He is a board director of the US-Philippines Society and the Philippine-American Educational Foundation, and a board trustee of the Manila Golf Club Foundation. He is a member of the National Mission Council of De La Salle Philippines and a board trustee of College of St. Benilde and La Salle Greenhills. Mr. Consing has been a member of the Trilateral Commission since 2014.

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

9. **EMMANUEL S. DE DIOS,** Filipino, 67 years old, is nominated for election as independent director of Bank of the Philippine Islands (BPI) for the term 2022-2023. Mr. de Dios is a board member of ABS-CBN Corporation and was appointed as independent director on April 23, 2013. Mr. de Dios has been a Professor of Economics at the University of the Philippines School of Economics since 1989. He is also the President of Human Development Network (Philippines) since July 2012.

He was the Dean of the University of the Philippines School of Economics from 2007 to 2010. He was a member of the Board of Advisors to the Board of Directors of the Company from 2011 until his election as an Independent Director in 2013. He became chair of the Board of Trustees of Pulse Asia Research, Inc. as of 2016.

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

10. **RAMON R. DEL ROSARIO, JR.**, Filipino, 77, was elected as director of Bank of the Philippine Islands (BPI) in April 2020 and is a member of the Corporate Governance and Retirement and Pension Committees.

He currently holds the following positions in the following companies: President and Chief Executive Officer of Phinma Corporation; President and Chief Executive Officer of Philippine Investment Management, Inc.; Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna, Union College of Laguna, United Pulp and Paper Co., Inc., PHINMA Microtel Hotels, Inc. and PHINMA Hospitality, Inc. He is vice chairman of Phinma Foundation, Inc. and Phinma Property Holdings Corp., director of Philcement Corp. and other PHINMA managed companies; chairman of Philippine Business for Education; and vice chairman of Caritas Manila and Philippine Business for Social Progress. He is a former chairman of the Ramon Magsaysay Award Foundation and Makati Business Club, where he remains a trustee; and former chairman of the National Museum of the Philippines. He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate.

Mr. del Rosario graduated from De La Salle College in 1967 with degrees in BSC-Accounting and AB Social Sciences (Magna Cum Laude) and from Harvard Business School in 1969 with a Master in Business Administration degree.

11. **OCTAVIO V. ESPIRITU**, Filipino, 78 years old, has been a member of the board of directors of BPI since April 2000 and an independent director since April 2003 until May 2021. He is a member of the Audit and Risk Management Committees. He was appointed lead independent director in April 2019 until May 2021.

Mr. Espiritu is an independent director of Bloomberry Resorts Corporation and Manila Water Company Inc., a member of the board of directors of Philippine Stratbase Consultancy, Inc., Pueblo de Oro Golf & Country Club, and The Country Club, Inc. He is the chairman of GANESP Ventures, Inc. and MAROV Holding Company, Inc. He is also a trustee and board member of the Carlos P. Romulo Foundation.

Mr. Espiritu was the president and Chief Executive Officer of Far East Bank & Trust Company (which merged with the Bank of the Philippine Islands in the year 2000) from 1984 until April 2000. He was also the president of the Bankers Association of the Philippines for three consecutive terms from March 25, 1991 to March 28, 1994. He served as the chairman of the board of trustees of Ateneo de Manila University for 14 years.

He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from Georgetown University, U.S.A in 1966.

12. **AURELIO R. MONTINOLA III**, Filipino, 70 years old, has been a member of the board of directors of BPI since 2004. Mr. Montinola served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for twelve years from 1992 to 2004. He is the chairman of the Bank's Retirement/Pension Committee and member of the Bank's Executive, and Personnel & Compensation Committees. Among the several BPI subsidiaries and affiliates, Mr. Montinola serves as member of the board of directors of the following: BPI Capital Corporation, BPI/MS Insurance Corporation, BPI Direct BanKo, Inc., A Savings Bank, and The Bank of the Philippine Islands Foundation, Inc.

Mr. Montinola is the chairman of Far Eastern University, Inc. and an independent director of Roxas and Company, Inc., both PSE-listed companies. Among others, he is also the chairman of Ramon Magsaysay Award Foundation, Amon Trading Corporation, Roosevelt College, Inc. and East Asia Computer Center, Inc. He is a member of the board of trustees of the Philippine Business for Education Inc. where he sits as vice chairman.

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

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

13. **CESAR V. PURISIMA**, Filipino, 61 years old, was elected as independent director of BPI in January 2021. He is the chairman of BPI's Corporate Governance and Nomination Committees, and member of the 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 Land, Inc., Universal Robina Corporation, and Jollibee Foods Corporation. He is also a founding partner of Ikhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the board of AIA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, a member of Singapore Management University's International Advisory Council in the Philippines and member of the Board of Advisors of ABS-CBN. He is also a member of the board of trustees of the World Wildlife Fund- Philippines, De La Salle University, and the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank.

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

He was conferred the Chevalier dans 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.

14. **ELI M. REMOLONA, JR.**, Filipino, 69 years old, has been an independent director of BPI since April 2019 and is the chairman of the Risk Management Committee. Mr. Remolona also serves as an independent director of BPI/MS Insurance Corporation since December 2020.

He has extensive policy experience in financial markets, international finance, monetary policy, and bank regulation, having worked for 14 years at the Federal Reserve Bank of New York and 19 years at the Bank for International Settlements (BIS). He is currently professor of Finance and director of Central Banking at the Asia School of Business in Kuala Lumpur. The school is a collaborative effort with the MIT Sloan School of Management.

Until October 2018, Mr. Remolona was the chief representative for Asia and the Pacific of the BIS. He also served as secretary of the Asian Consultative Council, which consists of the Governors of the 12 leading central banks in the region. Until 2008, he was head of Economics for Asia and the Pacific of the BIS. Mr. Remolona joined the BIS in 1999 and for 6 years served as Head of Financial Markets and Editor of the BIS Quarterly Review. Before that, he was research officer of the Federal Reserve Bank of New York. He has taught at Columbia University, New York University, Williams College and the School of Economics of the University of the Philippines.

Mr. Remolona obtained his Bachelor's Degree in Economics Honors from Ateneo de Manila University and has a Ph.D. in Economics from Stanford University.

15. **MARIA DOLORES B. YUVIENCO**, Filipino, 74 years old, was elected as director of BPI in April 2014 and as independent director in April 2016. Mrs. Yuvienco currently serves as the chairman of the Audit Committee, a member of the Related Party Transactions Committee and the Personnel and Compensation Committee. In July 2019, Mrs. Yuvienco was elected as independent director of BPI Asset Management and Trust Corporation, and designated chairman of the AMTC Corporate Governance Committee and a member of the AMTC Risk Oversight Committee.

She serves as independent director of First Consolidated Bank (Thrift Bank), and chairman of the Nomination and Governance Committee.

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

Ms. Yuvienco attended the Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit (The Board's Agenda 2021: The Pathway to Recovery Through ESG) held by Institute of Corporate Directors (ICD) on 21 October 2021 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.

THE KEY EXECUTIVE OFFICERS OF BPI
as of December 31, 2021

1. **JOSE TEODORO K. LIMCAOCO**
   President & Chief Executive Officer

2. **MARIA THERESA MARCIAL JAVIER**
   Executive Vice President/CFO

   Ms. Marcial, Filipino, 51 years old, is the Chief Finance Officer, Chief Sustainability Officer and Head of Strategy and Finance of BPI. She is responsible for strategic planning and sustainability, central accounting, financial control, balance sheet management and analytics, corporate legal affairs, strategic management and sales of bank assets, and investor relations.

   She is a member of BPI's Management Committee, Asset and Liability Committee, Credit Committee, and chairs the Finance Committee. She is a board director of BPI MS Insurance Corporation, BPI Europe Plc, AF Payments Inc, and BPI Global Payments Asia Pacific Philippines Inc. She is a fellow of Foundation for Economic Freedom, trustee and treasurer of World Wide Fund for Nature (WWF) Philippines, member of WWF Asia Pacific Council, treasurer of BPI Foundation, and board director of Philippines Inter-Island Sailing Federation.

   She joined BPI in 1995 through the Bank Officers Development Program. She has 27 years of banking experience with expertise in strategic planning and finance, corporate banking, debt and equity capital markets, portfolio management, trust, and retail wealth management. She previously served on the BPI Trust Committee and the board of BPI Investment Management Inc. Prior to her banking career, she worked for the National Economic and Development Authority, and the Agricultural Policy Credit Council.

   She previously served as president of the Fund Managers Association of the Philippines, president of the Trust Officers Association of the Philippines, vice-chairman of Capital Markets Development Committee of FINEX, alternate governor of the Market Governance Board of Philippine Dealing and Exchange Corporation, and member of the National Advisory Council of WWF Philippines. She was recognized as one of Top 25 Most Influential Women in Asset Management in Asia by Asian Investor and Most Outstanding Alumnus of the University of the Philippines Los Baños.

   Ms. Marcial obtained her Master's Degree in Economics in 1995 from the University of the Philippines Diliman and BS Economics, cum laude, from the University of the Philippines Los Baños in 1990. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.

3. **RAMON L. JOCSON**
   Executive Vice President/COO

   Mr. Jocson, Filipino, 62 years old, is the Chief Operating Officer of BPI. He heads BPI's Enterprise Services which serves as the backbone of the organization that includes Human Resources, Centralized Operations, Information Systems, Digital Channels, Business Transformation & Data Science, Facilities Services, and Client Experience Center. He chairs the Bank's IT Steering Committee and is a member of the Bank's Management Committee.

   He is also currently the vice chairman of the CyberSecurity Committee of the Bankers Association of the Philippines and a member of Yoma Bank's (Myanmar) Technology Advisory Committee.

   Mr. Jocson began his career as a Systems Analyst with IBM Manila in 1982, subsequently took on more responsibility as he assumed different positions, including Information Systems Manager, Systems Engineering Manager and Manager of Quality. In 1995, he was assigned in Singapore where he led IBM's Applications/Systems Integration business in ASEAN and South Asia. In 1996, he was appointed as managing director for IBM Philippines. In 2000, he took on a new assignment as vice president and general manager of IBM Global Services, ASEAN and South Asia. He was then appointed as vice president and general manager of IBM Global

Services for Industrial Sector for Asia Pacific in 2005. Two years later, in 2007, he took on the role of vice president and general manager of Application Services for the Growth Market Unit, where he led IBM's Applications Management and Application Integration Services in Asia Pacific, Central and Eastern Europe, Latin America and Middle East/Africa. He was then appointed as vice president & general manager of Integrated Technology Services for Asia Pacific in 2010. In 2013, he was appointed as vice president & general manager of IBM Global Services for Central and Eastern Europe based in Prague, Czech Republic. In this capacity, he was responsible for IBM's services portfolio in Russia/CIS, Turkey, Poland & Baltics, Central Europe and South East Europe. From January 2015 until he joined BPI in September 2015, he was in Singapore as IBM Asia Pacific VP & GM for Strategic Outsourcing which catered to major regional banks, telcos and airlines as major clients.

He was also a member of IBM's Growth & Transformation Team, which is composed of the top senior leaders in IBM which worked directly with the chairman on key/strategic initiatives. He has served on several external boards, including the Economic Development Board of Singapore, Philamlife and iPeople.

Mr. Jocson graduated with a B.S. Industrial Engineering degree from the University of the Philippines in 1982 and obtained his MBA from the Ateneo Graduate School of Business.

4. MARIE JOSEPHINE M. OCAMPO
Executive Vice President

Ms. Ocampo, Filipino, 60 years old, is the head of the Mass Retail Segment of the Bank, where she oversees BPI's credit, debit and prepaid card businesses as well as personal and micro finance loans.

Ms. Ocampo is currently the chairman of the board of BPI Direct BanKo, the bank's micro-finance subsidiary. She is a member of the board of BPI Payments Holdings Inc., Global Payments Asia-Pacific Philippines, Inc., AF Payments Inc., Zalora Philippines and CARD MRI Rizal Bank Inc.

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

Prior to joining BPI, Ms. Ocampo gained over 10 years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J's Health Care, Baby Care and Sanitary Protection business.

Ms. Ocampo graduated Magna Cum Laude and received her Bachelor of Science in Business Management, Honors Program at Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School in 2007.

5. JUAN CARLOS L. SYQUIA
Executive Vice President

Mr. Syquia, Filipino, 55 years old, is the head of Corporate Banking. His responsibilities include managing the Corporate Banking Relationship Management, Corporate Credit Products, Transaction Services (Cash Management and Trade), Remittance and Fund Transfer, Investment Banking (BPI Capital Corporation) and Equity Brokerage (BPI Securities Corporation). He is also a member of the board of directors of BPI's merchant acquiring joint venture company, Global Payments Asia-Pacific Philippines Incorporated and Medicard Philippines Inc. Prior to taking on this role in 2018, he was the president of BPI Capital

Corporation and co-head for Investment Banking for the Bank. He has over 30 years of work experience in the financial services industry.

Prior to joining BPI Capital Corporation in June 2016, Mr. Syquia was the 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 and operations 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 the head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role as head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice (then based in Hong Kong). 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 Cebu 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.

ANNEX "A-1"

MANAGEMENT REPORT

Description of business

As the first bank in the Philippines and in Southeast Asia, Bank of the Philippine Islands has established a history of client trust, financial strength, and innovation. Since 1851, our business, products, and services have created sustainable value and played a significant role in every Filipino's daily life, as well as in the country's growing economy.

A fully diversified universal bank and a recognized leader in the banking industry, BPI offers a diverse range of products and services in consumer and corporate banking as well as in asset management, payments, insurance, investment banking, foreign exchange, leasing, and securities distribution. We are focused on leveraging digital technology to provide our clients across all segments - corporate, consumer, and small, medium and micro-entrepreneurs - outstanding customer journeys anchored on trust and best digital offerings. We are united in our commitment to support our customers, employees and communities towards a sustainable future.

Our 19,181 employees serve over 8.5 million customers through our digital platforms and the 1,176 branches of BPI, BPI Family Savings Bank and BPI Direct BanKo.

Principal Subsidiaries. The bank's principal subsidiaries are:

(1) BPI Family Savings Bank, Inc. ("BFSB") is BPI's flagship platform for retail lending, in particular, housing and auto loans. It is also one of BPI's primary vehicles for retail deposits. BFSB was acquired by BPI in 1985. In January 2021, the Bank announced BPI's merger with BFSB, with BPI as the surviving entity. The merger took effect on January 1, 2022;

(2) BPI Capital Corp. ("BPI Cap") is an investment house that offers a full suite of services covering a comprehensive program: from corporate finance and capital markets advisory, project finance and loan syndication, to debt and equity underwriting and securities distribution. It began operations in December 1994. BPI Cap wholly owns BPI Securities Corp., a stock brokerage.

(3) 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, it is now wholly-owned, 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.;

(4) BPI International Finance Limited ("BPI IFL"), originally established in August 1974, is a deposit-taking company authorised and regulated by the Hong Kong Monetary Authority. It is also licensed by the Securities and Futures Commission of Hong Kong to undertake Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. Its principal business activities are: 1) providing banking services mainly in relation to term deposits and loans; 2) providing securities brokerage services in relation to dealing and advising on securities; and 3) providing asset management services;

(5) BPI Remittance Centre Hong Kong Ltd. ("BERC HK") is a licensed money service operator in Hong Kong servicing the remittance services to beneficiaries residing throughout the Philippines. On November 21, 2018, BPI IFL distributed its shares in BERC HK as a property dividend to the Parent Bank. BERC HK became an immediate subsidiary of the Parent Bank following this;

(6) BPI (Europe) Plc ("BPI Europe") is a UK-licenced bank authorised by the PRA, jointly regulated by the PRA and the Financial Conduct Authority (FCA). It has been in operation since 2007, and started off with a paid-up capital of £20 million, subsequently increased to £100 million after equity infusions in 2020 and 2021. The bank offers simple retail deposit products, and engages in the proprietary trading of fixed income securities, foreign exchange and syndicated loans;

(7) BPI/MS Insurance Corp. ("BPI MS") is a non-life insurance company. It is a joint venture with Mitsui Sumitomo Insurance Co. (who owns a 49% stake), and is the result of a merger of FGU Insurance Co. and FEB Mitsui Marine Insurance Co., which was acquired as a subsidiary of Far East Bank in 2000;

(8) BPI Asset Management and Trust Corporation ("BPI AMTC") is a Stand Alone Trust Corporation (SATC) serving both individual and institutional investors with a full suite of local and global investment solutions. BPI AMTC commenced operations on February 1, 2017;

(9) BPI Investment Management Inc. ("BIMI") is a wholly owned subsidiary of the Bank and serves as the Bank's fund manager, investment advisor and principal distributor of the ALFM & PAMI Mutual Funds – open-end investment companies registered with, and regulated by, the Securities and Exchange Commission (SEC).

Legal Proceedings

The Bank does not have any material pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

Market Information

The common shares of BPI have been listed on the Philippine Stock Exchange (PSE) since 1971.

The table below shows the high and low prices of BPI shares transacted at the PSE for each quarter within the last three (3) fiscal years.

		High	Low
Year Ended December 31, 2019			
1st Quarter..............	P	95.00	83.90
2nd Quarter.............		85.65	73.30
3rd Quarter..............		94.35	78.00
4th Quarter..............		100.00	83.10
Year Ended December 31, 2020			
1st Quarter..............	P	89.00	51.40
2nd Quarter.............		78.00	57.00
3rd Quarter..............		75.00	61.00
4th Quarter..............		88.60	64.50
Year Ended December 31, 2021			
1st Quarter..............	P	89.00	79.45
2nd Quarter.............		89.00	80.00
3rd Quarter..............		89.95	80.30
4th Quarter..............		95.80	80.50

The high and low prices of BPI at the Philippine Stock Exchange on February 28, 2022 were P100.00 and P97.60, respectively, with a closing price of P100.00.

Dividends

The Bank's practice is to declare cash dividends to its common stockholders on a regular basis as may be determined by the Board of Directors. As its dividend payout history shows, the Bank has consistently paid at least P1.80 per share in annual dividends; however, the Bank evaluates its dividend payments from time to time in accordance with business and regulatory requirements, and cannot make explicit warranties about the quantum of future dividend payments.

Cash dividends declared and paid during the years ending December 31, 2019, 2020, and 2021 are as follows:

Date Declared	Date of Payment	Amount of Dividends	
		Per Share	Total (in P Mn)
May 15, 2019	June 19, 2019	0.9	4,056
November 20, 2019	December 27, 2019	0.9	4,057
May 20, 2020	June 26, 2020	0.9	4,062
October 21, 2020	November 26, 2020	0.9	4,062
May 19, 2021	June 23, 2021	0.9	4,062
November 17, 2021	December 24, 2021	0.9	4,062

There are no known restrictions or impediments to the Bank's ability to pay dividends on common equity, whether current or future.

Dividend declaration is ultimately the responsibility of BPI and the BPI Board of Directors which has the authority to declare dividends as it may deem appropriate. Banks that meet the prequalification criteria including capital adequacy requirements and applicable laws and regulations of the BSP can declare and pay dividends without prior BSP verification.

Details of the dividend declaration is reflected in Note 18 of the 2021 Audited Financial Statements.

Management Discussion and Analysis of Financial Condition and Results of Operations

The highlights of the balance sheet and income statement of BPI for each year and the compounded growth rate over the three-year period (2019-2021) are shown below:

In Million Pesos	2018	2019	2020	2021	CAGR
Assets	2,085,228	2,205,030	2,233,443	2,421,915	5.1%
Loans (Net)	1,354,896	1,475,336	1,407,413	1,476,527	2.9%
Deposits	1,585,746	1,695,343	1,716,177	1,955,147	7.2%
Capital	248,521	269,577	279,835	293,060	5.6%

Over the past three years, despite the pandemic, the Bank was able to grow total assets by 5.1%, largely funded by deposits which grew 7.2% annually. Total loans, despite the decline in 2020 due to the pandemic, recovered a year after and registered a 2.9% three year CAGR as of 2021. The Bank continued to accrete capital from operations at 5.6% three year CAGR.

<u>2019</u>

Total resources reached P2.20 trillion, P119.8 billion, or 5.7%, higher than last year's P2.09 trillion. **Total deposits** grew P109.6 billion, or 6.9% to P1.70 trillion, on the back of growth in time, demand, and savings deposits of 17.6%, 6.1%, and 1.8%, respectively. **Deferred credits and other liabilities** increased by P4.6 billion, or 10.8%, from the recognition of lease liabilities on office spaces as part of the Bank's adoption of PFRS 16: Leases. **Manager's checks and demand draft outstanding** increased by P1.4 billion, or 19.7%, on account of higher volume of manager's checks issued. **Accrued taxes, interest and other expenses** rose by P809 million, or 8.9%, on higher accrued interest payable and accrued expenses. On the other hand, **bills payable and other borrowed funds** decreased by P16.1 billion, or 9.6%, largely due to lower bills payable. **Due to Bangko Sentral ng Pilipinas and other banks** decreased by P1.0 billion, or 26.1%, on account of lower tax collected for the Bureau of Internal Revenues (BIR). **Derivative Financial Liabilities** declined by P1.0 billion, or 26.1%, due to lower market valuation of certain derivative products.

Capital funds amounted to P269.6 billion, P21.0 billion, or 8.5%, higher than last year's P248.5 billion. **Surplus** contributed to the capital growth by P20.0 billion, or 15.7%, as a result of accumulated profits net of cash dividend payments. **Reserves** likewise increased by P1.0 billion, or 24.7%, representing required appropriation of general loan loss provisions in excess of PFRS9 loan loss provisions under BSP Circ. 1011. **Accumulated other comprehensive loss** increased by P263 million, or 12.1%, due to the increase in actuarial losses on defined benefit plan.

On the asset side, **loans and advances, net** increased P120.4 billion, or 8.9%, led by the growth in the corporate and consumer segments. **Financial assets at fair value through OCI** likewise increased P16.7 billion, or 44.9%, due to the net effect of the increase in the Bank's various holdings in hold to collect and sell debt securities. **Due from Other Banks,** increased by P9.9 billion, or 79.2%, due to net increase in the account balances with various banks. **Bank premises, furniture, fixtures and equipment, net** increased by P7.5 billion, or 46.1%, as the Bank adopted PRFS 16 which entails the recognition of Right-of-Use Asset for the Bank's leased properties and equipment. **Financial assets at fair value through profit and loss** increased by P7.4 billion, or 44.2%, due to increase in holdings of securities intended for trading on outlook of lower interest rates. **Cash and other cash items** grew P3.7 billion, or 8.5%, on account of higher cash requirement for the period as compared to year-end 2018. **Assets attributable to insurance operations** increased by P1.2 billion, or 7.3%, due to higher securities investments of the Bank's non-life insurance affiliate. **Deferred income tax assets, net** grew P1.2 billion, or 13.7%, on account of the impairment losses setup for the period. **Investments in subsidiaries and associates, net** increased P1.1 billion, or 19.2%, as a result of higher income from the asset management subsidiaries.

On the other hand, **Due from Bangko Sentral ng Pilipinas (BSP)** decreased by P18.1 billion, or 8.0% due to lower volume of placement in BSP deposits and lower reserve requirements. **Financial assets at amortized cost** decreased by P12.5 billion, or 4.3%, due to the net effect of the decrease in the Bank's various holdings in hold to collect and sell debt securities. **Interbank loans receivable and securities purchased under agreements to resell** declined P11.7 billion, or 34.2%, due to lower volume of placement in Reverse Repurchase Agreements (RRP) and interbank term loans. **Other assets, net** was lower by P6.8 billion, or 30.6%, primarily attributable to lower miscellaneous assets. **Assets held for sale, net** also declined P208 million, or 6.2%, due to sale of foreclosed properties.

2020

Total resources reached P2.23 trillion, up P28.41 billion, or 1.3%, from last year's P2.21 trillion. **Total deposits** grew P20.83 billion, or 1.2% to P1.72 trillion, on the back of growth in demand and savings deposits of 15.7% and 16.9%, respectively. **Derivative Financial Liabilities** increased P2.78 billion, or 96.6%, due to lower market valuation of certain derivative products. On the other hand, **Due to Bangko Sentral ng Pilipinas and other banks** decreased by P1.46 billion, or 49.4%, on account of lower tax collected for the Bureau of Internal Revenues (BIR). **Manager's checks and demand draft outstanding** decreased by P1.19 billion, or 14.4%, on account of lower volume of manager's checks issued. **Accrued taxes, interest and other expenses** lower by P963 million, or 9.8%, on lower accrued interest payable.

Capital funds amounted to P279.84 billion, increased P10.26 billion, or 3.8%, higher than last year's P269.58 billion. **Surplus** contributed to the capital growth by P18.05 billion, or 12.2%, as a result of accumulated profits net of cash dividend payments. **Reserves** decreased by P4.69 billion, or 91.9%, representing required appropriation of general loan loss provisions in excess of PFRS9 loan loss provisions under BSP Circ. 1011. **Accumulated other comprehensive loss** likewise increased by P3.46 billion, or 141.9%, due to recognition of lower actuarial losses on defined benefit plan.

On the asset side, **loans and advances, net** declined P67.92 billion, or 4.6%, due to lower growth mostly across business segments compared to 2019. However, **financial assets at fair value through OCI** increased P76.28 billion, or 141.5%, largely due to the sale of hold to collect debt securities. **Due from Other Banks,** increased P17.80 billion, or 79.6% while **due from Bangko Sentral ng Pilipinas (BSP)** increased P16.14 billion, or 7.8% due to higher volume of placements with various banks in BSP deposits. **Financial assets at fair value through profit and loss** increased P13.10 billion, or 54.4%, due to increase in holdings of securities intended for trading. **Deferred income tax assets, net** grew P7.82 billion, or 80.6%, on account of the impairment losses setup for the period. **Interbank loans receivable and securities purchased under agreements to resell** increased P7.68 billion, or 34.0%, due to higher volume placements of interbank term loans. **Other resources, net** was higher by P1.44 billion, or 9.3%, primarily attributable to higher miscellaneous assets. **Assets attributable to insurance operations** increased P935 million, or 5.3%, due to higher securities investments of the Bank's non-life insurance affiliate. **Investments in subsidiaries and associates, net** increased P764 million, or 11.3%, as a result of higher income from the leasing business.

On the other hand, **financial assets at amortized cost** decreased P30.45 billion, or 11.1%, due to the net effect of the decrease in the Bank's various holdings in hold to collect securities. **Cash and other cash items** was lower by P10.08 billion, or 21.3%, on account of lower cash requirement for the period as compared to year-end 2019. **Bank premises, furniture, fixtures and equipment, net** decreased P4.92 billion, or 20.7%, as the booking of the Right-of-Use Asset for the Bank's leased properties and equipment (PFRS 16) decreased from its first recognition in 2019. **Assets held for sale, net** also declined P185 million, or 5.9%, due to sale of foreclosed properties and decline in building improvements.

2021

Total resources reached P2.42 trillion, up P188.47 billion, or 8.4%, from last year's P2.23 trillion. This was driven by the expansion in **total deposits** of P238.97 billion, or 13.9%, as CASA deposits increased P140.28 billion, 10.3%, to P1.51 trillion and Time Deposits increased P98.69 billion, or 28.2%, to P448.94 billion. The increase was partially offset by the settlement of maturing bonds booked under **other borrowed funds**, down P56.91 billion, or 37.5%. **Deferred credits and other liabilities** at P43.40 billion, down 5.4%, primarily from the decrease in other liabilities. **Derivative financial liabilities** also declined P2.02 billion, or 35.8%, due to lower market valuation of certain derivative products. **Liabilities attributable to insurance operations** at P13.24 billion, decreased P1.11 billion, or 7.7%, on account of lower reserves and other balances. **Due to Bangko Sentral ng Pilipinas and other banks** decreased by P537.77 million, or 36.1%, owing to lower tax collected for the Bureau of Internal Revenues (BIR) and other banks. **Accrued taxes, interest and other expenses** lower by P488.81 million, or 5.5%, on lower accrued income tax and other expenses payable.

Capital funds amounted to P293.06 billion, increased P13.22 billion, or 4.7%, higher than last year's P279.83 billion. **Surplus** contributed to the capital growth by P15.59 billion, or 9.4%, on account of the recognized appropriation of retained earnings. **Reserves** likewise increased by P148.59 million, or 35.8%, due to the 10% appropriated reserves from the trust business income in compliance with the existing BSP regulations. These are partially tempered by the increase in **accumulated other comprehensive loss** by P2.77 billion, or 47.0%, due to the recognized negative movement on defined benefit obligation in the beginning of the year.

On the asset side, **financial assets at amortized cost** increased P94.02 billion, up 38.4%, on account of additional placements in long-term HTC securities. **Loans and advances, net** have bounced back to its pre-pandemic level at P1.48 trillion, grew P69.11 billion, or 4.9%, due to higher growth mostly across business segments compared to 2020. With higher placements in BSP deposits, **due from Bangko Sentral ng Pilipinas (BSP)** increased P44.84 billion, or 20.0%. **Other resources, net** was also higher by P3.05 billion, or 18.1%, on account of higher miscellaneous assets. **Assets held for sale, net** up P311.68 million, or 10.5%, due to lower allowance for losses recognized in 2021.

On the other hand, **financial assets at fair value through profit and loss** decreased P15.88 billion, or 42.7%, due to decrease in holdings of securities intended for trading. **Due from Other Banks** at P34.57 billion, down 13.9%, due to the net decrease in account balances with various banks. **Cash and other cash items** was lower by P2.03 billion, or 5.5%, on account of lower cash placements as compared to year-end 2020. **Deferred income tax assets, net** at P15.82 billion, down 9.7%, mainly due to the net impact of the new tax rate under the CREATE law. **Bank premises, furniture, fixtures and equipment, net** decreased P1.31 billion, or 6.9%, on account of lower booking of right-of-use assets under PFRS 16. **Assets attributable to insurance operations** at P17.56 billion, down 6.2%, due to lower assets booked from the Bank's non-life insurance affiliate.

Asset Quality
The Bank's loan portfolio mix is broken down into corporates at 76.5%, small and medium enterprises (SMEs) at 4.4%, consumer at 19.1%, compared to last year's 76.7%, 4.6%, and 18.7%, respectively.

Allowance for Impairment at P13.13 billion declined P14.87 billion from last year's P28.00 billion. NPL ratio improved to 2.49% from 2.68% in 2020, which was below the industry ratio of 4.12%.

Details of the loan portfolio and asset quality are reflected in the 2021 Audited Financial Statements Note 10 and Note 26.1.3.1, respectively.

Funding and Liquidity
Customer deposits account for 92% of BPI's total funding, while 4% 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 77.0%, while the Loan-to-Deposit Ratio was 75.5%.

For further details on the Bank's deposits, borrowings, and liquidity, refer to the 2021 Audited Financial Statements Notes 15, 16, and 26.3.1, respectively.

Results of Operations

In Million Pesos	2018	2019	CAGR
Net Interest Income	55,843	65,945	15.9%
Non-Interest Income	22,681	28,389	5.5%
Impairment Losses	4,923	5,822	6.6%
Operating Expenses	43,602	50,077	12.7%
Net Income	23,078	28,803	9.3%

2019 vs. 2018. In 2019, the Bank's net income reached P28.8 billion, an increase of P5.7 billion, or 24.8%, from the P23.1 billion recognized in the prior year. This increase was boosted by revenue growth of P15.8 billion, or 20.1%, which was partially tempered by the increase in operating expenses of P6.5 billion, or 14.8%.

Net interest income stood at P65.9 billion, up P10.1 billion, or 18.1%, on account of the P165.7 billion, or 8.6%, expansion in average asset base, and 24-basis point expansion in margins.

- **Interest income** increased P21.4 billion or 26.7%, from previous year's P80.2 billion. Interest income **on loans and advances** increased by P17.7 billion, or 25.6%, on the back of higher average volume and asset yield by P122.8 billion, and 84 bps, respectively. Interest income **on financial assets** likewise increased by P3.1 billion also due to higher average volume and yield of P59.2 billion and 35 bps, respectively. Interest income **on deposits with BSP and other banks** increased by P550 million, or 46.8%, due to higher average yield, partially tempered by the decrease in average volume;

- **Interest expense** of P35.6 billion, increased P11.3 billion, or 46.4%, driven by the increases in both interest expense **on deposits** at P28.9 billion, up P7.6 billion, or 35.8%, and **on bills payable and other borrowings** at P6.8 billion, up P3.7 billion, or 118.7%, due to higher average volume and interest cost.

Other income at P28.4 billion, up P5.7 billion, or 25.2%, higher than the P22.7 billion earned in the same period of 2018 primarily from the **securities trading gain** of P4.0 billion, up P3.3 billion, or 457.7%, due to profit taking on favorable trading opportunities. **Other operating income** at P12.0 billion, increased P1.6 billion, or 15.4%, due to higher credit card income and miscellaneous income. **Fees and commissions** at P9.1 billion, increased P838 million, or 10.2%, mainly from the higher service charges.

Other expenses at P50.1 billion, increased P6.5 billion, or 14.8%, due to increased spending on the following:

- **Occupancy and equipment-related expenses** at P16.1 billion, grew P3.0 billion, or 22.6%, due to the impact of the PRFS 16 implementation and higher technology-related outsourced services costs;
- **Compensation and fringe benefits** at P17.5 billion, was up P2.2 billion, or 14.2%, on increased manpower complement for both microfinance and regular branches;
- **Other operating expenses** at P16.5 billion, also increased P1.3 billion, or 8.8%, primarily from higher costs for regulatory, marketing, transaction servicing, and outsourced services.

Impairment losses stood at P5.8 billion, which includes specific reserves for the Hanjin exposure.

Provision for income tax at P9.4 billion, up P2.7 billion, or a 40.2% increase from P6.7 billion last year. **Current taxes** at P10.0 billion, was higher by P2.6 billion, or 35.6%, attributable to the higher taxable income subject to regular corporate income tax. **Deferred taxes** at (P685) million, on account of the higher write-offs for the year.

Income attributable to non-controlling interest increased P28 million, or 11.3%, because of higher income contribution from the Bank's non-life insurance affiliates.

Comprehensive Income

Total comprehensive income at P28.8 billion, increased P6.9 billion, or 31.5%, due to increases in both **net income before minority interest** by P5.8 billion, or 24.7%, and **total other comprehensive income, net of tax effect** by P1.4 billion, or 109.9%.

Share in other comprehensive income of associates at P1.3 billion, jumped P2.6 billion, or 200.4%, due to the upward market valuation of investments of the bancassurance affiliates. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P545.3 million, increased P945 million, or 236.4%, as a result of higher market valuation of the bancassurance affiliates' investment funds. **Net change in fair value reserve on FVOCI securities, net of tax effect** at (P51) million, increased P739 million, or 93.5%, on account of higher market valuation of the Bank's investment securities. **Currency translation differences** at (P202) million, decreased P176 million, or 684.6%, on account of the net effect from cash flow hedging. These increases were partly tempered by the decreases in **remeasurements of defined benefit obligation**, of P2.0 billion due to change in financial assumption, and **share in other comprehensive gain (loss) of associates** of P627 million, due to the remeasurement/fair valuation of BPI-Philam's liabilities, property, and equipment.

Comprehensive income attributable to non-controlling interest increased P279 million, or 171.8% due to higher market valuation of the insurance's subsidiaries' investments.

In Million Pesos	2018 (restated)	2019 (restated)	2020	2021	CAGR
Net Interest Income	55,617	65,575	72,264	69,583	7.8%
Non-Interest Income	21,003	26,687	29,659	27,822	9.8%
Impairment Losses	4,719	5,562	28,000	13,135	40.7%
Operating Expenses	42,085	48,344	48,154	50,733	6.4%
Net Income	23,078	28,803	21,409	23,880	5.6%

The Bank's income grew at a compounded annual rate of 5.6% in the past three years despite the significantly higher impairment losses recorded in 2020. Net interest income and non-interest income increased by 7.8% and 9.8%, respectively while operating expenses grew at a slower rate of 6.4% over the same period.

2020 vs. 2019. On November 18, 2020, the Board of Directors approved the transfer of the Parent Bank's majority ownership via the sale of BPI's 2% share in BPI CTL to TCC, effective December 22, 2020. This resulted in a 49% to 51% ownership structure between BPI and TCC. The loss of control of the Parent Bank over BPI CTL resulted in the deconsolidation of the finance lease operations and was presented as a discontinued operation.

Accordingly, the Bank's **net income attributable to equity holders arising from continued operations** reached P21.41 billion, decreased P7.39 billion, or 25.7%, from the P28.80 billion recognized in the prior year. This amount is net of the **loss arising from the discontinued operations** of (P211) million resulted from the recent transaction. Moreover, the decline in net income was primarily from the P28.0 billion **impairment losses** booked for the full year 2020, as the economic slowdown leads to an increase in non-performing loans. However, total revenues for the year increased by 10.5%, to P101.92 billion, and **operating expenses** amounted to P48.15 billion, almost flat compared to previous year, declined -0.4%.

Net interest income stood at P72.26 billion, up P6.69 billion, or 10.2%, on account of the P119.81 billion, or 5.8%, expansion in average asset base, and 14-basis point expansion in margins.

- **Interest income** decreased P4.18 billion, or 4.2%, compared from the P100.49 billion of the same period last year. Interest income **on loans and advances** decreased P3.74 billion, or 4.4%, on the back of lower asset yields, down by 84 bps, despite higher average volume by P122.8 billion. Interest income **on financial assets** likewise decreased P657 million due to lower asset yield, despite higher average volume. However, interest income **on deposits with BSP and other banks** increased P222 million, or 12.9%, as both average volume and yield rose by P33.06 billion and 57 bps, respectively.

- **Interest expense** of P24.04 billion, decreased P10.87 billion, or 31.1%, on the back of the decreases in both interest expense **on deposits** at P18.99 billion, down P9.89 billion, or 34.2%, and **on bills payable and other borrowings** at P5.06 billion, down P980 million, or 16.2%, due to higher average volume despite lower interest cost.

Other income at P29.66 billion, up P2.97 billion, or 11.1%, higher than the P26.69 billion earned in the same period of 2019. The increase was primarily from the **net gains on disposals of investment securities at amortized cost** at P4.65 billion, up P4.52 billion, or 3,520.2%, as the Bank sold a portion of debt securities portfolio. **Income attributable to insurance operations** also increased P282 million, up 23.1%, to P1.51 billion, due to higher income contribution from the Bank's life and non-life insurance affiliates. On the other hand, **other operating income** at P9.14 billion, decreased P1.13 billion, or 11.0%, due to decline in gain in asset sales and credit card income.

Other expenses at P48.15 billion, decreased P190 million, or 0.4%, due to controlled spending: **Compensation and fringe benefits** at P18.01 billion, was up P636 million, or 3.7%, on increased manpower compensation and Bank contribution to retirement fund;

- **Occupancy and equipment-related expenses** at P14.61 billion, down P129 million, or 0.9%, due lower rent and utilities costs;
- **Other operating expenses** at P15.54 billion, also decreased P697 million, or 4.3%, due from lower costs for advertising and publicity, and miscellaneous expenses.

Impairment losses stood at P28.0 billion, 5.0x more than the P5.56 billion set aside in 2019, due to pre-emptive provisioning on anticipated credit loss.

Provision for income tax at P3.91 billion, lower by P5.45 billion, or 58.2%, relative to the P9.36 billion from last year. **Current taxes** at P10.75 billion, was higher by P775 million, or 7.8%, attributable to the higher taxable income subject to regular corporate income tax. **Deferred taxes** at (P6.84) billion, up 1,003%, on account of the higher provisioning set-up for the year.

Income attributable to non-controlling interest increased P4 million, or 1.6%, due from higher income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at P18.26 billion, decreased P10.95 billion, or 37.5%, due to decreases in both **net income before minority interest** by P7.14 billion, or 24.6%, and **total other comprehensive income (loss), net of tax effect** by P3.53 billion, to (P3.39) billion. The total comprehensive income was net of the **loss arising from the discontinued operations** of P215 million.

Net change in fair value reserve on FVOCI securities, net of tax effect at P643 million, increased P694 million, on account of higher market valuation of the Bank's investment securities. On the other hand, loss from **remeasurement of defined benefit obligation** increased P1.98 billion, to (P3.38) billion, due to change in financial assumption. **Share in other comprehensive loss of associates** at (P1.24) billion, also increased P1.21 billion, due to the lower market valuation of the life insurance affiliate's investments securities. **Share in other comprehensive income of associates** at P640 million, also decreased P646 million, due lower accumulated fluctuation reserves of the Bank's insurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P195 million, declined P350 million, or 64.2%, as a result of lower market valuation of the insurance subsidiaries' investment funds. Loss from **currency translation differences** at (P238) million, increased P36 million, or 18.0%, on account of the net effect from cash flow hedging.

Comprehensive income attributable to non-controlling interest decreased P127 million, or 28.7% due to lower market valuation of the insurance's subsidiaries' investments.

2021 vs. 2020

The Bank posted a **net income** of P23.88 billion, increased P2.47 billion, or 11.5% YoY, due to the lower **impairment losses** booked in 2021 versus the accelerated recognition last year in anticipation for higher NPL. However, decline in **total revenues** and slightly higher **operating expenses**, partially tempered the growth.

Net interest income stood at P69.58 billion, down P2.68 billion, or 3.7%, as NIM at 3.30% contracted 19 bps on account of lower asset yields and offset by drop in cost of funds. Modest increase in average assets of 1.5%.

- **Interest income** decreased P11.69, or 12.1%, versus the P96.31 billion from last year. Interest income **on loans and advances** at P72.22 billion, decreased P10.09 billion, or 12.3%, owing to lower average volume and asset yields. Interest income **on financial assets** also lower at P10.43 billion, down 13.4%, due to lower asset yield, despite higher average volume.

- **Interest expense** of P15.03 billion, decreased P9.01 billion, or 37.5%, primarily from the decrease in
  Interest expense **on deposits** of P8.82 billion, or 46.4%, due to lower interest cost despite higher average volume.

Other income at P27.82 billion, down P1.84 billion, or 6.2%, on significantly lower **trading gain on securities**, down P6.35 billion, or 79.8%, on account of lower realized gains from various sales of financial assets at FVOCI and hold collect debt securities. Partially offset by higher **fees and commissions** at P11.20 billion, up P2.21 billion, or 24.6%, on higher transaction-based service charges. **Other operating income** also increased P1.66 billion, up 18.3%, owing to the increase in miscellaneous income and higher income from credit card business. **Income attributable to insurance operations** at P1.85 billion, up 23.1%, owing to higher income contribution from the Bank's life insurance affiliates. **Income from foreign exchange trading** up 13.6%, due to favorable trading opportunities.

Other expenses were higher at P50.73 billion, up P2.58 billion, or 5.4%, primarily from **occupancy and equipment-related expenses** at P16.01 billion, increased P1.40 billion, or 9.6%, on higher technology spend driven by Bank's continued digitalization initiative.

Impairment losses stood at P13.13 billion, down 53.1%, lower than the P28.0 billion booked in 2020.

Provision for income tax at P9.43 billion, higher by P5.52 billion, compared to the P3.91 billion from last year. **Current taxes** at P8.33 billion, lower by P2.42 billion, or 22.5%, and **deferred taxes** at P1.10 billion, higher by P7.94 billion, brought about by the impact of CIT and DIT rate adjustments from the implementation of CREATE law.

Income attributable to non-controlling interest decreased P12.51 million, or 5.1%, owing to lower income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at P21.27 billion, up P3.01 billion, or 16.5%, due to the increase in **net income before minority interest** by P2.46 billion, or 11.4%, and decrease in **total other comprehensive loss, net of tax effect** by P546.15 million, or 16.1%.

Net change in fair value reserve on FVOCI securities, net of tax effect at P3.59 billion loss, increased P2.23 billion, on account of lower market valuation of the Bank's investment securities. **Share in other comprehensive loss of associates** at P727.15 million loss, also increased P1.37 billion, due to the lower market valuation of the life insurance affiliate's investments securities. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P209.04 million loss, increased P403.24 million, as a result of lower market valuation of the insurance subsidiaries' investment funds. On the other hand, gain from **remeasurement of defined benefit obligation** increased P3.99 billion, or 118.0%, due to the change in valuation of the Bank's consolidated subsidiaries' contribution to the retirement fund. **Share in other comprehensive income of associates** at P447.97 million, increased P1.69 billion, due to higher accumulated fluctuation reserves of the Bank's insurance affiliate. Gain from **currency translation differences** at P626.25 million, increased P864.09 million, on account of the higher net effect from cash flow hedging.

Comprehensive income attributable to non-controlling interest decreased P155.10 million, or 49.4%, due to lower market valuation of the insurance's subsidiaries' investments.

Key Performance Indicators

	2019	2020	2021
Return on Equity[1]	11.0%	7.7%	8.4%
Return on Assets[1]	1.4%	1.0%	1.1%
Net Interest Margin[1]	3.3%	3.5%	3.3%
Operating Efficiency Ratio	52.4%	47.2%	52.1%
Capital Adequacy Ratio[2]	16.1%	17.1%	16.7%

[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 8.4% and 1.1%, respectively, as a result of the increase in net income of 11.5%.

Net interest margin (NIM), net interest income divided by average interest bearing assets, was lower at 3.3% by 19 basis points than the 3.5% in 2020, as asset yields remained low, partially offset by lower cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, was higher at 52.1% from 47.2%, driven by lower revenues and higher operating expenses.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was lower at 16.7% compared to last year's 17.1%, as the growth in total risk-weighted assets outpaced the growth of the qualifying capital. The CET 1 ratio at 15.8%, was also lower than the 16.2% from the same period last year. Both of the Bank's capital ratios are above the BSP's minimum requirement.

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

Using simple average method	2020	2021
Return on Equity	7.8%	8.3%
Return on Assets	1.0%	1.0%
Net Interest Margin	3.5%	3.2%

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

Material Event/s and Uncertainties:

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

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

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

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

d) Any material commitments for capital expenditures.

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

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

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

Market Outlook

The Philippine economy expanded by 5.6% in 2021 after contracting by 9.6% in 2020. Economic activity rebounded amid the easing of restrictions and the improvement in mobility. The availability of vaccines and treatments has contributed to the recovery of consumer confidence.

Household consumption rose by 4.2% in 2021 as e-commerce continued to expand. The continuous inflow of remittances and the decline in unemployment rate have also provided a boost in consumer spending. On the other hand, investment spending continues to lag compared to 2019 level but managed to rebound by 19% in 2021. The private sector has been conservative with its capital expenditures amid the uncertainties of the pandemic and the upcoming elections. Despite this, imports have already exceeded pre-pandemic level given the demand for raw materials especially semiconductors. Exports also posted substantial growth in 2021 amid the global boom in manufacturing.

If the growth momentum is sustained, economic output will likely return to pre-pandemic levels by the third quarter of 2022. A full year growth of 6.5 to 7.5% is expected in 2022 as vaccination hits 70% of the target population and as the economic activities adjust further to alleviate the impact of COVID-19.

Interest Rate Outlook

Inflation was faster in 2021 at 3.9% compared to 2.4% in 2020 (base year 2018) amid supply constraints and improving demand causing the local currency depreciate against the US dollar. Looking ahead, favorable base effects could pull down inflation in the first quarter of 2022. However, average inflation in 2022 is still expected to settle near the 4% target of the BSP due to existing and emerging inflationary pressures. Oil and electricity prices will likely continue to increase given expectations of higher demand and tighter supply in the global markets. Furthermore, global supply chain issues may persist and increase the cost of imported products. The improvement in demand may also exert pressure on consumer prices and may eventually lead to the depreciation of the Peso.

As a result, the BSP may need to adjust its policy rate to avoid the de-anchoring of inflationary expectations as the policy rate has remained below inflation for nearly two years. Aside from this, an adjustment may be needed as a response to the rate hikes of the Federal Reserve. Expectations of tighter dollar liquidity in the coming months might exert pressure on the Peso and the BSP's dollar reserves if the policy rate is kept at 2.0%.

Meanwhile, government borrowing is another factor that could push interest rates higher in 2022. With government revenues still lagging behind expenditures amid the pandemic, the budget deficit will likely remain substantial.

Exchange Rate Outlook

With demand slowly going back to pre-pandemic level, imports will likely exceed exports and remittances in 2022. The increase in Dollar demand due to rising imports may provide support to the Dollar and cause the Peso to weaken. Aside from this, rising interest rates in the US may lead to Dollar outflows that could drive the depreciation of the Peso. Expectations of tighter Dollar supply due to the bond tapering of the Federal Reserve may contribute further to this.

Implications on Business and Strategy

Macroeconomic outlook will significantly impact loan and deposits growth, net interest margins and consequently, revenue performance.

As heightened during the pandemic, the Banking environment, fundamentals and economics are rapidly changing, with shifts in consumer behavior, and the rise of new competitors and tech disruptors.

We continue to focus on the long game, shifting in mindset from concentrating on short term performance towards long term goals. Thus, we have set big strategic aspirations, founded on our analysis of the macro outlook, competitive environment, regulatory landscape, stakeholder concerns, and other relevant factors, serving as our guide in capturing new opportunities and managing risks.

We choose to act now with bold moves supported by meaningful investment commitments to future proof our competitive position and gain market share. This will cement ourselves as a choice investment, attractive to both domestic and offshore investors.

Over the medium term, these key initiatives are what we set out to achieve. All underpinned by our passion for the customer:

1. Establishing ourselves as the undisputed digital leader in banking;
2. Increasing the share of SME and consumer loans in our loan book;
3. Closing the gap in funding leadership;
4. Redefining the new role of branches; and
5. Promoting sustainable banking.

There were approximately 12,071 common shareholders of BPI as of February 28, 2022.

Equity Ownership of Foreigners on Common Shares as of 28 February 2022

	Nationality	Number of Stockholders	Number of Shares	Percent of Holdings
1.	American	37	1,211,191	0.0268%
2.	Australian	2	24,979	0.0005%
3.	Brazilian	1	40	0.0000%
4.	British	3	24,132	0.0005%
5.	Canadian	8	50,771	0.0011%
6.	Cayman Islands	1	390,269,162	8.6474%
7.	Chinese	37	527,660	0.0116%
8.	Danish	1	1,000	0.0000%
9.	Dutch	1	447,245	0.0099%
10.	German	2	446	0.0000%
11.	Hongkong	1	240	0.0000%
12.	Indian	1	10,000	0.0002%
13.	Indonesian	3	182,417	0.0040%
14.	Japanese	1	187	0.0000%
15.	Korean	1	18,480	0.0004%
16.	Non-Filipino (PCD)	2	882,317,883	19.5943%
17.	Others	3	19,274	0.0004%
18.	Singaporean	5	2,659	0.0000%
19.	Spanish	3	244,190	0.0054%
20.	Taiwanese	1	12,500	0.0002%
	Total	**114**	**1,275,364,456**	**28.3027%**

Top 20 Stockholders as of February 28, 2022

	Name of Stockholders	Number of Shares Held	Percent of Holdings
1.	Ayala Corporation	1,000,261,934	22.1634%
2.	Liontide Holdings Inc.	904,194,682	20.0348%
3.	PCD Nominee Corporation (Non-Filipino)	884,302,372	19.5940%
4.	PCD Nominee Corporation (Filipino)	789,259,134	17.4881%
5.	AC International Finance Limited	390,269,162	8.6474%
6.	Roman Catholic Archbishop of Manila	327,904,251	7.2656%
7.	Michigan Holdings, Inc.	92,684,989	2.0537%
8.	Mercury Grp. of Companies, Inc	7,653,853	0.1696%
9.	Estate of Vicente M. Warns	7,550,868	0.1673%
10.	BPI - ESPP 2019	5,591,260	0.1239%
11.	BPI Group of Companies Retirement Fund	4,174,243	0.0925%
12.	Xavier P. Loinaz and/or Ma. Teresa J. Loinaz	3,938,203	0.0873%
13.	BPI - ESPP 2018	3,817,820	0.0846%
14.	BPI - ESPP 2017	2,965,550	0.0657%
15.	Hermann Barretto Warns	2,920,000	0.0647%
16.	Bloomingdale Enterprises Inc	2,685,225	0.0595%
17.	Sahara Mgt. & Dev. Corp.	2,535,146	0.0562%
18.	La Filipina Uy Gongco Corporation	2,299,790	0.0510%
19.	Foresight Realty & Development Corporation	1,958,595	0.0434%
20.	Hyland Realty & Dev't. Corp.	1,935,413	0.0429%
	Total	**4,438,902,490**	**98.3553%**

Discussion of compliance with leading practices on corporate governance

I. Corporate Governance Framework.

We anchor our corporate governance framework on: (i) qualified and competent leadership, (ii) rigorous internal controls, (iii) an effective risk culture and (iv) strong accountability to shareholders. The Bank's corporate governance framework is defined by its Articles of Incorporation, Amended By-Laws and Manual on Corporate Governance, and takes into account the nature, size, complexity, business activities and requirements of the Bank as well as its group operations. Banking practices, guided by BPI's Board and Committee charters, the Manual of Corporate Governance, Code of Business Conduct and Ethics and internal operating manuals, reflect the integrity and ethics that define the Bank's decision-making, conduct and behavior, and are consistent with statutory laws, rules and regulations of the Bangko Sentral ng Pilipinas (BSP), Securities Exchange Commission (SEC), Anti-Money Laundering Council, Philippine Deposit Insurance Corporation, among others.

As a publicly listed company, BPI recognizes that robust corporate governance policies and practices promote a fair and sound market valuation of BPI shares and maintain the confidence of customers and investors alike. BPI strives to be jointly compliant with corporate governance and listed company disclosure requirements and standards of the SEC and the Philippine Stock Exchange. As an issuer in capital markets, the Bank also has a policy of continuous disclosure and transparency and utilizes disclosure mechanisms of the various exchanges in which its capital market issuances are traded. BPI also actively pursues alignment with best practices of counterparts in the region. The Bank strongly supports initiatives to strengthen regional capital market development and integration, especially through adoption of the rigorous benchmarking methodology of the ASEAN Corporate Governance Scorecard. In addition, considering BPI's role in the group as parent and publicly-listed company, the Board maintains an effective, high-level risk management and oversight process across other companies in the group to ensure consistent adoption of or alignment with the aforementioned corporate governance policies and systems.

II. **Board Governance**

(a) **Advisory Council**. As part of the Bank's efforts to strengthen stewardship further, the Bank has a three member Advisory Council to the Chairman, created in 2016, composed of senior thought leaders, captains of industry and luminaries in their respective fields, the Advisory Council expands the range of expertise, experience, and collective wisdom available to the Bank.

(b) **Board of Directors**. Our fifteen-member Board plays a key role in setting our governance standards to meet our stakeholders' expectations. In 2021, Non-Executive Directors (NEDs) comprising a majority or 14 out of the 15, were elected to the Board in April. The only Executive Director (ED) is the President and CEO. The size of our Board is deemed appropriate given the complexity of operations of the Bank and the entire BPI group, our risk appetite the geographical spread of our business, and the significant time demands placed on the Directors. From the initial 6 elected at the April 2021 Annual Stockholders' Meeting, the Board at year-end December 31, 2021, had 5 Independent Directors (IDs).

Chairman and Vice-Chairman. The Board has a Chairman and Vice-Chairman, both of whom are non-executive directors. The Chairman, who is not the CEO of the Bank in the past three years, is separately appointed from the President and CEO. Said positions are currently held by two individuals who are not related to each other and have roles and responsibilities that are also separate and distinct, as detailed in the Manual on Corporate Governance. The Chairman guides the Board in its decision-making process and ensures that the Board operates effectively as a team. The Chairman also forges a very positive and constructive working relationship between the Board and management. With the Chairman at the helm, the Board sets the Bank's strategy and risk appetite, and approves capital and operating plans presented by management for sustainable achievement of strategic objectives. In the absence of the Chairman of the Board, the Vice-Chairman assumes and performs all the powers and duties of the Chairman of the Board.

Lead Independent Director. The Bank's Manual on Corporate Governance provides for the designation of a Lead Independent Director role in the Board. The Board of Directors shall ensure that the Lead Independent Director functions in an environment that allows him to effectively challenge the CEO as circumstances may warrant. The Lead Independent Director shall also perform a more enhanced function over the other independent directors and shall: (1) lead the independent directors at board of directors meetings in raising queries and pursuing matters; and (2) lead meetings of independent directors, without the presence of the executive directors. In the Organizational Meeting of the Board of Directors following the 2021 Annual Stockholders Meeting, the Board appointed independent member Ignacio R. Bunye as Lead Independent Director.

Diversity and Independence. Our leadership model ensures an appropriate balance of power, accountability and independence in decision-making. As disclosed on the company website, the Bank's Diversity Policy was adopted in 2015 to institute diversity at the board level. In the 2021 Annual Stockholders Meeting, 3 women, including 1 of whom is an independent, were elected, to comprise 20% of the Board. In total, 6 independent directors were elected to the 2021 Board, compliant with the regulatory requirement to have at least one-third (1/3) but not less than two (2) independents as members of the board. However, at year-end December 31, 2021, due to the statutory 9-year term limit for independent directors where 2 independents were reclassified as non-executive directors, the number of independent directors were reduced to 4. Subsequently, with the resignation of Ms. Mercedita S. Nolledo in May 2021, Ms. Janet Guat Har Ang was elected to serve during the 2021 to 2022 term, as a new independent director. The resulting five (5) Independent Directors at year-end December 31, 2021 constitute 33%, which is key to fairness and integrity, and allows the board to strike a balance between public, corporate and all stakeholder interests.

(c) **Board Charter**. The charter of the Board articulates with specificity the governance and oversight responsibilities exercised by the directors and their roles and functions in the Bank. It includes provisions on board composition, Board Committees, and board governance, subject to the Bank's Articles of Incorporation, Amended By-Laws, and applicable laws. It is incorporated in Bank's Manual on Corporate Governance and is reviewed together with the annual review of the Manual. As stated in the Charter, the Board's key areas of focus include:

- Governance – ensuring that corporate responsibility and ethical standards underpin the conduct of BPI's business; developing succession plans for the Board and CEO; establishing the general framework of corporate governance for the Bank;
- Strategy - reviewing BPI's strategic and business plans; growing the business sensibly and building resilience into the franchise;
- Risk management – ensuring that effective risk management, compliance and assurance processes undergird our business;
- Financial performance – monitoring management performance; achieving goals and targets;
- Sustainability - considering sustainability issues (including environmental and social factors) and including these as part of the Bank's strategy.

(d) **Board Committees**. To heighten the efficiency of board operations, the Board has established Committees that assist in exercising its authority for oversight of internal control, risk management, and performance monitoring of the Bank. In 2021, the Bank had eight board-level committees: Executive, Risk Management, Audit, Corporate Governance, Personnel and Compensation, Nominations, Retirement and Pension, and Related Party Transactions Committees. Board-level committee memberships were also evaluated and calibrated to improve on the committees' focused oversight and high level engagement with management. Their respective charters stating committee purpose, membership, structure, operations, reporting processes and other information, are disclosed in regulatory reports and posted on the company website as well as are reviewed annually. Annual performance reviews are conducted by all board-level committees.

(e) **Corporate Secretary**. The Board is assisted in its duties by a Corporate Secretary who is not a member of the Board of Directors and is a senior, strategic-level corporate officer who plays a leading role in the Bank's corporate governance, serving as an adviser to the directors on their responsibilities and obligations. The Board has separate and independent access to the Corporate Secretary. All directors and board committees also have unrestricted access to company records and information in addition to receipt of regular detailed financial and operational reports from senior management. Our Corporate Secretary is suitably trained and experienced in legal, accountancy or company secretarial practices and is professionally qualified for these responsibilities. Our Corporate Secretary also possesses the legal skills of a chief legal officer whose training is complemented by business, organizational, human relations and administrative work skills. Our Corporate Secretary is also Corporate Secretary or Deputy Corporate Secretary of various BPI subsidiaries and affiliates.

(f) **External Advice**. Considering the increasing complexity of market transactions and rapid rate of change in the regulatory sphere, the Board, if so requested by the Chairman or other directors, can call on external specialists or consultants for advice, briefings or assistance on specialized areas of focus such as accounting standards, related party transactions, capital, tax, listing, mergers and acquisitions, valuation, etc. Management can arrange for the external auditor, management services company or consultants to present to the Board and the Bank.

(g) **Nominations**. As we are a financial institution imbued with public interest, fit and proper qualifications for membership in our Board of Directors are dictated by our Amended By-Laws, Manual on Corporate Governance, the Revised Corporation Code, and relevant regulations of the Bangko Sentral and the SEC. As a publicly listed company, we also ensure that Board composition and director qualifications also meet pertinent governance regulations, requirements, and standards of the PSE and strive to meet best practice standards of the ASEAN CG Scorecard. The Bank has in place a Board of Directors Succession Plan and also conducts an annual review of the size, composition and structure of the board as well as updates a board skills and expertise matrix for purposes of director recruitment. As disclosed in the Manual on Corporate Governance, candidates for directorship may be recommended by shareholders to the Nominations Committee through the Office of the Corporate Secretary. Among other qualifications, candidates must be fit and proper for the position of a director, taking into consideration integrity/probity, physical/mental fitness, relevant education/financial literacy/training, possession of competencies relevant to the job such as knowledge and experience, skills, diligence and independence of mind and sufficiency of time to carry out responsibilities. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means. The Committee itself may likewise identify and recommend qualified individuals for nomination and election to the board and may make use of professional search firms or other external sources to search for qualified candidates to the board. Separate qualifications and disqualifications for Independent Directors based on regulations, are enumerated in the Bank's Manual on Corporate Governance. Directors must remain qualified throughout the term. All of the Bank's annual reports contain comprehensive profiles of the Board of Directors which disclose the age, qualifications, date of appointment, relevant experience and directorships both in the BPI group as well as in other companies, listed or otherwise. In compliance with SEC Memo. Cir. No. 11, s2014, the Bank also posts biographical details of the Board of Directors and Senior Management on the company website.

(h) **Election and Term of Directors**. Board members are elected by BPI stockholders who are entitled to one vote per share at the Bank's Annual Stockholders Meeting. Voting for the election of members of the Board is considered in a poll, by shares of stock, that is, one share entitles the holder to one vote, two shares to two votes. Votes may be cumulated as provided for in the Corporation Code. The fifteen nominees receiving the highest number of votes are declared elected. The Bank's Amended By-Laws state that elections for the Board of Directors will be held yearly during the Annual Stockholders Meeting. Directors are to hold office for a term of one (1) year immediately upon their election and until the next election when their successor shall have been elected and qualified in accordance with the Amended By-Laws and Revised Corporation Code. No meeting of stockholders shall be competent to transact business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day or until such time as may be deemed proper. The Rules of Conduct, voting and vote tabulation procedures are explained during the Annual Stockholders Meeting. In its meeting held on February 24, 2021, the Board approved Management's recommendations for BPI to provide the Bank's stockholders with the option to vote in absentia in the ASM. Hence, at the April 22, 2021 ASM, stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code. The Office of the Corporate Secretary tabulates all votes received and the Bank's external auditor validates the results. Voting results are likewise disclosed on the various exchanges where BPI's capital market issuances are traded and the company's website as soon as possible after the meeting. The election/appointment of directors/officers must also be confirmed by the Monetary Board of the BSP. Elected/appointed directors/officers must submit required certifications and other documentary proof of qualifications for the confirmation of their election/appointment. The nomination and election processes and their effectiveness, are reviewed annually by the Nomination Committee during its review of the committee charter and its self-assessment, by its members, of committee performance. In adherence to Recommendation 2.6 of the SEC CG Code for PLCs, these nomination and election policies are disclosed in BPI's Manual on Corporate Governance as well as on the company website.

(i) **Continuing Education**. The Bank ensures that it has in place a formal board and director development program. For new directors, there is a deliberate, systematic and rapid familiarization with the organization and the operations of the board, Articles of Incorporation and Amended By-Laws, Manual of Corporate Governance, Board Charter as well as the Code of Conduct, standards of Conflict of interest and policies such as Insider Trading, Whistleblowing, Anti-Bribery and Anti-Corruption, Data Privacy and Related Party Transactions. In fulfillment of the Corporate Governance Committee's charter responsibilities for the provision of on-boarding/orientation programs for first time directors and new members of the board, the BPI CG Dept., conducted several on-boarding/orientation sessions in 2021 for Directors Cesar V. Purisima, Ramon R. del Rosario, Jr., Janet Guat Har Ang and René G. Bañez. The Bank, through its various units, also provides continuing director education in relation to current developments; these include regulatory initiatives with respect to Data Privacy, Cyber Risk and Cyber Security, the Anti-Money Laundering and Terrorist Financing Prevention Program, Foreign Account Tax Compliance Act, Securities Regulations Code, Sustainability Issues and ESG Reporting, SEC memorandum circulars, and BSP regulations, among others. All of the Bank's directors undergo the requisite corporate governance seminar provided by an SEC or Bangko Sentral-accredited institution. On October 21, 2021, members of the Board, including senior officers of the Bank, attended the Annual CG Training Program conducted by the Institute of Corporate Directors (ICD). Other directors attended the Corporate Governance Training conducted by Risks, Opportunities, Assessment and Management (ROAM) on September 24, 2021 and Corporate Governance Orientation Program conducted by the ICD on November 9 to 10 and December 6 to 7, 2021.

(j) **Remuneration.** BPI's remuneration decisions for the Board and management are aligned with risk incentives and support sustainable, long-term value creation. Apart from ensuring that Board and management pay appropriately reflects industry conditions and financial performance, the Bank likewise rebalances returns back to shareholders through consistent dividend declaration. Under the Bank's Amended By-Laws, as approved by the shareholders, the Board, as a whole, determines the level of remuneration and/or benefits for directors sufficient to attract and retain directors and compensate them for their time commitments and responsibilities of their role. The Personnel and Compensation Committee recommends to the Board the fees and other compensation for directors, ensuring that compensation fairly remunerates directors for work required in a company of BPI's size and scope. As provided by the Amended By-Laws and pursuant to a Board resolution, each director is entitled to receive fees and other compensation for his services as director. The Board has the sole authority to determine the amount, form, and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of the Board exceed 1% of the Bank's net income before income tax during the preceding year. Directors receive per diems for each occasion of attendance at meetings of the Board or of a board committee. All fixed or variable remuneration paid to directors may be given as approved by stockholders during the ASM, upon recommendation of the Personnel and Compensation Committee. Other than the usual per diem arrangement for Board and Committee meetings and the aforementioned compensation of Directors, there is no other standard arrangement as regards compensation of directors, directly or indirectly, for any other service provided by the directors for the last completed fiscal year. Directors with executive responsibilities within the BPI group are compensated as full-time officers of the company, not as Non-Executive Directors. No director participates in discussions of the remuneration scheme for himself or herself. Historically, total compensation paid annually to all directors has been significantly less than the cap stipulated by the Bank's Amended By-Laws. The remuneration policy is reviewed annually to ensure that it remains competitive and consistent with the Bank's high performance culture, objectives, long-term outlook, risk assessment, and strategies. This relationship between remuneration and performance aligns remuneration of the Board with the long-term interests of the Bank.

(k) **Performance Evaluation**. The Board conducts an annual board effectiveness review under the guidance of the Corporate Governance Committee, which ascertains alignment of leadership fundamentals and issues, and validates the Board's appreciation of its roles and responsibilities across four levels: the Board as a body, Board Committees, individual Directors, and President and CEO. Key evaluation criteria are built on the Board's terms of reference and committee charters, and framed around broad leadership fundamentals and best practices. Such an exercise will be conducted in early 2022 to assess the 2021 performance of the Board. BSP Circular 969 states that the annual self-assessment of the Board of Directors may be facilitated by the corporate Governance committee or external facilitators. The SEC Code of Corporate Governance for Publicly-Listed Companies, similarly states in Recommendation 6.1, that the conduct of the annual self-assessment of the Board of Directors is to be supported by an external facilitator every three years to improve objectivity of the assessment process. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution, or professional organization. In this respect, the first Third-Party Board of Directors Assessment for BPI was successfully concluded with Aon Hewitt Singapore Pte. Ltd.'s (now renamed as Aon Solutions Singapore Pte. Ltd.) in July to August 2020. The third-party assessment received the support of the full Board, which saw the participation of 15 out of 15 directors.

(l) **Succession Planning**. The Board understands the importance of succession planning and, through its Personnel and Compensation Committee (PerCom), manages the talent pipeline and assembles the right executive and leadership appetency capable of navigating the Bank through strategic, market, technology and regulatory shifts. In consultation with the Board and the President and CEO, either the PerCom evaluates and nominates potential successors to the President and CEO, as well as ensures there is a sufficient pool of qualified internal candidates to fill other senior and leadership positions. The Bank's effective succession planning has ensured leadership continuity within the last two decades, witnessing three President and CEO changes, marked by early planning and mentoring, smooth organizational and operational transitioning and prudent but progressive institutional building at BPI and across the BPI group. We believe that it is also crucial to have a good balance between continuity and fresh perspectives on the Board. In much the same way, our Board is regularly refreshed in a continuing cycle. The Nomination Committee and the Corporate Governance Committee work within a general board succession plan framework, utilizing a Board Skills and Expertise matrix, annual Board size, structure and composition review, Board Diversity Policy with measurable targets as well as the setting of Board succession priorities, to ensure that the Board is able to fulfill its fiduciary duties so that the Bank remains relevant, agile, and anticipatory of future programs and directions. For this purpose, the Nomination Committee also utilizes information from professional search firms or external director databases when possible and maximizes all available information resources to search for qualified candidates.

(m) **Retirement Policy**. The Bank believes that imposing uniform and fixed limits on director tenure is counter-productive as it may force the arbitrary retirement of valuable directors. It is the Bank's strong view that with age often comes unmatched wisdom and experience, expert business judgment, invaluable industry and community relations and authority, and that the best interests of the Bank are served by its being able to retain directors that make very meaningful contributions to the Board and the organization regardless of age. The Bank, therefore, sets the retirement age for Directors at 80 years of age but which the Board may opt to waive depending on specific conditions. Term limits of Independent Directors are set at a maximum cumulative term of nine (9) years as prescribed in the Manual of Regulations for Banks and SEC Mem.Cir.No. 9, Series of 2011 and No. 4, Series of 2017. Retirement of senior management is done with the requisite succession planning and in accordance with the Bank's policies and implementing guidelines of its retirement plan for all employees, the Bank's Amended By-Laws, Labor Code and the Corporation Code of the Philippines. Currently, the retirement age for employees of the Bank is set at 60 years of age.

III. Risk, Control, and Compliance Oversight and Management Relations

(n) **Audit.** Based on Internal Audit assurance activities, Internal Audit provides reasonable assurance to the Audit Committee, Board of Directors and Senior Management that the Bank's systems of internal controls, corporate governance, and risk management processes are adequate and generally effective. This unit reports directly to the Board through its Audit Committee. It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units. Through this system for the comprehensive monitoring and review of risks and compliance in the institution, the Board ensures that the Bank and all business units proactively manage the risk and compliance exposures impacting the business. The Internal Audit Division is headed by a Chief Audit Executive who is appointed by the Board and reports functionally to the Board of Directors through the Audit Committee and administratively to the President and CEO. The Audit Committee recommends to the Board the appointment of a Bangko Sentral-accredited external auditor for the purpose of preparing or issuing an audit report or related work. The appointment or re-appointment of the Bank's external auditor is subject to the approval and endorsement by the Audit Committee, for subsequent confirmation and approval by the Board of Directors and finally the Stockholders.

(o) **Risk Management**. In the same way, the Board's Risk Management Committee, with the assistance of management's Risk Management Office (RMO) and its Chief Risk Officer (CRO), reviews and recommends the Bank's enterprise risk and capital management framework to ensure that it conforms not only to the Bank's own rigorous standards, but also to Bangko Sentral directives promoting an effective Internal Capital Adequacy Assessment Process. The Chief Risk Officer is appointed by the Risk Management Committee, with approval and confirmation of the Board. The CRO is responsible for leading the formulation of risk management policies, methodologies, and metrics in alignment with the overall strategy of the Bank, ensuring that risks are prudently and rationally undertaken and within the Bank's risk appetite, as well as commensurate and disciplined to maximize returns on capital. The CRO and the RMO facilitate risk management learning programs and promote best practices on an enterprise-wide basis. The RMC also assesses the annual performance of the Chief Risk Officer and risk management functions taking into account how it carried out its duties and responsibilities.

(p) **Compliance.** Oversight of the management of the Bank's business risk and implementation of its compliance function is the responsibility of our Board of Directors, through the Audit Committee. At the management level, the compliance function is carried out by the Compliance Office, led by our Chief Compliance Officer (CCO). Designated by the Chairman of the Board, our CCO, is not a member of the Board of Directors and has the rank of at least a Vice President. The CCO's qualifications are subject to the applicable provisions of the Manual of Regulations for Banks, particularly considering fit and proper criteria such as integrity/probity, competence, education, diligence, experience and training. The CCO annually attends corporate governance training.

(q) **Strategy Process**. The Bank's new vision and mission, strategic objectives, key policies and procedures for management of the company are clearly established and communicated down the line. The Board of Directors creates the framework within which the executive team, under the President and CEO, can lead the business and deliver the agreed strategy. The Board conducts a periodic review of the foregoing and has continuing oversight in its implementation. The management team articulates the agreed strategy in periodic planning exercises and distills business plans in formal budgets. Periodic performance reviews are conducted against budgets and past performance. Management acts in accordance with well-defined operating policies and procedures, and ensures accuracy and transparency of operational and financial reporting to protect the Bank's reputation for integrity and fair dealing. The management team strives to achieve accountability in revenue performance, efficiency in expenditure of resources, and high quality in delivery of services and achievement of customer satisfaction. Management is periodically reviewed and rewarded according to performance relative to innovation, initiatives, assigned targets, and feedback from customers, peers, and Board. The President heads a management team who lead supervise work of the Bank's business units, which includes but is not limited to the Chief Finance Officer, Chief Credit Officer, Chief Customer and Marketing Officer, Chief Human Resources Officer, Chief Chief Risk Officer, Chief Audit Executive, and Chief Compliance Officer who provide focused and strategic, functional leadership and expertise. Management level committees are in place to deal with operational functions from a strategic level and serve as counterpoints to senior and mid-level managers.

IV. Corporate Governance Policies and Practices

(r) **Manual on Corporate Governance.** The Bank has a Manual on Corporate Governance which documents the framework of policies, rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders. A certification on the Bank's full compliance with the Manual, signed and issued by the Chief Compliance Officer, is posted on the Corporate Governance section of the company website. The Manual on Corporate Governance, reviewed annually, was last amended in third quarter 2021, and amendments were approved by the Board of Directors on September 15, 2021. When updated or amended, the Manual is resubmitted to the SEC. The Manual is also posted on the company website.

(s) **Code of Conduct**. BPI has Codes of Business Conduct and Ethics for its directors, officers and employees that provide the key practices and behaviors derived from the BPI Credo and Core Values, that guides what they say and do, in order that the right decisions are taken in performing their respective roles and responsibilities across various functions in the Bank and in handling relationships with all stakeholders. Both Codes of Conduct are disclosed on the company website and accessible internally on the Bank's database.

Employee Code of Business Conduct and Ethics. The Code is applicable to and mandatory for all BPI employees at all levels, including officers, as are the core values embodied in the Bank's Credo. As no code could address every situation an employee may encounter, all employees, including officers, are required to follow both the spirit and the letter of the Code, its policies, and procedures. All BPI officers and employees must abide and fulfill their duty and personal responsibility to read, understand and comply with the Code. All officers and employees undergo annual mandatory training on the Code of Conduct and CG-related policies.

Director's Code of Conduct. BPI has a Code of Conduct for its Board, adopted in September 2017, which applies to and is binding on all directors of the Bank. The Director's Code is intended to provide guidance to directors, whether executive, non-executive or independent, with policies on standards for conduct of the business of the Bank, the protection of its rights and its stakeholders, maintaining BPI's reputation for integrity, and fostering compliance with applicable laws and regulations. The Director's Code, therefore, sets forth policy in several basic areas that commonly require directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence and accountability.

Compliance with the Codes. All employees, including senior officers and directors, acknowledge annually, through a Statement of Affirmation, that they have read and understood the employee Code of Conduct and/or the Director's Code, respectively, as well as the Manual on Corporate Governance, and fully comply and adhere to principles, standards, and policies therein.

(t) **Conflict of Interest**. BPI does not tolerate those who place their interest above that of our institution, our clients, or our business partners. We have in place standards on conflict-of-interest that elevate the interest of the Bank above that of the personal interests of Directors, officers, and employees. These standards prohibit Directors, officers, and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage. Our standards on conflict of interest expect all Directors, officers and employees to refrain from any conduct that could be viewed unfavorably by our clients, co-employees, competitors, suppliers, investors, regulators, or the public. The standards also require full cooperation and provision of complete and accurate information from employees during government, regulatory or internal enquiries, investigations and audits. The standards also cover specific conflict-of-interest situations such as receipt of gifts from third parties, respect for trade secrets, and use of non-public information, and use of company funds, assets and information. All officers and employees undergo annual mandatory training on the Code of Conduct and CG-related policies which includes training on the Conflict of Interest standards.

(u) **Whistleblower Policy**. This policy covers all employees of BPI and all wrongful acts that adversely impact the Bank and its stakeholders. Under the policy, it is the responsibility of all personnel to comply with rules and regulations of the Bank and to report violations or suspected violations in accordance with the policy. Anybody who knowingly aids, abets, or conceals or otherwise deliberately permits the commission of any irregular or fraudulent act directed against the Bank shall be considered as guilty as the principal perpetrators of the fraud or irregularity. Hence, all employees have a duty to cooperate with investigations initiated under the policy. No action will be taken against anyone for reporting such violations in good faith, or participating or assisting in investigations of a suspected violation. Any act of retaliation against a whistleblower is a violation of the Whistleblower Policy and Code of Business Conduct and Ethics. All officers and employees undergo annual mandatory training on the Code of Conduct and the Whistleblower Policy. The Whistleblower Policy is disclosed on the company website and internal database.

(v) **Related Party Transactions Policy**. This policy guards against internal conflicts of interest between the company and/or its group and their directors, officers and significant shareholders and ensures that transactions such as loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of bank premises, investment advisory/management, service arrangements and advances for operating expenses are made in the normal course of banking activities with terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market. Vetting transactions with related parties is done either by the board-level Related Party Transaction Committee (RPTC) or Management Vetting Committee (MVC), depending on materiality, prior to implementation. The two committees provide guidance and vet on credit and non-credit related party transactions of significant amounts (P50Mn and above for RPTC and below P50Mn for MVC). Related party transactions are properly disclosed in BPI's audited financial statements, and applicable fillings in accordance with relevant rules and issuances of SEC, BSP, etc. In addition, the Bank in compliance with the SEC Memo Cir. No. 10, s2019, considers related party transaction/s, that are either individually, or in aggregate amounting to ten percent (10%) or higher of the Banks total assets based on its latest audited financial statement as Material Related Party Transactions, subject to the rules set on the policy. The policy also ensures that all Material RPTs are entered and conducted in fair and at arm's length terms. The RPT Policy is disclosed on the company website and internal database.

(w) **Insider Trading Policy**. This policy, in general, prohibits covered persons, i.e., directors, officers, employees of BPI and BPI's subsidiaries, and other parties who are considered to have knowledge, made aware of or have access to inside information or material non-public information, from buying or selling BPI stocks for their own personal account to benefit themselves or others, especially during the blackout trading period. All directors and senior management (SVP and up), Treasurer, Corporate Secretary and Assistant Corporate Secretary, are also required to report to the Compliance Office within ten (10) days from the end of each quarter their trades of shares of BPI stock during such quarter. In compliance with the SEC, all directors and senior management file within three (3) business days the required SEC Form 23A/B. Officers and directors are expected to strictly comply with the Policy and to be knowledgeable of BPI's related policies, standards or internal procedures such as on information barriers, which impact on compliance with the Insider Trading Policy. A breach of the Insider Trading Policy may result in internal disciplinary action and any violation of related securities laws may also subject the Bank and/or the director to civil liability and possibly monetary penalties. All officers and employees undergo annual mandatory training on the Code of Conduct which includes training on the Insider Trading Policy. The Insider Trading Policy is disclosed on the company website and internal database.

(x) **ABC Policy, Anti-Money Laundering and Financial Crime Policies**. The Bank puts the highest premium on sound, responsible and effective corporate governance and does not tolerate bribery, corruption or improper payments of any kind. It advocates that Directors, officers and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing. Aligned with the Bank's commitment to act fairly and with integrity in all business dealings and relationships, the Anti-Bribery and Anti-Corruption Policy complements the BPI's financial crime policies/programs such as the Money Laundering and Terrorist Financing Prevention Program and Whistleblower Policy. Guidance on the Bank's Anti-Corruption and Anti-Bribery program is supplemented by the Bank's Standards on Conflict of Interest under Request or Acceptance of Fees, Commissions, Gifts. Monitoring and compliance with the Code of Conduct and related policies are undertaken by departments or units of the Bank such as Human Resources and Corporate Governance, Compliance Division. All officers and employees undergo annual mandatory training on the Code of Conduct which includes training on the ABC Policy. The ABC Policy is disclosed on the company website and internal database.

(y) **Data Privacy Policy**. BPI has a strong Data Privacy Policy in place, which complies with the requirements of the Data Privacy Act and the National Privacy Commission (NPC). BPI's Data Privacy Policy, posted on the company website and on the internal database, is supported by a comprehensive program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction. The Bank has a Data Privacy Office, headed by a Board-appointed Data Privacy Officer (DPO), a lead senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage data protection risks consistent with Data Privacy Act rules and regulations, issuances by the NPC and other applicable laws. Management has also appointed Compliance Officers for Privacy for major business units of the Bank. All officers and employees undergo annual mandatory training on the Data Privacy Policy.

(z) **Employee Welfare, Health and Safety**. Having engaged and competent employees is BPI's goal for delivering best-in-class customer experiences and for achieving its vision of being recognized as the most trusted partner and financial advisor. The Bank strives to be an employer of choice among Philippine financial institutions. We have a wide array of training and development programs and activities designed along the Bank's business objectives, aimed at honing the skills and capabilities of our employees in carrying out their daily duties, as well as preparing them to assume higher responsibilities as the next leaders of the organization. The Bank has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Regular employees are provided with a comprehensive pay and benefits package, which is 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. Officers and employees undergo regular performance evaluations based on their individual accomplishments vis-a-vis their responsibilities, as well as that of the business unit or the Bank. The Bank has an Executive Stock Purchase Plan (ESPP), a major initiative under its long-term incentive program, which aligns management's interest with shareholders and the long-term prospects of the Bank. Moreover, we strive to provide a safe, secure and conducive working environment for our employees, to continually safeguard their health and rights and provide equal opportunity for everyone to realize their fullest potential and make them agents of uplifting change for their communities. (Recommendation 2.9 of the SEC CG Code for PLCs). In 2020 and 2021, with the health, safety and welfare of employees, especially frontliners at the branches, and its customers as its utmost priority, BPI put in motion business continuity plans, specifically a pandemic response plan and protocol for the entire organization, revolving around travel curtailment, remote work (home/remote site) and reduced in-person meetings. It also maximized the use of technology to enable work of directors, officers, and employees to continue. Together with the Ayala Group, the Bank also rolled-out a vaccination program for employees and their dependents. The Bank also as provided financial assistance to employees and coordinated efforts with Local Government Units (LGUs) for the provision of pandemic-related healthcare services.

V. Investor Relations, Continuous Disclosure and Transparency

(aa) **Investor Relations**. Through its Investor Relations Office, the Bank employs a program of proactive, uniform, appropriate and timely communication and reporting, in the spirit of full disclosure and in compliance with the Securities Regulation Code and Bangko Sentral, SEC and PSE rules, regulations and disclosure guidelines. The Bank provides company presentations in the Annual Stockholders Meeting and conducts analyst and media or press briefings apart from maintaining the relevant disclosures on its website. The Board has a policy of continuous disclosure and transparency and commits at all times to fully disclose all material information about the company for the benefit of the stockholder and other stakeholders. Such information includes earnings results, materially significant acquisition or disposal of assets, board changes, related party transactions which are not in the ordinary course of business, shareholding of directors and major changes to ownership/voting rights, group structures, intra-group relations, ownership data, and beneficial ownership. As a listed company, BPI files structured and unstructured disclosures through the, appropriate Exchange mechanisms for listed companies and submits mandated regulatory reports to the SEC. The Bank also maintains an official company website in accordance with the SEC-prescribed format and template to ensure a comprehensive, cost-efficient, transparent, timely manner of disseminating relevant information to the public. BPI also maintains official company sites on social media-based platforms.

(bb) **Annual Stockholders Meeting (ASM)**. The ASM is held annually and is organized in an easy to reach and cost-efficient venue and location in Metro Manila. The ASM allows shareholders to advise and adopt resolutions on important matters affecting the Bank, such as: ratification of all acts and resolutions of the Board of Directors and Management, approval of the annual report of the President and Bank's statement of condition, amendments to the Articles of Incorporation or By-Laws, election of Board of Directors and external auditor as well as measures to amend the shareholders' equity. In 2021, the 2nd BPI virtual ASM was successfully conducted via a livestream webcast at http://www.ayalagroupshareholders.com. Shareholders intending to participate by remote communication were requested to notify the Bank by email to bpi-asm@bpi.com.ph on or before April 12, 2021.

Notice of the ASM. The Notice is sent to shareholders well before the meeting date to allow shareholders to review the meeting's agenda and provide shareholders with sufficient information regarding issues to be decided at the meeting; the Definitive Information Statement, or SEC Form 20-IS is issued in accordance with BPI's Amended By-Laws and SRC 20. In 2021, the Notice, including the DIS, was sent out to stockholders of record by March 30, 2021, 23 days before the ASM.

Voting and Voting Results. All items in the agenda requiring stockholder approval need the affirmative vote of at least a majority of the issued and outstanding voting stock. Stockholders may vote in person or by proxy executed in writing by the stockholder or by a duly authorized attorney-in-fact. In its meeting held on February 24, 2021, the Board approved Management's recommendations for BPI to provide the Bank's stockholders with the option to vote in absentia. Hence, at the April 22, 2021 ASM, stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code. Voting is considered in a poll, by shares of stock, that is, one share entitles the holder to one vote. Cumulative voting as provided for in the Corporation Code may be applied in the election of the Board of Directors and directors are elected individually. The Rules of Conduct, voting and vote tabulation procedures are likewise explained during the meeting. The Office of the Corporate Secretary tabulates all votes received and the Bank's external auditor validates the results. Voting results are disclosed on PSE EDGE and company's website.

Shareholder Participation. BPI proactively encourages the full participation of all shareholders, including institutional shareholders, at the ASM each year. Shareholders are encouraged to ask questions at the ASM to ensure accountability and identification with the Board of Directors' and Management's strategy and goals for the business of BPI.

Minutes of the Annual Stockholders' Meeting. The Minutes of the ASM includes all information pertinent to the meeting and is promptly disclosed on the company website within the period mandated by the SEC. In this respect, minutes of the 2021 ASM were posted on the company website within five (5) calendar days from the date of the ASM.

(cc) **Annual and Quarterly Reports**. The Bank's Annual, Quarterly, and Current Reports are its primary disclosure mechanisms used to impart knowledge about the Bank to all its stakeholders in an informative, structured, and cost-effective manner. The Annual and Quarterly accountability reports effectively detail its performance during the period under review and put that performance in context of the objectives of the Bank, its strategies and future direction. The Current Reports similarly provide timely updates on significant corporate actions undertaken by the Bank. The Annual, Quarterly, and Current Reports are regularly submitted to the SEC pursuant to Section 17 of the SRC, which also prescribes format and content. These Reports are also disclosed on the websites of the various Exchanges, as previously mentioned. These may also be viewed at www.bpi.com.ph.

VI. Sustainability, Stakeholder Engagement and ESG Reporting

(dd) **Sustainability and Stakeholder Engagement**. The Bank operates on a sustainability framework of shared values which emphasizes importance of all stakeholders and how their interests are integrated into the business of BPI. In this regard, the Bank established a Sustainability Agenda Policy and Sustainability Council Charter in 2021. The Sustainability Council was likewise convened, during the year while Executive Vice President and Chief Financial Officer Maria Theresa Marcial Javier was also formally appointed as Chief Sustainability Officer of BPI. Stakeholder engagement takes on various forms and is carried out through a range of information, communication and consultative activities and disclosures. For employees: learning and development programs; long-term, merit-based performance incentive mechanisms such as executive stock purchase plans and regular subscription plans. For communities: extending credit and financial services to underserved and unbanked sectors; improving financial literacy initiatives and factoring ESG dimensions into its business and risk models and loan products and services. For clients: financial wellness, financial inclusion and sustainable development investments. For suppliers: a supplier policy based on the principle of transparency - equal opportunity for qualified suppliers and contractors while ensuring a properly managed supply chain from the point-of-view of sustainability and good governance. For creditors: counterparties are protected by fairness, accountability and transparency; policies and procedures are in place safeguarding creditor's rights as required by the BSP.

(ee) **Environmental, Social and Governance Reporting**. BPI considers the most appropriate way to report non-financial information to ensure that its ESG reporting provides internal and external stakeholders with the non-financial information needed to understand the context that the Bank operates in today. ESG reporting may be through a stand-alone sustainability report, an integrated annual report, and company website. It has adopted a globally-recognized standard/ framework, G4 Framework by the Global Reporting Initiative, for its ESG reporting.

VII. Corporate Governance Awards and Recognition

ACGS Asset Class PLC and ICD Golden Arrow Award. In 2021, BPI garnered the ASEAN Asset Class PLC Award, ranking among the top listed firms across the six participating countries, namely Indonesia, Malaysia, Singapore, Thailand, Vietnam, and the Philippines. In 2021, BPI was also a recipient of the ICD's Golden Arrow Award as a Top Performing Company in the domestic assessment of the ACGS.

SEC FORM 17-A (Annual Report)

Upon the written request of the stockholders, the Corporation undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A should be addressed to:

Office of the Corporate Secretary
Bank of the Philippine Islands
Ayala North Exchange Tower 1,
6796 Ayala Avenue cor. Salcedo St.,
Legaspi Village, Makati City

ANNEX "A-2"

2022 ANNUAL STOCKHOLDERS' MEETING
OF
BANK OF THE PHILIPPINE ISLANDS
(THE "MEETING")

REQUIREMENTS AND PROCEDURE FOR
ELECTRONIC VOTING IN ABSENTIA
AND
PARTICIPATION BY REMOTE COMMUNICATION

Electronic voting *in absentia* and participation by remote communication shall be allowed only through complete registration and successful validation in the Voting *in Absentia* & Shareholder (VIASH) System.

I. ELECTRONIC VOTING IN ABSENTIA

1. Stockholders as of March 11, 2022 ("Stockholders") have the option of electronic voting *in absentia* on the matters in the Agenda, after complete registration and successful validation in the VIASH System. Stockholders with email addresses on record shall be sent an e-mail with a link to the VIASH System. To register in the VIASH System, Stockholders shall simply follow the instructions sent in the e-mail. The registration for the VIASH System will be open until April 18, 2022.

2. Stockholders who have successfully registered themselves on the VIASH System in 2021 need not register again this year and may use their existing credentials (username and password) to log-in to the system.

3. Otherwise, Stockholders may access the link **http://www.ayalagroupshareholders.com/** to create an account and register in the VIASH System. Stockholders should complete the online registration form and submit for validation together with the requirements provided in Item 4 below.

4. All registered accounts shall be subject to the validation process set forth. The deadline for registration to vote *in absentia* or via an absentee ballot is until April 18, 2022.

5. The following are needed for registration:

   5.1 For individual Stockholders –

      5.1.1 A recent photo of the Stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
      5.1.2 A scanned-copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
      5.1.3 A valid and active e-mail address;
      5.1.4 A valid and active contact number;

   5.2 For Stockholders with joint accounts –

   A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (in JPG or PDF format). The file size should be no larger than 5MB;

   5.3 For Stockholders under Broker accounts –

      5.3.1 A broker's certification on the Stockholder's number of shareholdings (in JPG or PDF format). The file size should be no larger than 5MB;

5.3.2 A recent photo of the stockholder, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
5.3.3 A scanned copy of the Stockholder's valid government-issued ID showing photo and personal details, preferably with residential address (in JPG or PDF format). The file size should be no larger than 5MB;
5.3.4 A valid and active e-mail address;
5.3.5 A valid and active contact number;

5.4 For corporate Stockholders –

5.4.1 A secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG or PDF format). The file size should be no larger than 5MB;
5.4.2 A recent photo of the Stockholder's representative, with the face fully visible (in JPG or PNG format). The file size should be no larger than 5MB;
5.4.3 A scanned copy of the valid government-issued ID of the Stockholder's representative showing photo and personal details, preferably with residential address (in JPG or PDF format). The file-size should be no larger than 5MB;
5.4.4 A valid and active e-mail address of the Stockholder's representative;
5.4.5 A valid and active contact number of the Stockholder's representative.

Important Notes:

- Stockholders who are also stockholders as of record date of the other publicly listed corporations in the Ayala group need only to register one account in the VIASH System. Stockholders who successfully registered themselves on the VIASH System in 2021 need not register again this year and may use their existing credentials (username and password) to log-in to the system. The same log-in details are to be used to log-in to the system for other companies in the Ayala group. The digital absentee ballot for each corporation shall be separately accessed from the Stockholder's Dashboard in the VIASH System and votes shall be cast per corporation.

- Considering the prevailing extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later time.

- Incomplete or inconsistent information may result in an unsuccessful registration. As a result, Stockholders will not be allowed access to vote electronically in absentia, but may still vote through the Chairman of the Meeting as proxy, by submitting a duly accomplished proxy form, until April 18, 2022.

6. The validation process in the VIASH System will be concluded by the Corporation no later than three (3) business days from the date of the Stockholder's complete registration. The Stockholder's dashboard in the VIASH System will indicate the status of registration.

   Once validated, the Stockholder will receive an e-mail confirmation on their successful registration. Registered Stockholders have until the end of the Meeting to cast their votes *in absentia*.

7. All agenda items indicated in the Notice of the Meeting will be set out in the digital absentee ballot in the VIASH System and the registered Stockholder may vote as follows:

   7.1 For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
   7.2 For the Election of Directors, the registered Stockholder may either: (1) vote for all nominees, (2) not vote for any of the nominees, or (3) vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

Once voting on the agenda items is finished, the registered Stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button. The VIASH System will prompt the Stockholder to confirm the submission of the ballot. The votes cast *in absentia* will have equal effect as votes cast by proxy.

After the ballot has been submitted, Stockholders may no longer change their votes except by submitting a duly accomplished proxy form within the set deadline.

8. The Office of the Corporate Secretary will tabulate all votes cast *in absentia* together with the votes cast by proxy, and a firm selected for this purpose will validate the results.

II. PARTICIPATION BY REMOTE COMMUNICATION

1. Stockholders as of March 11, 2022 ("Stockholders") are required to register in the VIASH System to participate in the Meeting on April 28, 2022 by remote communication. A Meeting livestreaming access button will be available in the Stockholder's dashboard in the VIASH System on the date set for the Meeting as indicated in the Corporation's Notice of the Meeting.

2. The procedure and requirements for registration in the VIASH System are found in the Electronic Voting *in Absentia* section in this Annex. The deadline for registration to participate by remote communication is on or before April 18, 2022.

3. In addition to their registration in the VIASH System, Stockholders are requested to notify the Company by e-mail to bpi-asm@bpi.com.ph by April 18, 2022 of their intention to participate in the Meeting by remote communication.

4. Only the Stockholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the Stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum at the Meeting.

5. Stockholders participating by remote communication may vote anytime until the end of the Meeting using the digital ballot in the VIASH System.

6. Stockholders may send their questions and/or remarks prior to or during the Meeting by e-mail to bpi-asm@bpi.com.ph.

7. A link to the recorded webcast of the Meeting will be posted on the Company's website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted by e-mail to bpi-asm@bpi.com.ph.

For any clarifications, please contact our Stock Transfer Office through bpi-asm@bpi.com.ph.

COVER SHEET

PW-121

S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA NORTH EXCHANGE, TOWER 1,
6796 AYALA AVENUE COR. SALCEDO
STREET, LEGASPI VILLAGE
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. ANGELA PILAR B. MARAMAG	8246-5902
Contact Person	Company Telephone Number

12 / 31	Certificate of Independent Director	04 / 28 22
Month *Day* Fiscal Year	FORM TYPE	*Month* *Day* Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MA. DOLORES B. YUVIENCO**, Filipino, of legal age and a resident of 50 Domingo Poblete St., BF Executive Village, Las Piñas City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Bank of the Philippine Islands and have been its independent director since 14 April 2016;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations);

Company/ Organization	Position/Relationship	Period of Service
BPI Asset Management and Trust Corporation	Independent Director	2019 - Present
First Consolidated Bank (Bohol)	Independent Director	2018 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Bank of the Philippine Islands, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am related to the following director/officer/substantial shareholder of the covered company and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (i.e. other than spouse, parent, child, brother, sister and the spouse of such child, brother or sister):

Name of Director/Officer/ Substantial Stockholder	Company	Nature of Relationship
Diosdado B. Barin (Officer)	Bank of the Philippine Islands	Nephew

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances;

7. I shall inform the Corporate Secretary of Bank of the Philippine Islands of any changes in the abovementioned information within five days from its occurrence.

[Signature page follows]

Done, this ________ day of MAR 1 6 2022, at ~~CITY OF MAKATI~~.

MA. DOLORES B. YUVIENCO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 6 2022 at CITY OF MAKATI; Affiant, MS. MA. DOLORES B. YUVIENCO, who is personally known to me and to me known to be the same person who executed the foregoing instrument and who exhibited to me her Passport with No. issued at on and valid until .

Doc. No. 305;
Page No. 62;
Book No. IX;
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

PW-121

S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA NORTH EXCHANGE, TOWER 1,
6796 AYALA AVENUE COR. SALCEDO
STREET, LEGASPI VILLAGE
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. ANGELA PILAR B. MARAMAG	8246-5902
Contact Person	Company Telephone Number

12 / 31	Certificate of Independent Director	04 / 28 22
Month *Day* Fiscal Year	FORM TYPE	*Month* *Day* Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, IGNACIO R. BUNYE, Filipino, of legal age, and a resident of 101 Dr. Alfredo M. Bunye St. Alabang, City of Muntinlupa, Metro Manila, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of the BANK OF THE PHILIPPINE ISLANDS and have been its independent director since 14 April 2016;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
BPI Capital Corporation	Independent Director	2019 – Present
BPI Direct BanKo, Inc., A Savings Bank	Independent Director	2018 – Present
BPI Asset Management and Trust Corporation	Independent Director	2017 – Present
TDF Holdings, Inc.	Chairman of the Board and President	2016 – Present
	Chairman of the Board	1997 - Present
Philippine Air Force	Reserve Lieutenant Colonel (Appointive)	1998 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the BANK OF THE PHILIPPINE ISLANDS, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other Securities and Exchange Commission (SEC) issuances;

4. I am not related to any director/officer/substantial shareholder of the covered company and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances;

7. I shall inform the Corporate Secretary of the BANK OF THE PHILIPPINE ISLANDS of any changes in the abovementioned information within five (5) days from its occurrence.

[Signature page follows]

Done, this MAR 1 6 2022 at CITY OF MAKATI

IGNACIO R. BUNYE
Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 6 2022 at CITY OF MAKATI; affiant IGNACIO R. BUNYE personally appeared before me and exhibited to me his Passport No. issued at , Philippines on valid .

Doc. No. 706;
Page No. 67;
Book No. IX;
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

PW-121

S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA NORTH EXCHANGE, TOWER 1,
6796 AYALA AVENUE COR. SALCEDO
STREET, LEGASPI VILLAGE
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. ANGELA PILAR B. MARAMAG	8246-5902
Contact Person	Company Telephone Number

12 31	Certificate of Independent Director	04 28 22
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, CESAR V. PURISIMA, Filipino, of legal age, and a resident of 1567 Cypress Street Dasmariñas Makati City, Metro Manila, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of the BANK OF THE PHILIPPINE ISLANDS;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Listed Companies		
AIA Group Limited	Independent Director	2017- Present
ABS-CBN Corporation	Member , Board of Advisors	2020 - Present
Ayala Land, Inc.	Independent Director	2018 - Present
Bank of the Philippine Islands	Independent Director	2021 - Present
BPI Capital Corporation	Independent Director	2021 - Present
Jollibee Foods Corporation	Independent Director	2020 - Present
Sumitomo Mitsui Banking Corporation	Member, Global Advisory Council	2018 - Present
Universal Robina Corporation	Independent Director	2018 - Present
Non Listed Companies		
Asian Institute of Management	Executive-in-Residence	2016 - Present
De La Salle University	Member, Board of Trustee	2017 – Present
International School Manila	Member, Board of Trustee	2017 - Present
Ikhlas Capital Singapore Pte.Ltd	Founding Partner/Director	2019 - Present
Milken Institute	Asia Fellow	2016 - Present
Singapore Management University	Member, International Advisory Council (Phils.)	2017 – Present
Unistar Credit and Finance Corporation	Independent Non-Executive Director	2019 - Present
World Wildlife Fund - Philippines	Board of Trustee	2019 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the BANK OF THE PHILIPPINE ISLANDS, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other Securities and Exchange Commission (SEC) issuances;

4. I am not related to any director/officer/substantial shareholder of the covered company and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances;

7. I shall inform the Corporate Secretary of the BANK OF THE PHILIPPINE ISLANDS of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MAR 16 2022 at CITY OF MAKATI.

CESAR V. PURISIMA
Affiant

SUBSCRIBED AND SWORN to before me this MAR 16 2022 at CITY OF MAKATI, affiant CESAR V. PURISIMA personally appeared before me and exhibited to me his Passport with No. issued at on valid until .

Doc. No. 203;
Page No. 62;
Book No. IX;
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852547 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

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S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA NORTH EXCHANGE, TOWER 1,
6796 AYALA AVENUE COR. SALCEDO
STREET, LEGASPI VILLAGE
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. ANGELA PILAR B. MARAMAG	8246-5902
Contact Person	Company Telephone Number

12 31	Certificate of Independent Director	04 28 22
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ELI M. REMOLONA, JR., Filipino, of legal age, and a resident of 33-10-3 Sri Penaga Condominium, Jalan Medang Serai, Kuala Lumpur, Malaysia, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of the BANK OF THE PHILIPPINE ISLANDS and have been its independent director since 25 April 2019;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
BPI/MS Insurance Corporation	Independent Director	2020 - Present
Asia School of Business	Professor of Finance and Director of Central Banking	2019 – Present
Hong Kong Academy of Finance	Member, HKIMR Council of Advisers for Applied Research	2019 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the BANK OF THE PHILIPPINE ISLANDS, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other Securities and Exchange Commission (SEC) issuances;

4. I am not related to any director/officer/substantial shareholder of the covered company and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances;

7. I shall inform the Corporate Secretary of the BANK OF THE PHILIPPINE ISLANDS of any changes in the abovementioned information within five (5) days from its occurrence.

[Signature page follows]

Done, this MAR 1 6 2022 at CITY OF MAKATI.

ELI M. REMOLONA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this MAR 1 6 2022 at CITY OF MAKATI; affiant ELI M. REMOLONA, JR. personally appeared before me and exhibited to me his Passport with No. issued at on valid until .

Doc. No. 304;
Page No. 62;
Book No. IX;
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

COVER SHEET

PW-121
S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA NORTH EXCHANGE, TOWER 1,
6796 AYALA AVENUE COR. SALCEDO
STREET, LEGASPI VILLAGE
MAKATI CITY

(Business Address: No. Street City/Town/Province)

ATTY. ANGELA PILAR B. MARAMAG
Contact Person

8246-5902
Company Telephone Number

12 31
Month *Day*
Fiscal Year

Certificate of Independent Director
FORM TYPE

04 28 22
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

REPUBLIC OF THE PHILIPPINES)
)S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, JANET GUAT HAR ANG, Singaporean, of legal age, and a resident of 53 MacKerrow Road, Singapore 358620, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of the BANK OF THE PHILIPPINE ISLANDS;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
SPH Ltd	Non-Executive Director/ Independent Director	2014 To Present
Sistic.Com Pte Ltd	Non-Executive Director and Chairman	2019 To Present
RGE Group Pte Ltd	Senior Advisor	2021 To Present
International Women's Forum (Singapore) Chapter	Member	2002 To Present
Singapore Computer Society	Fellow	2012 To Present
Singapore Computer Society	Member	1995 To Present
Singapore Polytechnic	Board Member	2020 To Present
Singapore Polytechnic	Chairman, Board of Governors	2020 To Present
Home Team Science & Technology Agency, Singapore	Board Member	2019 To Present
Singapore Business Federation Foundation	Deputy Chairman & Board Member	2019 To Present
The Esplanade Company Ltd (TECL), Singapore	Board Member/ Independent Director	2019 To Present
Caritas Singapore Agape Fund	Chairman of the Board of Trustees	2019 To Present
Institute of Systems Science, National Univ. of Singapore	Chairman of the Board	2016 To Present
Institute of Systems Science, National Univ. Of Singapore	Member of the Board of Management	2012 To Present
Council of Board Diversity, Singapore	Council Member	2019 To Present
Singapore Business Federation (SBF)	Council Member	2016 To Present
National University of Singapore	Member of Alumni Advisory Board	2012 To Present
Ministry of Foreign Affairs	Non-Resident Ambassador to the Holy See	2020 To Present
Parliament of Singapore	Nominated Member of Parliament	2021 To Present
Cenacle Mission (Singapore) Ltd.	Independent Director	2015 To Present
Singapore Institute of Directors	Fellow	2021 To Present
Tanoto Foundation	Independent Director	2022 To Present

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the BANK OF THE PHILIPPINE ISLANDS, as provided in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other Securities and Exchange Commission (SEC) issuances;

JA

4. I am not related to any director/officer/substantial shareholder of the covered company and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances;

7. I shall inform the Corporate Secretary of the BANK OF THE PHILIPPINE ISLANDS of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this MARCH 16th at 2022.

JANET GUAT HAR ANG
Affiant

JA

SUBSCRIBED AND SWORN to before me this MAR 2 1 2022 at MAKATI CITY; affiant JANET GUAT HAR ANG personally appeared before me and exhibited to me her Passport with No. issued at on valid until .

Doc. No. 13;
Page No. 64;
Book No. α;
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-82-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

ANNEX "A-3(a)"

ATTENDANCE AT BOARD COMMITTEE MEETINGS IN 2021

Committee	Name	Attendance/ Meetings[1]
Executive Committee	Jaime Augusto Zobel de Ayala	29/35
	Fernando Zobel de Ayala	31/35
	Jose Teodoro K. Limcaoco	35/35
	Rene G. Bañez[4]	14/14
	Cezar P. Consing	35/35
	Aurelio R. Montinola III	31/35
	Antonio Jose U. Periquet	35/35
	Rebecca G. Fernando[7]	20/21
Audit Committee	Maria Dolores B. Yuvienco	17/17
	Octavio V. Espiritu	15/17[2]
	Cesar V. Purisima[6]	10/10[2]
	Romeo L. Bernardo[5]	7/7
Risk Management Committee	Eli M. Remolona, Jr.	14/14[2]
	Janet Guat Har Ang[3]	9/9[2]
	Cezar P. Consing[6]	9/9[2]
	Octavio V. Espiritu	12/13
	Cesar V. Purisima[6]	8/8
	Aurelio R. Montinola III[5]	4/5[2]
Corporate Governance Committee	Cesar V. Purisima[6]	3/3
	Ignacio R. Bunye	4/4
	Ramon R. Del Rosario, Jr. [6]	3/3
	Maria Dolores B. Yuvienco[5]	1/1
	Mercedita S. Nolledo[8]	1/1
Nomination Committee	Cesar V. Purisima[6]	2/2
	Jaime Augusto Zobel de Ayala	4/4
	Fernando Zobel de Ayala	4/4
	Antonio Jose U. Periquet	4/4
	Ramon R. Del Rosario, Jr. [5]	2/2
Personnel and Compensation Committee	Fernando Zobel de Ayala	12/12
	Ignacio R. Bunye	12/12
	Aurelio R. Montinola III	11/12
	Antonio Jose U. Periquet	12/12
	Maria Dolores B. Yuvienco	12/12
Related Party Transactions Committee	Ignacio R. Bunye	12/12
	Rene G. Bañez[4]	4/4
	Maria Dolores B. Yuvienco	12/12
	Rebecca G. Fernando[7]	7/8
Retirement Pension Committee	Aurelio R. Montinola III[3]	4/4
	Rene G. Bañez[4]	3/3
	Ramon R. Del Rosario, Jr. [6]	4/4
	Rebecca G. Fernando[7]	2/2
	Mercedita S. Nolledo[8]	1/1
	Antonio Jose U. Periquet[5]	1/1

[1]*For the period of 01 January to 31 December 2021*
[2]*Includes BPI Joint AuditCom & RMCom Meeting*
[3]*Committee member effective May 19, 2021*
[4]*Committee member effective August 18, 2021*
[5]*Committee member until April 21, 2021*
[6]*Committee member effective April 22, 2021*
[7]*Committee member until August 17, 2021*
[8]*Committee member until May 18, 2021*

ANNEX "A-3(b)"

TOTAL COMPENSATION FOR EACH DIRECTOR FOR 2021

Director*	Total
Jaime Augusto Zobel De Ayala	6,240,000.00
Fernando Zobel de Ayala	6,590,000.00
Jose Teodoro K. Limcaoco**	1,880,000.00
Janet Guat Har Ang***	3,760,000.00
René G. Bañez****	2,870,000.00
Romeo L. Bernardo	5,490,000.00
Ignacio R. Bunye	6,090,000.00
Cezar P. Consing*****	5,040,000.00
Octavio V. Espiritu	5,990,000.00
Aurelio R. Montinola III	6,750,000.00
Antonio Jose U. Periquet******	6,740,000.00
Cesar V. Purisima *******	5,930,000.00
Eli M. Remolona, Jr.	5,670,000.00
Ramon R. Del Rosario, Jr.	5,450,000.00
Maria Dolores B. Yuvienco	6,510,000.00

* Directors for the term 2021-2022, as of December 2021
** Non-Executive Director until 22 April 2021
*** Elected Director on 19 May 2021
****Elected Director on 18 August 2021
*****Non-Executive Director from 22 April 2021
****** Director until 16 December 2021
*******Elected Director on 20 January 2021

ANNEX "A-3(c)"

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS
BANK OF THE PHILIPPINE ISLANDS
Conducted virtually via http://www.ayalagroupshareholders.com/
April 22, 2021

(For approval at the 2022 Annual Meeting of Stockholders)

The Annual Meeting of Stockholders of the Bank of the Philippine Islands (BPI or the Bank) was conducted virtually via http://www.ayalagroupshareholders.com/ on April 22, 2021 at 9:00 in the morning, in view of the restrictions to address the COVID-19 pandemic

I. Call to Order

The Chairman of the Board of Directors, Mr. Jaime Augusto Zobel de Ayala, presided over and called the meeting to order at 9:00 A.M. The Corporate Secretary, Ms. Angela B. Maramag, recorded the minutes of the meeting. The Chairman welcomed the stockholders who have joined the live webcast of the proceedings and thanked the shareholders who were participating in the meeting through the Bank's voting in absentia system or their appointment of the Chairman as proxy. The Chairman introduced each of the presenters, namely: Cezar Consing (President and CEO), Jose Teodoro Limcaoco (member of the Board and incoming President), Antonio Jose Periquet (Chair of the Nomination Committee), Maria Dolores Yuvienco (Chair of the Audit Committee), Angela Maramag (Corporate Secretary) and Maria Consuelo Lukban (Head of Corporate Strategy and Investor Relations, and Sustainability). He also acknowledged Ramon L. Jocson (Chief Operating Officer), Maria Theresa M. Javier (Chief Finance Officer), the other members of the Board, including Cesar Purisima, who joined the Board in January, the members of the Bank's Advisory Council – Chief Justice Panganiban, Del Lazaro, and Oscar Reyes - and other officers who joined the meeting through the live webcast.

II. Certification of Notice of Meeting and Determination of Quorum

The Corporate Secretary reported to the Chairman and informed the assembly that the Notice of the Annual Stockholders' Meeting and the Definitive Information Statement were sent to the stockholders of record as of March 5, 2021 in three ways: first, by email to all stockholders with e-mail addresses on record, second, by posting on the Bank's website and third, by disclosure in the Philippine Stock Exchange. In addition, the Notice was published in the Philippine Daily Inquirer and Manila Bulletin, in both print and online formats, on March 31 and April 1, 2021.

The Chairman then asked if there was a quorum at the meeting to transact all the matters in the agenda. The Corporate Secretary reported that there were present at the meeting, in person and by proxy, stockholders owning/representing 3,485,246,728 shares or 77.23% of the 4,513,103,261 total issued and outstanding common shares of the capital stock of BPI entitled to vote and be voted at the meeting. Thereupon, the Chairman declared that a quorum was present and that the meeting was duly convened. The mode of attendance of the stockholders deemed present and their respective percentages of the outstanding shares are set forth below:

Mode of Attendance	% of Total Shares Outstanding
Appointment of the Chairman as proxy	77.1894%
Voting in absentia	0.0251%
Remote communication	0.0109%

Additionally, there were 601 viewers of the live webcast of the meeting.

III. Rules of Conduct and Procedures

The Chairman explained that although the Bank is holding the meeting in a virtual format because of government regulations that prevent the holding of in-person meetings, it strived to provide the shareholders the opportunity to participate in the meeting to the same extent possible as in an in-person meeting. The Chairman then asked the Corporate Secretary to share the rules of conduct and voting procedures of the meeting.

The Corporate Secretary explained that the rules of conduct and voting procedures are set forth in the Definitive Information Statement and in the Explanation of Agenda Items, which is a part of the Notice of the Annual Stockholders' meeting. The Corporate Secretary highlighted the following points:

1. The agenda for this meeting covers a range of matters requiring stockholders' vote and was included in the Notice sent to stockholders for this meeting. Stockholders were also given an opportunity to propose matters for inclusion in the agenda, pursuant to applicable laws and regulations.
2. Stockholders who registered under the electronic Voting in Absentia & Shareholder (VIASH) system or who notified the Company by email to bpi-asm@bpi.com.ph of their intention to participate in this meeting by remote communication may send their questions or comments to the same email address.
3. The Head of Corporate Strategy, Investor Relations, and Sustainability, will read the questions or comments received by email before 9:30 a.m. during the Q and A period, which will take place after other matters, under item 9 of the agenda. Management will reply to questions and comments not taken up during the meeting by email.
4. As indicated on the ballot for the voting of stockholders, there are 7 resolutions proposed for adoption by the stockholders at this meeting. Each proposed resolution will be shown on the screen as the same is being taken up.
5. Stockholders could cast their votes on these proposed resolutions and in the election of directors through the VIASH system. The polls will remain open until the end of this meeting for stockholders who had successfully registered to cast their votes electronically using the system.
6. Stockholders have the option to appoint the Chairman as proxy. The Corporate Secretary reported that the votes cast, as of April 13, 2021, after the proxy validation process, were from stockholders owning 3,484,769,411 voting shares representing 77.21% of the total outstanding voting shares.

IV. Approval of the Minutes of the Annual Stockholders' Meeting on April 23, 2020

The Chairman then proceeded to the next order of business which was the approval of the minutes of the annual meeting of stockholders held on April 23, 2020. An electronic copy of the minutes was made available in the Bank's website.

The Corporate Secretary presented the resolution, as proposed by management, and based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

RESOLUTION NO. ASM-2021-01

RESOLVED, that the minutes of the Annual Stockholders' Meeting held on April 23, 2020 be, and are hereby, approved as recorded.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	3,484,769,860	-	1
% of Voting Shares Present	99.99%	0.00%	0.00%

V. <u>Approval of Annual Report and Audited Financial Statements as of December 31, 2020</u>

The Chairman proceeded to the next item in the agenda which was the Annual Report, consisting of the Message from the Chairman, an audio-visual presentation, and the message from the Chief Executive Officer and President.

<u>Message of the Chairman</u>

The Chairman welcomed fellow shareholders, business partners, clients and employees to the Annual Stockholders Meeting. He then gave his message on the broader markets and the Bank's financial performance, as follows:

"The words of Charles Dickens, written over 160 years ago, aptly describe what 2020 was like for our country and your bank.

"*It was the best of times, it was the worst of times . . . it was the spring of hope, it was the winter of despair." --- Charles Dickens, A Tale of Two Cities*

In January, Taal volcano erupted causing massive destruction to the nearby provinces. By the second quarter, the Covid-19 pandemic forced the government to institute broad and strict lockdowns, which only began to ease towards the fourth quarter. The year also saw a series of strong earthquakes, with many centered in Mindanao. And as 2020 came to a close, two typhoons wreaked havoc in many areas of the country.

The Covid-19 pandemic and the government's response to it largely determined how the Philippine economy performed in 2020. As the lockdowns were stricter and more encompassing than elsewhere, mobility scores were amongst the lowest in the region.

At the same time, the government's fiscal response to the pandemic was lower as a percentage of GDP than most countries, reflecting a focus on maintaining, successfully for now, the country's investment grade credit ratings and, separately, concerns about sizable leakages in the distribution of cash aid to the neediest Filipinos.

The combination of low mobility and a conservative fiscal response more than offset the BSP's very aggressive monetary response, the highlights of which were a reduction of reserve requirements and policy rates by 200 bps, from 14% to 12% and from 4% to 2%, respectively, over the course of the year, which translated into additional liquidity equal to 10% of GDP.

Thus, GDP for the year declined by 9.5%, the worst on record; the unemployment rate surged from 4.6% to 17.6% before settling at 8.7%; and average full year inflation rose from 2.5% to 2.6% due to supply-side factors. The combination of a 2.6% inflation rate and a 2% BSP policy rate has produced negative real interest rates, the continuation of which is detrimental to long-term investment, the earnings of banks and the economy at large.

With import demand low, the Philippine peso strengthened by 5.4% relative to the U.S. dollar, and dollar reserves ballooned to $110 billion, equivalent to almost 12 months of imports.

The banking industry, which is a levered bet on the economy, was at the epicenter of this economic maelstrom. After almost a decade of double-digit loan growth, 2020 saw loans contracting by 2.8%, a reflection of a very sharp drop in loan demand and a deterioration of loan quality, as non-performing loans as a percentage of total loans grew from 2.1% in 2019 to 3.7% in 2020.

In addition, the loan moratoriums provided by Bayanihan Acts I and II delayed the recognition of non-performing loans and made more difficult the assessment of loan quality, while the imposition by the BSP of an interest rate cap on credit card loans caused banks to reduce credit to riskier customers. As a result of these factors, banks increased loan loss provisions by an average factor of 4.0x. In fact, in 2020, for the very first time, the banking industry's total loan loss provisions exceeded its total profits. The banks funded a portion of the increase in loan loss provisions with trading gains, as the declining interest rate environment increased the value of the securities on banks' books. But the sheer magnitude of loan loss provisions meant that industry profitability, as measured by return on equity, dropped from 10.5% in 2019 to 6.6% in 2020.

More telling has been the drop in the market capitalization of banks. The PSE index declined by 8.6% in 2020, with the banking sector, which declined in value 21.1%, by far the most negatively impacted. Fortunately, Philippine banks are better capitalized today, in terms of the percentage of book equity to total assets, than at almost any other time in modern history, a result of numerous equity capital raisings over the last decade in response to more stringent capital requirements. Hence, the viability of the country's major banks remains unquestioned.

Our employees' ability to stand by their posts combined with our growing digital capabilities allowed us to increase revenues by 10.5% to hit P101.9 billion, an all-time high. Net interest income grew by 10.2% on the back of a 14 basis points increase in net interest margins offsetting a 4.6% decrease in net loans. Non-interest income also grew by 11.1% as a 65.2% increase in trading income offset a 5.0% decrease in fees and commissions.

With operating expenses about flat, pre-provision operating profits increased by 22.4%.

However, with the lockdowns affecting the ability of business and consumer borrowers to service their loans, we thought it prudent to take P28 billion in loan loss provisions, a fivefold increase, and hike our coverage for non-performing loans - - which had grown from P24.8 billion to P38.8 billion - - from 102.1% to 115.2%. At year-end, our non-performing loans represented 2.7% of our total loan book, considerably lower than the industry average and indicative of the bank's credit discipline.

Nonetheless, the hefty increase in provisions reduced net income by 25.7% to P21.4 billion from P28.8 billion in the previous year.

Before I pass the floor on to our President and CEO, Bong Consing, to deliver his report, I would like to say a few words about Bong as he marks his transition out of his responsibilities as CEO. Many of you might not know that Bong originally joined BPI in 1981 (coincidentally, the same year I started with Ayala) as a management trainee and rose quickly to become, in 1985, the youngest Assistant Vice President in the Bank's history. He went on to pursue a career as a global investment banker at JP Morgan, where he rose to senior leadership positions. He also spent some time as a senior partner in a global investment firm. We are fortunate that he accepted our invitation to return and accept the position of President and CEO, which he has held for these last eight years. All in all, Bong has served 12 years as an employee and executive and, in addition, has provided 19 years of service as a member of the BPI board, which he first joined in 1995. All of us are delighted that he will now remain on the Board and in its Executive Committee in a continuing governance role.

I would also like to acknowledge that Bong represented the banking industry, with great effectiveness, as the head of 2 leading financial consortium institutions, and the respected Bankers Association of the Philippines, for these last two years.

Bong will deliver his own report next, which will speak for itself, but, on behalf of the Board, let me say how delighted we have been Bong, to have you steer the bank during this last year of economic stress in our country. You have kept BPI safe and relevant, over-weighted the needs of the customers (big and small), in a challenging time, supported our employees and provided leadership for the industry – all while delivering solid results for the many investors who have allocated capital to the Bank.

Bong, let me thank you on behalf of the whole board for your 8 years of exemplary leadership. I still remember the day, back in 2013, when you were officially elected CEO at the stockholders' meeting and became, coincidentally, the 13th President and CEO of BPI. In so doing you have become an integral part of the fabric of BPI's proud heritage of 170 years as a major contributor to our country's economic development. You have now left your own mark and legacy which will always be remembered and acknowledged as part of BPI's history.

Let me also congratulate and welcome Mr. TG Limcaoco, who will be nominated to succeed Mr. Consing at the organizational meeting of the Board immediately following this stockholder meeting. Mr. Limcaoco is no stranger to BPI. He has served on the BPI Board since February 2019 and is a member of the Executive Committee. Prior to this, he has had senior leadership roles which include the Presidencies of BPI Capital and BPI Family Savings Bank, as well as other senior responsibilities for consumer lending and our insurance business. Highly respected throughout his long career in a variety of finance roles, we are delighted to be welcoming him back to the highest leadership role in BPI."

The report of the Chairman was followed by an audio-visual presentation of the Bank.

The Chairman then turned over to the President to discuss the Bank's operational performance and its strategic initiatives.

<u>Report of the President</u>

The President delivered his report on the Bank's performance and its strategic initiatives, as follows:

"To our shareholders, business partners, and clients, welcome to our annual gathering.

Ironically, what was a very challenging year presented BPI the opportunity to re-assert its position as a banking industry leader and a trusted Philippine institution. After working with regulatory authorities to ensure that banks would be allowed to operate during the lockdown, the Bank's business continuity plans immediately kicked in, ensuring that critical banking products and services, including the availability of cash and payments transfers, would be readily available. When the lockdowns were most severe, on average almost all of the bank's ATMs and CAMs, and at least half of the branches, were up and running; and head office units were staffed at approximately 50%. While the number of employees that worked from home was significant, the availability of mobility tools meant that productivity was maintained, if not enhanced.

The Bank spent over half a billion pesos to ensure that our employees could be transported to and from work, that their workplaces were clean and configured for social distancing, that they were provided with appropriate allowances for working under extraordinary circumstances, that they tested for Covid-19, and that they received adequate treatment if infected. These measures paid off. While about half of our employees do front-line work, only about 3.5% of all of the Bank's employees caught Covid, with the number of those requiring hospitalization a very small percentage of those infected. Our contact tracing measures revealed that the vast majority of infections were a result of community transmission, and not incurred at work.

The Bank's many years of investment in technology, and digitalization in particular, became readily apparent to our customers and the market in 2020, as the lockdowns forced customers to transact via their mobile phones or their laptops. Prior to the lockdowns, transactions executed via the bank's electronic channels (mobile, laptop, ATM, CAM) accounted for 85.2% of all transactions. At the height of the lockdowns, this percentage grew to 95.1%. Today, with the lockdowns eased, this percentage is holding at 92.3%. While branch transactions still account for the bulk of the value of all of the bank's transactions, we believe that the percentage of branch transactions to total transactions will not return to pre-Covid levels. In fact, during the lockdowns, we saw thousands of customers enrolling in our digital channels every week. Today, 52% of all of our customers are digitally enabled, with more than half of them classified as active users. Having executed almost 1.8 billion in online transactions in 2020, BPI is an acknowledged leader in digital banking. The bank's finance app ranks number 5 on App Store and number 6 on Google Play. In Instapay, the bank ranks number 2 in receiving transactions and number 3 in both sending transactions; and 12.6% of Instapay users are BPI customers. We are using our digital platform to work with dozens of open banking partners - - the likes of GCash, Lazada, Paymaya - - to become a key focal point of financial intermediation in the Philippines. According to the media intelligence firm Isentia, BPI is the most mentioned Philippine bank in social media.

The bank's balance sheet grew by 1.3%, the slowest in over a decade, as a larger securities book offset the decline in loans. Deposits grew by 1.2%, with a 16.6% growth in current and savings account deposits offsetting a 33.2% drop in time deposits, the latter the result of a drive to reduce the bank's funding costs. The bank issued P70.7 billion in bonds during the year, including P21.5 billion in CARE bonds, the proceeds of which are earmarked for the important SME segment. However, borrowings as a percentage of total liabilities were at a conservative 7.8%. With profits growing faster than risk assets, the bank's already strong capital position was further bolstered, with the capital adequacy ratio growing from 16.1% to 17.1%.

Amongst our many lines of business, a few had particularly strong showings in 2020. Our asset management and mutual funds businesses saw their assets under management growing by 16.8% and 95.6%, respectively, the latter helped partly by the acquisition of P67 billion in AUM from a competitor earlier in the year.

Our mortgage lending business grew by 6.6%, and our microfinance lending business, already the second largest in the country, grew by 6.9%.

Our investment banking unit was the leading debt and equity underwriter in the country, and its underwriting fees grew by 66% on the back of 30 transactions.

BPI is one of only two Philippine companies rated BBB+ by the rating agency Standard & Poor's. The credit rating, which is equal to that of the Philippine government, was again confirmed during the year. The BSP continues to give the bank very high marks for its capital position, asset quality, management, earnings, liquidity and low sensitivity to market risk. And the Bank's various ESG (or environment, social, governance) scores would place it first or second among Philippine banks.

BPI is the only large bank whose shares outperformed the Philippine stock exchange index in 2020, and we remain the country's second largest bank by market capitalization.

In October, the prestigious international financial publication Euromoney, named BPI as the "Best Bank in the Philippines". Euromoney cited the bank's multi-year digital transformation journey and the success of our investment banking unit. Euromoney ran a quote that "BPI is a port in a storm—and right now, we are in a storm." Indeed, ours is a Bank built to withstand crises. We had a good year in what was a very bad year.

Looking forward, we have to continue to take steps that will future-proof the bank.

In January 2021, we announced the plan to merge BPI Family Savings Bank, our wholly-owned thrift bank, into BPI. The merger, which is subject to regulatory approvals, will provide scale that will be beneficial for customers and employees, with the merger synergies adding value to BPI shareholders.

The merger between BPI and BPI Family Savings Bank is just one of the steps that we will take to future-proof the bank.

Other key initiatives will include:

1. Establishing ourselves as the undisputed leader in digital banking;
2. Increasing the share of SME and consumer loans in our loan book;
3. Closing the gap in funding leadership;
4. Using branches as sales points more than service points; and
5. Promoting sustainable banking

Ours is a 170-year old institution determined to grow, thrive and contribute to nation-building for a long, long time by making the right strategic decisions. We are ready today, ready tomorrow.

The opportunity to have led this august institution, and its dedicated people, for the last eight years has been an incredible honor. For a career banker like myself, the role has also been a very special gift – one that I strove to deserve every working day, and one that I will always be grateful for."

After the President's report, the Chairman requested the Corporate Secretary to present the approval of the resolution as shown on the screen.

<u>RESOLUTION NO. ASM-2021-02</u>

RESOLVED, that the Annual Report of the Bank be, and is hereby noted, and the audited financial statements of the Bank as of December 31, 2020, as audited by the Bank's external auditor Isla Lipana & Co., be, and are hereby approved.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	3,479,735,872	2,566,787	2,467,202
% of Voting Shares Present	99.84%	0.07%	0.07%

VI. <u>Ratification of the Acts of the Board of Directors and Officers</u>

The next item in the agenda was the ratification and approval of all the acts of the Bank's Board of Directors and officers since the annual stockholders' meeting on April 23, 2020 until April 22, 2021.

The Corporate Secretary stated that the Board of Directors and Management seek ratification of all the acts and resolutions of the Board, Executive Committee, and other Board Committees which were adopted from April 23, 2020 to April 22, 2021. These acts and resolutions include the election of officers and members of the various Board Committees, contracts and transactions entered into by the Bank, credit/loan transactions, including to related parties, projects and investments, treasury matters, manpower related decisions/ approvals, corporate governance-related actions, and matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Stockholders' ratification was also sought for the acts of the Bank's officers to implement the resolutions of the Board or its Committees, or made in the conduct of business.

The Corporate Secretary reported the resolution, as proposed by Management, and as approved by the stockholders based on the following voting results:

<u>RESOLUTION NO. ASM-2021-03</u>

> RESOLVED, that the acts and resolutions, from April 23, 2020 to April 22, 2021 (the "Period"), of the Board of Directors (the "Board") and the Executive Committee and other Board committees, and the acts, during the Period, of the officers of the Bank performed pursuant to the resolutions of the Board and its committees as well as pursuant to the By-laws of the Bank, be, and are hereby approved, ratified and confirmed.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	3,479,183,400	308,392	5,278,069
% of Voting Shares Present	99.83%	0.01%	0.15%

VII. <u>Election of the Board of Directors</u>

The next item in the agenda was the election of fifteen (15) members of the Board of Directors for the ensuing year.

At the request of the Chairman, Antonio Jose U. Periquet, Chairman of the Nomination Committee, reported that in accordance with the Bank's By-Laws and Manual of Corporate Governance, and subject to compliance with applicable rules, the following stockholders were duly nominated for election as members of the Board of Directors of BPI for the year 2021-2022:

(1) Mr. Jaime Augusto Zobel de Ayala
(2) Mr. Fernando Zobel de Ayala
(3) Mr. Romeo L. Bernardo
(4) Ignacio R. Bunye
(5) Cezar P. Consing
(6) Ramon R. del Rosario, Jr.
(7) Octavio V. Espiritu
(8) Rebecca G. Fernando
(9) Jose Teodoro K. Limcaoco

(10) Aurelio R. Montinola III
(11) Mercedita S. Nolledo
(12) Antonio Jose U. Periquet
(13) Cesar V. Purisima
(14) Eli M. Remolona, Jr.
(15) Maria Dolores B. Yuvienco

The Corporate Secretary then reported the results of the election. Based on the partial tabulation of votes, each of the fifteen (15) nominees for directors has garnered at least 3,285,477,213 votes. Given this, it was certified that each nominee has received enough votes for election to the Board and that the Resolution to this effect had been approved.

RESOLUTION NO. ASM-2021-04

RESOLVED, to elect the following as directors of the Bank to serve as such beginning today until their successors are elected and qualified:

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Romeo L. Bernardo
Ignacio R. Bunye*
Cezar P. Consing
Ramon R. del Rosario, Jr.
Octavio V. Espiritu*
Rebecca G. Fernando
Jose Teodoro K. Limcaoco
Aurelio R. Montinola III
Mercedita S. Nolledo
Antonio Jose U. Periquet*
Cesar V. Purisima*
Eli M. Remolona, Jr.*
Maria Dolores B. Yuvienco*

*Nominated as Independent Director, subject to compliance with applicable legal and regulatory requirements

The votes received by the nominees are as follows:

Directors	Voted in Favor	Voted Against	Abstained
1. Mr. Jaime Augusto Zobel de Ayala	3,358,946,454	54,101,931	71,721,476
2. Mr. Fernando Zobel de Ayala	3,285,477,663	54,122,068	145,170,130
3. Mr. Romeo L. Bernardo	3,378,426,821	57,234,835	49,108,205
4. Mr. Ignacio R. Bunye	3,474,264,228	4,230,315	6,275,318
5. Mr. Cezar P. Consing	3,421,790,936	31,031,313	31,947,612
6. Ramon R. del Rosario, Jr.	3,446,237,931	4,780,315	33,751,615
7. Mr. Octavio V. Espiritu	3,344,590,502	35,633,105	104,546,254
8. Ms. Rebecca G. Fernando	3,445,422,544	32,065,219	7,282,098
9. Mr. Jose Teodoro K. Limcaoco	3,421,930,713	54,101,931	8,737,217
10. Mr. Aurelio R. Montinola III	3,405,084,537	54,101,931	25,583,393
11. Ms. Mercedita S. Nolledo	3,445,265,681	32,222,082	7,282,098
12. Mr. Antonio Jose U. Periquet	3,323,518,493	35,415,922	125,835,446
13. Cesar V. Purisima	3,446,566,279	4,751,049	33,452,533
14. Mr. Eli M. Remolona, Jr.	3,482,977,361	-	1,792,500

Directors	Voted in Favor	Voted Against	Abstained
15. Ms. Maria Dolores B. Yuvienco	3,478,494,543	-	6,275,318

VIII. Election of External Auditors and Fixing of their Remuneration

The next item in the agenda was the election of BPI's External Auditors.

The Chairman requested Ms. Maria Dolores B. Yuvienco, Chairman of the Audit Committee, to explain the item. Ms. Yuvienco informed the stockholders that the Audit Committee evaluated the performance of the Bank's current auditor, Isla Lipana & Co., during the past year and said that the Committee is satisfied with their performance. Thus, the Audit Committee and the Board of Directors have agreed to endorse to the stockholders for their approval, the re-election of Isla Lipana & Co. as the External Auditors of BPI and its major subsidiaries and affiliates for the present fiscal year 2021 for an audit fee of Twenty One Million Ten Thousand Pesos (PHP 21,010,000.00).

The Corporate Secretary presented the resolution for the re-election of the Bank's external auditor and the voting results, as follows:

RESOLUTION NO. ASM-2021-05

RESOLVED, that the re-election of Isla Lipana & Co. as the external auditor of BPI and its major subsidiaries and affiliates for the year 2021 for an audit fee of PHP 21.01 Mn be, and is hereby, approved.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	3,475,655,290	7,301,133	1,813,438
% of Voting Shares Present	99.72%	0.21%	0.05%

IX. Merger of BFSB into BPI, Increase in Authorized Capital Stock and Amendment of Article VII of the Bank's Articles of Incorporation

The next item in the agenda was the approval of the merger of BPI Family Savings Bank, Inc. into Bank of the Philippine Islands.

The Corporate Secretary stated that proposed for approval by the shareholders is the merger between the Bank and BPI Family Savings Bank, Inc., in accordance with the terms and conditions in the Plan of Merger. The merger was approved by the respective Board of Directors of BPI and BPI Family on January 20, 2021, and the Plan of Merger subsequently approved on February 24, 2021. BPI Family shall merge with and into BPI, with BPI as the surviving corporation of the merger. The proposed merger transaction will help realize the following objectives: (1) rationalization of the branch network in light of ongoing digitalization, (2) alignment with BPI group strategy, and (3) improved operational efficiency.

The Corporate Secretary then presented the resolution, as proposed by management, and based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

RESOLUTION NO. ASM-2021-06

RESOLVED, that the merger between the Bank and BPI Family Savings Bank, Inc. ("BFSBI") in accordance with the terms and conditions set forth in the Plan of Merger be approved, and for this purpose, the Bank's President and/or the Bank's Chief Finance Officer be, as they are hereby, authorized and empowered to do any and all acts, for and on behalf of the Bank for the purpose of implementing the aforementioned merger, upon such terms and conditions as they may deem beneficial to the Bank; and in connection with the foregoing: (a) to sign, execute, and deliver the aforementioned Plan of Merger and such other related documents, agreements and instruments, including but not limited to the Articles of Merger; (b) to act for and on behalf of the Bank, and designate such persons who will represent and act for and on behalf of the Bank, before the Securities and Exchange Commission (the "SEC"), the Bureau of Internal Revenue (the "BIR"), the Bangko Sentral ng Pilipinas (the "BSP"), Philippine Deposit Insurance Corporation ("PDIC"), the Philippine Competition Commission ("PCC"), the Philippine Stock Exchange ("PSE") and any other relevant regulatory agencies; and (c) to perform such other duties as may be incidental or related to the foregoing.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	3,482,168,596	140	2,601,125
% of Voting Shares Present	99.91%	0.00%	0.07%
% of Total Outstanding Shares	77.16%	0.00%	0.06%

The next item for approval was the increase in authorized capital stock, in relation to the proposed merger, and corresponding amendment of the Bank's Articles of Incorporation.

The Corporate Secretary explained that in relation to the proposed merger of BPI Family Savings Bank to the Bank, it is proposed to increase the Bank's authorized capital stock, particularly the common stock, by 100 million shares, or from the current level of 4.9 billion shares to 5 billion shares, with a par value of Ten Pesos (P10.00) per share, and the amendment of Article Seventh of the Bank's Amended Articles of Incorporation to reflect the foregoing increase in authorized capital stock. The additional common shares will be subject to the same rights and privileges as the existing common shares. In accordance with the provisions of the Revised Corporation Code, there will be no pre-emptive rights for the common shares to be issued pursuant to the merger with BPI Family Savings Bank. Such shares will remain as treasury shares until such time as they are re-issued.

The Corporate Secretary reported the resolution, as proposed by Management, and as approved by the stockholders based on the following voting results:

RESOLUTION NO. ASM-2021-07

RESOLVED, that the Bank increase its authorized capital stock by One Billion Pesos (P1,000,000,000.00) by: (i) increasing the authorized Common Stock of the Bank from Forty Nine Billion Pesos (P49,000,000,000.00) divided into Four Billion Nine Hundred Million (4,900,000,000) Common Shares at Ten Pesos (P10.00) per share to Fifty Billion Pesos (P50,000,000,000.00) divided into Five Billion (5,000,000,000) Common Shares at Ten Pesos (P10.00) per share; and (ii) maintaining the authorized Preferred Stock of the Bank at Six Hundred Million Pesos (P600,000,000.00) divided into Sixty Million (60,000,000) Preferred "A" Shares at Ten Pesos (P10.00) per share;

RESOLVED, FURTHER, that Article SEVENTH of the Bank's Amended Articles of Incorporation be amended to read as follows:

FROM:

"SEVENTH. - That the Capital Stock of the Corporation is Forty Nine Billion Six Hundred Million Pesos (P49,600,000,000.00) divided into:

- *Common Stock consisting of Four Billion Nine Hundred Million (4,900,000,000) shares with a par value of Ten Pesos (P10.00) per share, not more than one and one half percent (1 ½%) of which is set aside for an Executive Stock Option Plan and another one and one half percent (1 ½%) for a Stock Purchase Plan for Employees and Officers of BPI and its Subsidiaries, over which shares the stockholders shall have no pre-emptive rights; and*
- *Preferred Stock consisting of Sixty Million (P60,000,000) Preferred "A" shares with a par value of Ten Pesos (P10.00) per share.*

Xxx."

TO:

"SEVENTH. - That the Capital Stock of the Corporation is <u>Fifty Billion Six Hundred Million Pesos (P50,600,000,000.00)</u> divided into:

- *Common Stock consisting of <u>Five Billion (5,000,000,000)</u> shares with a par value of Ten Pesos (P10.00) per share, not more than one and one half percent (1 ½%) of which is set aside for an Executive Stock Option Plan and another one and one half percent (1 ½%) for a Stock Purchase Plan for Employees and Officers of BPI and its Subsidiaries, over which shares the stockholders shall have no pre-emptive rights; and*
- *Preferred Stock consisting of Sixty Million (60,000,000) Preferred "A" shares with a par value of Ten Pesos (P10.00) per share.*

Xxx."

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	3,153,734,957	140	331,034,764
% of Voting Shares Present	90.49%	0.00%	9.50%
% of Total Outstanding Shares	69.88%	0.00%	7.33%

The Corporate Secretary further stated that with stockholders representing at least two-thirds of the total outstanding shares having voted for the said merger, the increase in authorized capital stock and corresponding amendment to the Bank's Articles of Incorporation, the Resolutions have been approved.

X. <u>Consideration of Such Other Business as May Properly Come Before the Meeting</u>

After confirming with the Corporate Secretary that there were no other matters that require consideration by the stockholders, the Chairman requested Ms. Lukban, the Head of Corporate Strategy, Investor Relations and Sustainability to read aloud the questions and comments together with the names of the stockholders who sent them.

Ms. Eliza May Taco, a stockholder, mentioned that COVID-19 has changed the business landscape for everyone. She then asked if COVID-19 has changed the strategy of the Bank. Mr. Consing replied that COVID-19 has reinforced the Bank's digitalization initiatives. He recognized the importance to double down on digitalization and that this will move from payments/remittances to higher value products like loans. With digitalization, our branches will become more advisory/sales centers, although they will maintain their service capabilities. And obviously COVID-19 has made banks change their work arrangements – work from home or work from anywhere is now a feature of our strategy.

Mr. Jose Victor Montenegro, a stockholder, asked what the rationale is behind the BPI and BPI Family Savings Bank (BFSB) merger. He also asked what benefits can be expected from this, why only now, and is BPI Direct BanKo included in the merger. Mr. Consing replied that in view of the merger, customers will be able to transact in more branches; each branch will be able to offer full suite of products/services. Employees will have more job options and career opportunities – job rotations, cross-postings. Shareholders will see the benefit of added value. Significant revenue and cost synergies produced by having unified channels – both physical and digital – and a completely unified workforce. On timing, Mr. Consing explained that now is where they have seen a reduction in the reserve requirement differential between commercial banks and thrift banks. And at this point, the digitalization platform is held by having a common platform across all BPI banks. And to the last point, whether this will include BPI Direct BanKo, Mr. Consing responded that BanKo will not be included and will remain a separate entity.

Mr. Jericho Dee, a stockholder, inquired on the role of banks in the country's economic recovery. The Chairman replied that financial institutions, including BPI, have been part and parcel on the development cycle of any country and certainly the Philippines, where BPI has played a major role for 170 years. As GDP grows, banks are a key component of that process. Bank lending will spur growth and be part and parcel of growth when the economy springs like it has. Banks will always be a key growth component of any economic model and certainly the Philippines. BPI has participated in infrastructure lending and has been very involved in the sustainability initiatives (green energy), SMEs, microfinance, and household financing (mortgage, auto, credit cards). He said that these are all part and parcel of an economy that grows. The Chairman concluded that the Bank will be part and parcel of the country's economic recovery and will play these various roles, including many others – investment bank, asset management and hoped that those GNP and GDP numbers come back to where they were before.

Ms. Lady Janelle Monsanto asked what the Bank's commitments are or immediate initiatives in addressing Sustainability. She also asked if BPI will still finance new coal plants in the Philippines. Mr. Consing stated that at the outset, in terms of ESG ratings, BPI is among the top rated banks in the country. BPI contributes initiatives to 14 of the 17 UN Sustainable Development Goals, ranging from No Poverty to Gender Equality to Climate Action. In 2020, BPI has set up a Sustainability Office and updated its Sustainability Strategy, with a focus on Responsible Banking and Responsible Operations. This year, each of the Bank's businesses has ESG targets, and the achievement of these targets will be integrated into the performance appraisal process. As for coal financing, Mr. Consing said that it is the Bank's intent to achieve "zero coal" in line with the Paris Agreement target of 2037 for non-OECD Asia. He added that they believe that they will be able to half the amount of the Bank's outstanding coal loans by the end of 2026.

Mr. Ishmael Sam Canua, a stockholder, mentioned that the central bank governor pushes to certify the amendment of Bank Secrecy Law as urgent and also the amendments of PDIC charter to raise the deposit insurance from P500K to P1Mn. Also, there are some proposals to amend the economic provisions in the 1987 constitution, including the 60/40 equity (foreign ownership). There are some bills that have already passed into law, the CREATE and FIST Laws. He asked, "What is the response of the bank to these amendments and proposals?" On the Bank Secrecy Law, Mr. Consing said that the Bank is completely supportive of this, the amendment will put the Bank in line with international standards, and will make it less of a target for money laundering. On amendments to PDIC, the Bank is supportive with it falling under the ambit of the BSP. However, he said that what they are studying now is if it makes sense to increase the insurance limit from half a million to a million pesos, as 97% of all bank depositors are already fully insured under the current limit. On the 60/40 equity, Mr. Consing said that this is constitutional and for some industries, this makes a lot of sense. As for the CREATE law, this is GDP positive, it is expansionary and the Bank is also supportive of that. As for the FIST law, Mr. Consing said that this will make it easier for banks to transfer non-performing assets to third parties, which they think will be good for the banking system, it will free up capital, and create impetus for more lending.

XI. Adjournment

The Chairman, on behalf of BPI's Board of Directors, expressed immense gratitude to Mr. Xavier P. Loinaz, who for health reasons stepped down from the board in October of last year:

"Xavier was President and CEO of BPI for 22 years, from 1982-2004. He guided the bank throughout some of the most tumultuous times in Philippine history, book-ended by the country's debt crisis in the early 1980s and the Asian Financial crisis in the late 1990s. Despite the difficult external environment, Xavier's leadership tenure was marked by innovation and growth. BPI introduced ATMs in the early 1980s, the first Philippine bank to do so, and launched internet banking in 1999. Xavier also presided over some of the most significant acquisitions undertaken by BPI, including Family Bank in the mid-80s, Citytrust in the mid-90s and Far East Bank at the turn of the century. These acquisitions solidified BPI's leadership position in the banking industry. On a related note, Xavier's acquisition of life and property and casualty insurance companies marked the beginning of bancassurance in the Philippines.

Xavier left a legacy of steady and disciplined approach to the management of risks. This approach has continued to serve the bank well.

After Xavier retired as CEO, he continued to serve the bank as a Board Director, most recently as Chair of our Audit Committee. Xavier served on BPI's board for 40 years.

Xavier was instrumental in the creation of the modern BPI. We thank him for his vision, passion and leadership and wish him the very best."

There being no other comments or questions from the stockholders and no other matters to discuss, the meeting was adjourned. The Chairman reminded that stockholders may raise any issues, clarifications, and concerns regarding the conduct of the meeting by sending an email to bpi-asm@bpi.com.ph.

The Chairman again thanked everyone who joined the meeting.

PREPARED BY:

ANGELA B. MARAMAG
Corporate Secretary and Secretary
of the Meeting

ATTESTED BY:

JAIME AUGUSTO ZOBEL DE AYALA
Chairman of the Board and Chairman
of the Meeting

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ANNEX A				
Attendance of Stockholders				
	Stockholder	Type of Shares	No. of Shares	Appointee/Beneficial Owner
1	DEUTSCHE BANK AG MANILA BRANCH		272,059,076	Chairman of the Meeting
2	HSBC10 ACCOUNT - MNL CNC NOM 21/0296		208,168,375	Chairman of the Meeting
3	HSBC20 ACCOUNT - MNL CNC NOM 21/0297		27,906,704	Chairman of the Meeting
4	STANDARD CHARTERED BANK		64,590,076	Chairman of the Meeting
5	CITIBANK, N.A. MANILA		175,634,922	Chairman of the Meeting
6	AYALA CORPORATION		1,000,261,934	Chairman of the Meeting
7	MICHIGAN HOLDINGS, INC.		92,684,989	Chairman of the Meeting
8	AC INTERNATIONAL FINANCE, LTD.		390,269,162	Chairman of the Meeting
9	LIONTIDE HOLDINGS, INC.		904,194,682	Chairman of the Meeting
10	ROMAN CATHOLIC ARCHBISHOP OF MANILA		328,433,639	Chairman of the Meeting
11	BPI-ESPP 2019		5,758,830	Chairman of the Meeting
12	BPI-ESPP 2018		3,985,340	Chairman of the Meeting
13	BPI-ESPP 2017		3,096,100	Chairman of the Meeting
14	BPI-ESPP 2016		1,715,090	Chairman of the Meeting
15	BPI-ESPP 2015		348,389	Chairman of the Meeting
16	BPI-ESPP 2014		68,150	Chairman of the Meeting
17	BPI-ESPP 2013		40,022	Chairman of the Meeting
18	BPI STOCK PURCHASE PLAN 2001		29,238	Chairman of the Meeting
19	BPI EMPLOYEES SPP 1997		14,386	Chairman of the Meeting
20	BPI GROUP OF COMPANIES RET. FUND		4,174,243	Chairman of the Meeting
21	GARROBO, ALICE VERGARA		52	Chairman of the Meeting
22	REYES, ANGELICA RODRIGUEZ		922	Chairman of the Meeting
23	VICTOR H. BOCALING		199,272	Chairman of the Meeting
24	EDGARDO I. BERNARDO		673	Chairman of the Meeting
25	ELI C. CAPAPAS		268	Chairman of the Meeting
26	MA. CRISTINA CARMINA B. GREGORIO		700	Chairman of the Meeting
	Sub-Total (Proxy)		**3,483,635,234**	
27	BPI SECURITIES CORPORATION		140	Alvin V. David
28	COL FINANCIAL GROUP, INC.		10	ANTHONY GILBERT L. ANTIQUIERA
29	DANIEL GABRIEL M. MONTECILLO		10	-
30	FIRST METRO SECURITIES BROKERAGE CORP.		180	Anna Dominique AD. Cudia
31	FIRST METRO SECURITIES BROKERAGE CORP.		1	Ishmael Sam D. Canua
32	SOLOMON HERMOSURA		109	-
33	BERNARDO, ROMEO LOPEZ		12	
34	BUNYE, IGNACIO RIVERA		10	
35	CONSING, CEZAR PERALTA		172	
36	DEL ROSARIO, RAMON R.		2,287	
37	ESPIRITU, OCTAVIO VICTOR REYES		1,062,453	
38	FERNANDO, REBECCA GUANCO		18	
39	LIMCAOCO, JOSE TEODORO KATIGBAK		10	
40	MONTINOLA, AURELIO III REYES		49,520	
41	NOLLEDO, MERCEDITA SANTIAGO		120	
42	PERIQUET, ANTONIO JOSE UY		10	
43	PURISIMA, CESAR V.		10	
44	REMOLONA, ELI M. JR.		10	

ANNEX A				
Attendance of Stockholders				
	Stockholder	Type of Shares	No. of Shares	Appointee/Beneficial Owner
45	YUVIENCO, DOLORES BORDADOR		110	
46	ZOBEL DE AYALA, JAIME AUGUSTO		283	
47	ZOBEL DE AYALA, FERNANDO		120	
48	JAVIER, MARIA THERESA MARCIAL		19,022	
49	JOCSON, RAMON LOCSIN		10	
	Sub-Total (Present/Voted in Person)		1,134,627	
50	ASIS, MA. CRISTINA		6,404	
51	GARCIA, MARIA PAZ		5,520	
52	GALVEZ, MARWIN		1,656	
53	SANTAMARIA, MARY CATHERINE ELIZABETH		5,520	
54	GAYARES, MARITA SOCORRO		5,520	
55	MARQUEZ, PILAR BERNADETTE		12,000	
56	AMY BELEN R. DIO		25,184	
57	MARIE ANTOINETTE SALES CORTEZ		3,033	
58	BERNADETTE BATAC OCAMPO		1,500	
59	CARLO CARMELO S GATUSLAO		27	
60	CARMENCITA BILOG GOZAR		12,132	
61	CATHERINE Y. FERANIL		3,312	
62	CRISTINA JAVELLANA SY		537	
63	ELISA MITRA SILVA		23,663	
64	ERICSON H. BARROQUILLO		20	
65	IRENE G. ANG		268	
66	JANETTE BAGASAO TAGUBA		4,756	
67	JO ANN BUENO EALA		17,275	
68	JOSE BENJAMIN AUGUSTO P. AQUINO JR.		1,656	
69	JOSEPHINE B. FERRER		22,462	
70	LOURDES SUZANNE SEBASTIAN CAMPOS		3,312	
71	LUIS ANTONIO P. ZIALCITA		172	
72	MA CRISTINA L. SAN DIEGO		10,670	
73	MARI MARGARET Z. CATALAN		1,550	
74	MA CRISTINA ABELLA BASILIO		3,312	
75	MARIA ANA M. LUNA		9,444	
76	MARIA TERESA ANNA K. LIM		10,155	
77	MARIBETH G. SEGUI		4,812	
78	MARY JANE YOUNG LAQUINDANUM		7,761	
79	MAYA B. SAMPANG		1,550	
80	MYRA LIZA D. CATINDIG		2,254	
81	RHODA A. SORIANO		1,656	
82	RHODORA ADELAIDA C. PAGULAYAN		7,487	
83	KRISTINE JOY V. SANTOYO		750	
84	ANNA CHRISTINA U. DEL FIERRO		3,732	
85	VILMA LORENZO ROXAS		4,085	
86	ADELBERT A. LEGASTO		113,797	
87	ANGEL E. SANTOS		5,221	
88	ARTEMIO V. PANGANIBAN		11	
89	CESAR A. TEJADA		8	
90	GERARDO C. ABLAZA JR		193	
91	OSCAR S. REYES		1,076	
92	SIMON ROCES PATERNO		10	
93	ARLENE D. MERCADO		1,656	

ANNEX A				
Attendance of Stockholders				
	Stockholder	Type of Shares	No. of Shares	Appointee/Beneficial Owner
94	CARLA JASMIN S. GAMBOA		220	
95	CHRISTINE MARIE R. TOLEDO		450	
96	MA. DANA PATRICIA P. SOLIDUM		250	
97	EDGAR CUBACUB HASEGAWA		1,356	
98	ELVIRA V. MAYO		40,319	
99	FREIDA LISA B. PESTIO		1,336	
100	GRACE PACITA ALIGA SAULOG		11,642	
101	JONATHAN VALBUENA TRINIDAD		1,656	
102	JULIUS J. SANVICTORES		30	
103	LEONCIO A. SONG JR.		1,500	
104	MARIA ISABEL RAMOS PEREY		932	
105	MA. LUISA L. CRUZ		25,150	
106	MA. CARMINA A. YMSON		220	
107	MA. KATHLEEN S. AQUINO		950	
108	MARIA ANGELIQUE M. RUALO		570	
109	MA. CRISTINA G. LIWANAG		20	
110	MARIA CRISTINA REYES PENARANDA		990	
111	MARIA EMELIE R. MASCARINAS		3,100	
112	MARIBETH A. RAYMUNDO		1,659	
113	MARK CHAN YANG		7,991	
114	MICHAEL D. CALLEJA		37,829	
115	MICHELLE EDNA M. CASTILLO		1,628	
116	MONA CHU TANLIM		1,036	
117	PAULO R. ESMAQUEL		70	
118	JOHN CHRISTOPHER V. CLAVESILLAS		220	
119	VALERIE MARY ANNE C. ABLAN		958	
120	VIVIAN QUE AZCONA		10	
121	VIVIAN DOMINGO MONTES		1,656	
	Sub-Total (Remote Communication)		490,867	
	Total		3,485,260,728	

ANNEX "A-4"

PROPOSED AMENDMENTS TO THE BY-LAWS

Article No. and Heading	As Amended
Article I - Head Office and Branches	The Head Office of the Bank shall be located at BPI Building, 6768 Ayala Avenue corner Paseo de Roxas, Barangay San Lorenzo, Makati City, Philippines.
Article IV - Stockholders' Meeting	The annual meeting of stockholders shall be held in Metro Manila on the last Friday of March of each year or on such other date as may be determined by the Board of Directors. Special meeting of stockholders may be held at any time upon call by the Chairman of the Board of Directors, or in his absence, by the Vice Chairman, or upon resolution of the Board of Directors. The holding of a special meeting, upon the proposal of a stockholder, shall be subject to the approval of the Chairman of the Board of Directors, or in his absence, by the Vice Chairman, or upon the resolution of the Board of Directors, in accordance with the provisions of the Corporation Law. The Corporation may opt to hold fully virtual annual or special stockholders' meetings, subject to applicable laws, rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. The virtual annual or special stockholders' meetings shall be conducted in such a way that the stockholder experience shall be, to every extent possible, similar to a physical meeting. In any such instance, if stockholders holding at least ten percent (10%) of the outstanding capital stock ask for a physical meeting, the Corporation shall conduct a physical meeting unless prevented by applicable laws, rules and regulations. A separate announcement of the holding of a virtual annual or special stockholders' meeting shall be made ahead of the sending out of the Notice of Meeting. Stockholders' request for a physical meeting shall be made within two (2) weeks from said announcement of the holding of a virtual annual or special stockholders' meeting. Regular or special meeting of stockholders shall be called by written notice. The Notice shall be served to all stockholders by electronic transmission. For annual meetings, the notice shall be sent at least twenty-one (21) days prior to the date of the meeting while for special meetings, at least one (1) week before scheduled date of meeting. The notice shall be deemed to have been given at the time when it has been electronically transmitted through any of the means mentioned herein. In addition, and within the same period of time, notice of the meeting shall be published in newspaper of general circulation in Greater Manila. In case of a special meeting, the notice shall include, in addition to the date, hour and place of assembly, a statement of the matters to be taken up therein. (as amended on March 16, 2011) The Notice of annual or special meeting shall contain, in addition to the date, hour and place of meeting, a statement on the matters to be transacted at the meeting, and such other matters as required by applicable laws and regulations. No business other than that specified in the notice shall be transacted at such meeting. Any stockholder may propose any other matter for inclusion in the agenda of the annual meeting, subject to reasonable guidelines issued by the Board which are consistent with applicable laws, rules and regulations of the Securities and Exchange Commission, as may be amended from time to time. The Notice shall also set the date, time and place of the validation of proxies and the procedures to be followed when a stockholder elects to participate and vote through remote communication or in absentia. The Corporation shall also provide information or documents to all stockholders by electronic transmission. The information or documents shall be deemed delivered

Article No. and Heading	As Amended
	upon the transfer or posting by electronic means. As used herein, electronic transmission means the delivery or transfer of documents, data or information by electronic mail to the electronic address of the stockholders registered in the books of the Corporation, posting in the Philippine Stock Exchange, posting in the Corporation's website (in the subsections for stockholders' meetings or disclosures of the Governance section), or such other recognized means of electronic transfer of data or information. The Corporation shall require all stockholders to provide a valid electronic address for them to receive notices and other information or documents from the Corporation. Stockholders preferring to receive physical copies of the notice, information or documents shall make a written request to the Corporation. Upon receipt of the request, the Corporation shall send the notice, information and documents by personal service. Notice to any meeting may be waived, expressly or impliedly, including through a stockholder's attendance at a meeting unless the stockholder's presence is for the express purpose of contending that the meeting is not lawfully convened. A holder of at least one (1) share of stock of the Bank shall have the right to be present and to participate and to vote, in every stockholders' meeting, either in person, through remote communication, in absentia, or by proxy, subject to compliance with the applicable rules and regulations issued by the Securities and Exchange Commission from time to time; Provided that if the stockholder is represented by proxy, the stockholder shall be limited to a single proxy at any one time but he may name alternate proxies. A proxy may be made in favor only of a person who is sui juris, and to be acceptable, for the purpose of the Bank, the signature of the stockholder executing it must be attested by two (2) subscribing witnesses. The proxy shall be filed with the Secretary of the Bank at least ten (10) days before the meeting, and shall be valid until revoked. At all stockholders' meeting, voting shall be by shares and not "per capita". Except in cases where the applicable law requires a greater number, the owners of a majority of the shares issued and outstanding, participating either in person, by proxy, through remote communication or *in absentia*, electronically or otherwise, shall, constitute a quorum for the transaction of business at any meeting of the stockholders, including for the election of directors. xxx xxx In the election of members of the Board of Directors, the fifteen (15) nominees receiving the highest number of votes shall be declared elected, subject to compliance with applicable laws and regulations on the composition of the Board of Directors, including the election of independent directors.
Article V – Board of Directors	xxx Two-thirds (2/3) of the members of the Board of Directors shall constitute a quorum at any meeting for the transaction of corporate business, and every decision of a majority of the quorum duly assembled as a board shall be valid as a corporate act, unless otherwise provided in these By-Laws, and except for the election of officers, which shall require the majority vote of all directors. Participation of directors, including voting, at board meetings can be in person, through remote communication, such as but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein, subject, however, to compliance by each director with the minimum requirements for

Article No. and Heading	As Amended
	physical attendance in meetings as may be required by relevant regulations. Board-level committees shall meet as prescribed in their respective charters. Participation of committee members may likewise be in person or through modern technologies: Provided, That the attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors.
Article VI – Powers and Duties of the Board of Directors	xxx 4. To act on all application for loans, discounts and other advances of credit, and for the purpose of bills of exchange not drawn under duly accredited letters of credit, by acting on each application as submitted or through the fixing of annual lines of credit,
Article VII - Executive Committee	At its first meeting after the annual meeting of the stockholders, the Board of Directors shall appoint an Executive Committee (Excom) which shall be a part of the permanent organization of the Bank, and which shall, in the interim between meetings of the Board of Directors, possess and exercise all the powers of that body in the oversight and direction of the affairs of the Bank. xxx 2. To exercise the power of the Board in the oversight and direction of the affairs of the Bank subject to the limits provided by law and these By-Laws.
Article VII-B - Audit Committee	At its first meeting after the annual meeting of stockholders, the Board of Directors shall appoint an Audit Committee which shall be part of the permanent organization of the Bank. The Audit Committee shall be composed of at least three (3) Directors who are all Non-Executive Directors, majority of whom shall be Independent Directors including the Chairperson, preferably with accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions shall not be appointed as members of the Audit Committee. The selection and appointment of the Audit Committee members, including its Chairperson shall rest with the Board in accordance with existing rules and regulations. Provided, *That* the Chairperson of the Audit Committee shall not be the Chairperson of the Board of Directors or of any other board-level committees. The Audit Committee chairperson shall be elected by the Board of Directors and vacancies in the Audit Committee shall also be filled by the Board of Directors. The Audit Committee shall review the reports submitted by the Internal and External auditors including audit reports done and performed by the BSP and shall make the necessary recommendations, comments or instructions to Management as it may deem fit.
Article XI - Manual on Corporate Governance	To aid the Board of Directors in the promotion of and adherence to the principles of good governance, the Board shall adopt a Manual of Corporate Governance as well as board and board-level committee charters, which may be amended from time to time as may be deemed fit by the Board. Such Manual of Corporate Governance and board and board-level committee charters, and any amendments thereto, shall be suppletory to these By-laws.
Article XII - Certificates of Stock	In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 7~~3~~2 of the Revised Corporation Code.
Article XIV - Surplus	The Bank shall, before the declaration of any dividend comply with all the rules and regulations or conditions imposed or prescribed by the BSP. Cash dividend payouts may be done through electronic means such as direct bank transfer, transfer to an electronic wallet account and the like as may be decided by

Article No. and Heading	As Amended
	<u>the Board of Directors. The Corporation shall request stockholders to provide the account details, mobile numbers, or QR Codes, where the dividend payout may be transferred or remitted to. Stockholders for whom account details, mobile numbers, or QR Codes are unavailable shall receive their dividend payout by check, as customary.</u>

BPI

ANNEX "B"

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Bank of the Philippine Islands (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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 financial statements, management is responsible for assessing the Bank's ability 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 Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Jaime Augusto Zobel de Ayala
Chairman of the Board

Jose Teodoro K. Limcaoco
President and Chief Executive Officer

Maria Theresa Marcial Javier
Executive Vice President
and Chief Finance Officer

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 16 2022, affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala			
Jose Teodoro K. Limcaoco			
Maria Theresa Marcial Javier			

Doc. No. 709;
Page No. 63;
Book No. IX;
Series of 2022.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2022
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-52-(2021-2022)
PTR No. 8852511 Jan. 3, 2022
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

Bank of the Philippine Islands

Financial Statements
As at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021

pwc

Isla Lipana & Co.

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
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, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 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, 2021 and 2020;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2021;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2021;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2021;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2021; and
- the notes to the consolidated and parent financial statements, which include a summary of significant accounting policies.

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, 2021, the total allowance for impairment for loans and advances amounted to PHP53,764 million for the BPI Group and PHP40,864 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP12,765 million for the BPI Group and PHP10,226 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, they 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 Philippine Financial Reporting Standard (PFRS) 9, *Financial instruments*; 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 include 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) model prescribed by PFRS 9, 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 models 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 collective loan loss allowance for selected accounts and portfolios at reporting date using the ECL models 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 it becomes 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.

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, related safeguards.

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 the Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP) and the Bureau of Internal Revenue (BIR)

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 BSP Circular No. 1074 in Note 32 and 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 information is the responsibility of the management of the BPI Group and the Parent Bank. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information 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 Lim

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 1775-A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
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 January 21, 2023

Makati City
February 22, 2022

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 22, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the BPI Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the BPI Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 1775-A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
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 January 21, 2023

Makati City

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
Makati City

We have audited the 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") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated February 22, 2022. The supplementary information shown in the Reconciliation of the Parent Bank's Retained Earnings Available for Dividend Declaration, Map of the Conglomerate or Group of Companies within which the Bank of the Philippine Islands belongs effective as at December 31, 2021, as additional components required by Part I, Section 5 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 6, 2022 at Makati City
SEC A.N. (individual) as general auditors 1775-A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
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 January 21, 2023

Makati City
February 22, 2022

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BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2021 and 2020
(In Millions of Pesos)

		Consolidated		Parent	
	Notes	**2021**	2020	**2021**	2020
ASSETS					
CASH AND OTHER CASH ITEMS	4	**35,143**	37,176	**33,868**	35,912
DUE FROM BANGKO SENTRAL NG PILIPINAS	4	**268,827**	223,989	**197,435**	197,974
DUE FROM OTHER BANKS	4	**34,572**	40,155	**27,734**	36,605
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	4,5	**30,852**	30,251	**30,023**	26,622
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	**21,334**	37,210	**15,575**	33,865
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	**134,741**	130,186	**115,541**	120,300
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	**338,672**	244,653	**333,193**	216,810
LOANS AND ADVANCES, net	10	**1,476,527**	1,407,413	**1,233,052**	1,175,071
ASSETS HELD FOR SALE, net		**3,282**	2,971	**505**	357
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	**17,525**	18,832	**15,243**	16,131
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	**7,165**	7,510	**15,556**	11,039
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**17,563**	18,726	**-**	-
DEFERRED INCOME TAX ASSETS, net	13	**15,819**	17,525	**11,953**	12,838
OTHER ASSETS, net	14	**19,893**	16,846	**21,648**	14,412
Total assets		**2,421,915**	2,233,443	**2,051,326**	1,897,936

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2021 and 2020
(In Millions of Pesos)

	Notes	Consolidated 2021	Consolidated 2020	Parent 2021	Parent 2020
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	**1,955,147**	1,716,177	**1,675,785**	1,470,210
DERIVATIVE FINANCIAL LIABILITIES	7	**3,632**	5,657	**3,545**	5,657
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	**95,039**	151,947	**82,550**	140,348
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		**953**	1,491	**814**	1,491
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**6,931**	7,108	**5,243**	5,447
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**8,413**	8,902	**6,127**	6,510
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**13,242**	14,347	**-**	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	**43,402**	45,857	**33,762**	37,103
Total liabilities		**2,126,759**	1,951,486	**1,807,826**	1,666,766
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		**45,131**	45,045	**45,131**	45,045
Share premium		**74,934**	74,764	**74,934**	74,764
Reserves		**564**	416	**160**	196
Accumulated other comprehensive loss		**(8,670)**	(5,899)	**(6,825)**	(4,288)
Surplus		**181,101**	165,509	**130,100**	115,453
		293,060	279,835	**243,500**	231,170
NON-CONTROLLING INTERESTS		**2,096**	2,122	**-**	-
Total capital funds		**295,156**	281,957	**243,500**	231,170
Total liabilities and capital funds		**2,421,915**	2,233,443	**2,051,326**	1,897,936

(The notes on pages 1 to 101 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, 2021
(In Millions of Pesos)

		Consolidated			Parent		
	Note	**2021**	2020	2019	**2021**	2020	2019
NET INCOME FROM CONTINUING OPERATIONS		**24,110**	21,863	29,001	**22,783**	24,611	26,218
OTHER COMPREHENSIVE (LOSS) INCOME	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive (loss) income of associates		**(728)**	640	1,286	**-**	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		**(548)**	428	262	**(506)**	428	249
Fair value reserve on investments of insurance subsidiaries, net of tax effect		**(209)**	195	545	**-**	-	-
Currency translation differences and others		**627**	(238)	(202)	**291**	(167)	(124)
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		**608**	(3,383)	(1,402)	**431**	(2,798)	(1,141)
Share in other comprehensive income (loss) of associates		**448**	(1,242)	(32)	**-**	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		**(3,041)**	215	(313)	**(2,753)**	565	(379)
Total other comprehensive (loss) income, net of tax effect from continuing operations		**(2,843)**	(3,385)	144	**(2,537)**	(1,972)	(1,395)
Total comprehensive income for the year from continuing operations		**21,267**	18,478	29,145	**20,246**	22,639	24,823
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS		**-**	(211)	82	**-**	-	-
Total other comprehensive loss, net of tax effect from discontinued operations		**-**	(3)	(16)	**-**	-	-
Total comprehensive (loss) income, for the year from discontinued operations		**-**	(214)	66	**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,267**	18,264	29,211	**20,246**	22,639	24,823
Total comprehensive income (loss) attributable to equity holders of BPI arising from:							
Continuing operations		**21,109**	18,163	28,735	**20,246**	22,639	24,823
Discontinued operations		**-**	(214)	34	**-**	-	-
		21,109	17,949	28,769	**20,246**	22,639	24,823
Total comprehensive income attributable to the non-controlling interest arising from:							
Continuing operations		**158**	315	410	**-**	-	-
Discontinued operations		**-**	-	32	**-**	-	-
		158	315	442	**-**	-	-
Total comprehensive income attributable to:							
Equity holders of BPI		**21,109**	17,949	28,769	**20,246**	22,639	24,823
Non-controlling interests		**158**	315	442	**-**	-	-
		21,267	18,264	29,211	**20,246**	22,639	24,823

(The notes on pages 1 to 101 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, 2021
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2021**	2020	2019	**2021**	2020	2019
INTEREST INCOME							
On loans and advances		**72,225**	82,312	86,056	**53,426**	63,599	67,895
On investment securities		**10,436**	12,052	12,709	**9,949**	10,786	11,776
On deposits with BSP and other banks		**1,956**	1,944	1,722	**1,271**	1,343	808
		84,617	96,308	100,487	**64,646**	75,728	80,479
INTEREST EXPENSE							
On deposits	15	**10,168**	18,986	28,874	**5,587**	12,777	21,476
On bills payable and other borrowed funds	16	**4,866**	5,058	6,038	**4,396**	4,595	6,031
		15,034	24,044	34,912	**9,983**	17,372	27,507
NET INTEREST INCOME		**69,583**	72,264	65,575	**54,663**	58,356	52,972
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**13,135**	28,000	5,562	**10,591**	21,394	4,666
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**56,448**	44,264	60,013	**44,072**	36,962	48,306
OTHER INCOME							
Fees and commissions		**11,204**	8,899	9,068	**9,051**	7,763	8,502
Income from foreign exchange trading		**2,384**	2,155	2,111	**2,206**	2,022	1,930
Securities trading gain		**97**	3,310	3,882	**4**	2,657	3,574
Income attributable to insurance operations	2	**1,854**	1,506	1,223	**-**	-	-
Net gains on disposals of investment securities at amortized cost	9	**1,513**	4,647	128	**1,166**	4,078	104
Other operating income	19	**10,770**	9,142	10,275	**13,026**	13,459	10,487
		27,822	29,659	26,687	**25,453**	29,979	24,597
OTHER EXPENSES							
Compensation and fringe benefits	21	**18,528**	18,005	17,369	**14,094**	13,870	13,479
Occupancy and equipment-related expenses	11,20	**16,010**	14,606	14,736	**13,352**	12,544	12,943
Other operating expenses	21	**16,195**	15,543	16,239	**12,220**	11,788	12,058
		50,733	48,154	48,344	**39,666**	38,202	38,480
PROFIT BEFORE INCOME TAX		**33,537**	25,769	38,356	**29,859**	28,739	34,423
INCOME TAX EXPENSE	22						
Current		**8,328**	10,751	9,975	**6,701**	9,272	8,788
Deferred	13	**1,099**	(6,845)	(620)	**375**	(5,144)	(583)
		9,427	3,906	9,355	**7,076**	4,128	8,205
NET INCOME FROM CONTINUING OPERATIONS		**24,110**	21,863	29,001	**22,783**	24,611	26,218
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS	12	**-**	(211)	82	**-**	-	-
NET INCOME AFTER TAX		**24,110**	21,652	29,083	**22,783**	24,611	26,218

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME
For each of the three years in the period ended December 31, 2021
(In Millions of Pesos, Except Per Share Amounts)

		Consolidated			Parent		
	Note	**2021**	2020	2019	**2021**	2020	2019
(forwarded)							
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from:	18						
Continuing operations		**5.29**	4.79	6.38	**5.05**	5.45	5.82
Discontinued operations		**-**	(0.05)	0.01	**-**	-	-
Income (loss) attributable to equity holders of BPI arising from:	18						
Continuing operations		**23,880**	21,620	28,761	**22,783**	24,611	26,218
Discontinued operations		**-**	(211)	42	**-**	-	-
		23,880	21,409	28,803	**22,783**	24,611	26,218
Income attributable to the non-controlling interests arising from:							
Continuing operations		**230**	243	240	**-**	-	-
Discontinued operations		**-**	-	40	**-**	-	-
		230	243	280	**-**	-	-
Income attributable to							
Equity holders of BPI		**23,880**	21,409	28,803	**22,783**	24,611	26,218
Non-controlling interests		**230**	243	280	**-**	-	-
		24,110	21,652	29,083	**22,783**	24,611	26,218

(The notes on pages 1 to 101 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, 2021
(In Millions of Pesos)

	Consolidated							
	Attributable to equity holders of BPI (Note 18)							
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance, January 1, 2019	**44,961**	**74,181**	**4,096**	**127,459**	**(2,176)**	**248,521**	**3,017**	**251,538**
Comprehensive income								
Net income for the year	-	-	-	28,803	-	28,803	280	29,083
Other comprehensive income (loss) for the year	-	-	-	-	(34)	(34)	162	128
Total comprehensive income (loss) for the year	-	-	-	**28,803**	**(34)**	**28,769**	**442**	**29,211**
Transactions with owners								
Exercise of stock option plans	38	268	30	-	-	336	-	336
Cash dividends	-	-	-	(8,113)	-	(8,113)	-	(8,113)
Total transactions with owners	**38**	**268**	**30**	**(8,113)**	-	**(7,777)**	-	**(7,777)**
Transfer from surplus to reserves	-	-	2,002	(2,002)	-	-	-	-
Transfer from reserves to surplus	-	-	(1,020)	1,020	-	-	-	-
Other movements	-	-	-	293	(229)	64	(2)	62
	-	-	**982**	**(689)**	**(229)**	**64**	**(2)**	**62**
Balance, December 31, 2019	**44,999**	**74,449**	**5,108**	**147,460**	**(2,439)**	**269,577**	**3,457**	**273,034**
Comprehensive income								
Net income for the year	-	-	-	21,409	-	21,409	243	21,652
Other comprehensive (loss) income for the year	-	-	-	-	(3,460)	(3,460)	72	(3,388)
Total comprehensive income (loss) for the year	-	-	-	**21,409**	**(3,460)**	**17,949**	**315**	**18,264**
Transactions with owners								
Exercise of stock option plans	46	315	47	-	-	408	-	408
Cash dividends	-	-	-	(8,124)	-	(8,124)	-	(8,124)
Total transactions with owners	**46**	**315**	**47**	**(8,124)**	-	**(7,716)**	-	**(7,716)**
Transfer from reserves to surplus	-	-	(4,739)	4,739	-	-	-	-
Other movements	-	-	-	25	-	25	(1,650)	(1,625)
	-	-	**(4,739)**	**4,764**	-	**25**	**(1,650)**	**(1,625)**
Balance, December 31, 2020	**45,045**	**74,764**	**416**	**165,509**	**(5,899)**	**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	-	-	-	**23,880**	**(2,771)**	**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)**
Transfer from reserves to surplus	-	-	190	(190)	-	-	-	-
Other movements	-	-	-	25	-	25	-	25
	-	-	**190**	**(165)**	-	**25**	-	**25**
Balance, December 31, 2021	**45,131**	**74,934**	**564**	**181,101**	**(8,670)**	**293,060**	**2,096**	**295,156**

(The notes on pages 1 to 101 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, 2021
(In Millions of Pesos)

	Parent (Note 18)					
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2019	**44,961**	**74,181**	**3,977**	**76,958**	**(921)**	**199,156**
Comprehensive income						
Net income for the year	-	-	-	26,218	-	26,218
Other comprehensive loss for the year	-	-	-	-	(1,395)	(1,395)
Total comprehensive income (loss) for the year	-	-	-	**26,218**	**(1,395)**	**24,823**
Transactions with owners						
Exercise of stock option plans	38	268	43	-	-	349
Cash dividends	-	-	-	(8,113)	-	(8,113)
Total transactions with owners	**38**	**268**	**43**	**(8,113)**	-	**(7,764)**
Transfer from surplus to reserves	-	-	1,892	(1,892)	-	-
Transfer from reserves to surplus	-	-	(1,020)	1,020	-	-
Other movements	-	-	-	35	-	35
	-	-	**872**	**(837)**	-	**35**
Balance, December 31, 2019	**44,999**	**74,449**	**4,892**	**94,226**	**(2,316)**	**216,250**
Comprehensive income						
Net income for the year	-	-	-	24,611	-	24,611
Other comprehensive loss for the year	-	-	-	-	(1,972)	(1,972)
Total comprehensive income (loss) for the year	-	-	-	**24,611**	**(1,972)**	**22,639**
Transactions with owners						
Exercise of stock option plans	46	315	43	-	-	404
Cash dividends	-	-	-	(8,124)	-	(8,124)
Total transactions with owners	**46**	**315**	**43**	**(8,124)**	-	**(7,720)**
Transfer from reserves to surplus	-	-	(4,739)	4,739	-	-
Other movements	-	-	-	1	-	1
	-	-	**(4,739)**	**4,740**	-	**1**
Balance, December 31, 2020	**45,045**	**74,764**	**196**	**115,453**	**(4,288)**	**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	-	-	-	**22,783**	**(2,537)**	**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)**
Balance, December 31, 2021	**45,131**	**74,934**	**160**	**130,100**	**(6,825)**	**243,500**

(The notes on pages 1 to 101 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, 2021
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2021**	2020	2019	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before income tax from:							
Continuing operations		**33,537**	25,769	38,356	**29,859**	28,739	34,423
Discontinued operations	12	**-**	(246)	79	**-**	-	-
		33,537	25,523	38,435	**29,859**	28,739	34,423
Adjustments for:							
Impairment losses	26	**13,135**	28,000	5,822	**10,591**	21,394	4,666
Depreciation and amortization	11,14	**6,249**	6,023	7,132	**5,213**	4,860	4,767
Share in net income of associates	12	**(1,086)**	(487)	(372)		-	-
Dividend and other income	19	**(30)**	(57)	(77)	**(6,939)**	(7,792)	(3,794)
Share-based compensation	18	**(41)**	47	30	**(36)**	44	42
Interest income		**(84,617)**	(96,308)	(101,583)	**(64,646)**	(75,728)	(83,279)
Interest received		**85,450**	98,573	100,293	**64,866**	77,998	83,294
Interest expense		**15,345**	24,401	35,638	**10,229**	17,651	27,507
Interest paid		**(15,352)**	(25,768)	(35,300)	**(10,214)**	(18,749)	(27,375)
(Increase) decrease in:							
Interbank loans receivable and securities purchased under agreements to resell		**(2,167)**	320	1,898	**(2,117)**	201	1,895
Financial assets at fair value through profit or loss		**16,134**	(13,270)	(8,472)	**18,548**	(16,339)	(8,469)
Loans and advances, net		**(82,837)**	39,921	(125,028)	**(68,754)**	35,369	(109,711)
Assets held for sale		**(355)**	173	400	**(168)**	63	353
Assets attributable to insurance operations		**450**	(351)	287		-	-
Other assets		**(4,046)**	(3,084)	5,611	**(4,556)**	(5,609)	5,702
Increase (decrease) in:							
Deposit liabilities		**238,976**	20,827	109,598	**205,581**	13,744	109,252
Due to Bangko Sentral ng Pilipinas and other banks		**(232)**	(150)	(1,041)	**(371)**	(150)	(1,041)
Manager's checks and demand drafts outstanding		**(177)**	(1,191)	1,368	**(204)**	(974)	1,067
Accrued taxes, interest and other expenses		**(707)**	315	303	**(582)**	(42)	411
Liabilities attributable to insurance operations		**(1,290)**	286	5		-	-
Derivative financial instruments		**(2,025)**	2,780	(38)	**(2,112)**	2,780	(28)
Deferred credits and other liabilities		**(337)**	(5,668)	8,806	**(1,735)**	(4,832)	7,245
Net cash from operations		**213,977**	100,855	43,715	**182,453**	72,628	46,927
Income taxes paid		**(7,497)**	(11,601)	(10,363)	**(6,008)**	(10,080)	(9,135)
Net cash from operating activities		**206,480**	89,254	33,352	**176,445**	62,548	37,792

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2021
(In Millions of Pesos)

	Notes	Consolidated			Parent		
		2021	2020	2019	**2021**	2020	2019
(forwarded)							
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) decrease in:							
Investment securities, net	8,9	**(101,885)**	(46,513)	(4,343)	**(114,316)**	(37,113)	(3,574)
Bank premises, furniture, fixtures and equipment, net	11	**(4,806)**	(768)	(13,400)	**(4,331)**	(4,397)	(10,285)
Investment properties, net	14	**(12)**	6	(57)	**(14)**	4	(55)
Investment in subsidiaries and associates, net	12	**1,432**	(1,926)	933	**(4,516)**	(1,321)	(89)
Assets attributable to insurance operations		**804**	(481)	(1,368)	**-**	-	-
Dividends received	19	**30**	57	77	**3,400**	7,792	3,794
Net cash used in investing activities		**(104,437)**	(49,625)	(18,158)	**(119,777)**	(35,035)	(10,209)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	**(8,124)**	(8,124)	(12,167)	**(8,124)**	(8,124)	(12,165)
Proceeds from share issuance	18	**256**	361	306	**256**	361	306
Increase (decrease) in bills payable and other borrowed funds	16	**(56,908)**	1,110	(16,064)	**(57,798)**	13,819	(24,351)
Payments for principal portion of lease liabilities		**(1,900)**	(1,458)	(1,471)	**(1,478)**	(1,108)	(1,151)
Net cash (used in) from financing activities		**(66,676)**	(8,111)	(29,396)	**(67,144)**	4,948	(37,361)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**35,367**	31,518	(14,202)	**(10,476)**	32,461	(9,778)
CASH AND CASH EQUIVALENTS							
January 1	4,5	330,586	299,068	313,270	295,805	263,344	273,122
December 31		**365,953**	330,586	299,068	**285,329**	295,805	263,344

Non-cash financing and investing activities	11,16,18
Cash flows from discontinued operations	12

(The notes on pages 1 to 101 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021 and 2020 AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 2021

Note 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.

In 2019, the Parent Bank's office address, which also serves as its principal place of business, was transferred to Ayala North Exchange, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City. Prior to 2019, BPI's registered office address and principal place of business were both located at BPI Building, Ayala Avenue corner Paseo de Roxas, 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, 2021, the BPI Group has 18,619 employees (2020 - 19,952 employees) and operates 1,176 branches (2020 - 1,173 branches) and 2,457 automated teller machines (ATMs) and cash accept machines (CAMs) (2020 - 2,707) 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, 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 January 22, 2021, BPI announced that its Board of Directors (BOD) has approved on January 21, 2021, the plan to merge with BPI Family Savings Bank, Inc. ("BFB"), with the Parent Bank as the surviving entity. Subsequently, the BOD and shareholder of BFB approved the proposed merger at their respective meetings held on February 24, 2021 and April 22, 2021, respectively (Note 30.1).

Coronavirus pandemic

The BPI Group has successfully adapted to the challenges posed by the coronavirus disease (COVID-19) to its business model, including compliance with the country's evolving regulatory impositions and mobility restrictions.

Reinforcing the BPI Group's operational resilience, management has put in motion business continuity plans and a pandemic response plan and protocol for the entire organization. These include, but are not limited to, changes in the workforce arrangements and set-up of corporate offices, allowing for rotational schedules, split operations, and alternative work sites, all duly supported by the use of mobility tools and virtual communications. The BPI Group's accelerated shift to digitalization has also ensured continuous client service through its various distribution platforms with maintained back-office efficiency during the nationwide implementation of community quarantines. Along with this new operating environment, new threats and vulnerabilities identified have been mitigated by both technical and organizational process controls. As such, while cybersecurity risks are theoretically heightened by remote access, a robust risk management process enables the Bank to effectively manage these changes.

The Bank has seen an increase in the level of non-performing loans since December 2019. Notwithstanding the impact of COVID-19 on businesses, e.g. temporary/permanent closure of certain businesses, suspended operations, limited travel and exchange of goods, the Banks's asset quality remained better than initially expected and more favorable than industry averages. To mitigate risks arising from the pandemic, the Bank has taken a pro-active stance by constantly monitoring vulnerable industries and sectors that have been affected by COVID-19, identifying new opportunities in other industries and sectors, and having regular conversations with its clients. Asset quality is constantly monitored and the Bank continues to uphold its stringent credit process while also enhancing aspects of its underwriting, monitoring, and collections, in consideration of the changes in regulatory, economic, and customer behaviors post-crisis. The Bank's robust capital and liquidity levels also serve as sufficient buffers for any adverse scenario during the ongoing pandemic.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the BOD on February 22, 2022.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership 2021	2020
BPI Family Savings Bank, Inc.	Philippines	Banking	**100**	100
BPI Capital Corporation	Philippines	Investment house	**100**	100
BPI Direct BanKo, Inc., A Savings Bank	Philippines	Banking	**100**	100
BPI Asset Management and Trust Corporation	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.	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 Operations Management Corp.	Philippines	Operations management	**-**	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
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

Note 2 - Assets and Liabilities Attributable to Insurance Operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	Note	2021	2020
		(In Millions of Pesos)	
Assets			
Cash and cash equivalents	4	**412**	321
Insurance balances receivable, net		**4,797**	5,512
Investment securities			
Financial assets at fair value through profit or loss		**2,306**	5,300
Financial assets at fair value through other comprehensive income		**6,982**	4,835
Financial assets at amortized cost		**269**	224
Investment in associates		**167**	169
Accounts receivable and other assets, net		**2,423**	2,203
Land, building and equipment		**207**	162
		17,563	18,726

	2021	2020
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	**11,307**	12,565
Accounts payable, accrued expenses and other payables	**1,935**	1,782
	13,242	14,347

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2021	2020	2019
	(In Millions of Pesos)		
Premiums earned and related income	**3.071**	3,607	3,841
Investment and other income	**1,504**	1,026	712
	4,575	4,633	4,553
Benefits, claims and maturities	**1,502**	1,720	1,942
Decrease in actuarial reserve liabilities	**(486)**	(315)	(412)
Commissions	**856**	879	938
Management and general expenses	**817**	822	838
Other expenses	**32**	21	24
	2,721	3,127	3,330
Income before income tax and minority interest	**1,854**	1,506	1,223

Note 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.

- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade and cash management 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.

Following the loss of control of the Parent Bank over BPI CTL BPI Century Tokyo Lease and Finance Corporation (BPI CTL) effective December 23, 2020 (Note 12), the BPI Group's segment reporting was updated to exclude the contribution of BPI CTL. The details of the BPI Group's reportable segments as at and for the years ended December 31 follows:

	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 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**

	2020			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
		(In Millions of Pesos)		
Net interest income	43,564	26,112	5,909	75,585
Provision for credit and impairment losses	13,325	14,491	183	27,999
Net interest income after provision for credit and impairment losses	30,239	11,621	5,726	47,586
Fees, commissions and other income, net	12,659	2,365	13,166	28,190
Total income	42,898	13,986	18,892	75,776
Compensation and fringe benefits	14,512	2,513	1,037	18,062
Occupancy and equipment-related expenses	9,064	545	330	9,939
Other operating expenses	16,975	3,374	1,755	22,104
Total other expenses	40,551	6,432	3,122	50,105
Operating profit	2,347	7,554	15,770	25,671
Income tax expense				3,906
Net income from				
Continuing operations				21,863
Discontinued operations				(211)
Share in net income of associates				487
Total assets	478,439	1,129,281	578,047	2,185,767
Total liabilities	1,251,744	511,995	162,255	1,925,994

	2019			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	41,494	16,791	11,860	70,145
Provision for credit and impairment losses	3,489	2,068	5	5,562
Net interest income after provision for credit and impairment losses	38,005	14,723	11,855	64,583
Fees, commissions and other income, net	14,314	2,199	8,329	24,842
Total income	52,319	16,922	20,184	89,425
Compensation and fringe benefits	14,373	2,479	1,108	17,960
Occupancy and equipment-related expenses	10,147	681	314	11,142
Other operating expenses	15,057	3,066	1,721	19,844
Total other expenses	39,577	6,226	3,143	48,946
Operating profit	12,742	10,696	17,041	40,479
Income tax expense				9,355
Net income from				
Continuing operations				29,001
Discontinued operations				82
Share in net income of associates				372
Total assets	539,093	1,208,553	427,571	2,175,217
Total liabilities	1,211,212	552,549	145,398	1,909,159

Reconciliation of segment results to consolidated results of operations:

	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**

	2020		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
		(In Millions of Pesos)	
Net interest income	75,585	(3,321)	72,264
Provision for credit and impairment losses	27,999	1	28,000
Net interest income after provision for credit and impairment losses	47,586	(3,322)	44,264
Fees, commissions and other income, net	28,190	1,469	29,659
Total income	75,776	(1,853)	73,923
Compensation and fringe benefits	18,062	(57)	18,005
Occupancy and equipment-related expenses	9,939	4,667	14,606
Other operating expenses	22,104	(6,561)	15,543
Total other expenses	50,105	(1,951)	48,154
Operating profit	25,671	98	25,769
Income tax expense	3,906		3,906
Net income from			
Continuing operations	21,863		21,863
Discontinued operations	(211)		(211)
Share in net income of associates	487		487
Total assets	2,185,767	47,676	2,233,443
Total liabilities	1,925,994	25,492	1,951,486

	2019		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
		(In Millions of Pesos)	
Net interest income	70,145	(4,570)	65,575
Provision for credit and impairment losses	5,562	-	5,562
Net interest income after provision for credit and impairment losses	64,583	(4,570)	60,013
Fees, commissions and other income, net	24,842	1,845	26,687
Total income	89,425	(2,725)	86,700
Compensation and fringe benefits	17,960	(591)	17,369
Occupancy and equipment-related expenses	11,142	3,594	14,736
Other operating expenses	19,844	(3,605)	16,239
Total other expenses	48,946	(602)	48,344
Operating profit	40,479	(2,123)	38,356
Income tax expense	9,355		9,355
Net income from			
Continuing operations	29,001		29,001
Discontinued operations	82		82
Share in net income of associates	372		372
Total assets	2,175,217	29,813	2,205,030
Total liabilities	1,909,159	22,837	1,931,996

*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.

Note 4 - Cash and Cash Equivalents

The account at December 31 consists of:

	Notes	Consolidated		Parent	
		2021	2020	**2021**	2020
		(In Millions of Pesos)			
Cash and other cash items		**35,143**	37,176	**33,868**	35,912
Due from Bangko Sentral ng Pilipinas (BSP)		**268,827**	223,989	**197,435**	197,974
Due from other banks		**34,572**	40,155	**27,734**	36,605
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	**26,999**	28,945	**26,292**	25,314
Cash and cash equivalents attributable to insurance operations	2	**412**	321	**-**	-
		365,953	330,586	**285,329**	295,805

Note 5 - Interbank Loans Receivable and SPAR

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
BSP	**16,163**	19,450	**15,800**	15,819
Other banks	**14,733**	10,836	**14,267**	10,839
	30,896	30,286	**30,067**	26,658
Accrued interest receivable	**2**	6	**2**	5
	30,898	30,292	**30,069**	26,663
Allowance for impairment	**(46)**	(41)	**(46)**	(41)
	30,852	30,251	**30,023**	26,622

As at December 31, 2021, Interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P26,999 million (2020 - P28,945 million) for the BPI Group and P26,292 million (2020 - P25,314 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	
	2021	2020	**2021**	2020
Peso-denominated	**2.00 - 8.28**	2.00 - 8.28	**2.00 - 8.28**	2.00 - 8.28
US dollar-denominated	**0.02 - 0.47**	0.07 - 0.30	**0.02 - 0.47**	0.07 - 0.30

Note 6 - Financial Assets at Fair Value through Profit or Loss (FVTPL)

The account at December 31 consists of:

	Note	Consolidated		Parent	
		2021	2020	**2021**	2020
		(In Millions of Pesos)			
Debt securities					
Government securities		**14,343**	29,942	**11,872**	28,784
Commercial papers of private companies		**3,250**	2,410	**183**	365
Listed equity securities		**188**	70	**-**	-
Derivative financial assets	7	**3,553**	4,788	**3,520**	4,716
		21,334	37,210	**15,575**	33,865

All financial assets at FVTPL held by the BPI Group and the Parent Bank are classified as current.

Note 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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**232**	851	**310**	1,699
Currency forwards	**1,488**	560	**1,584**	806
Interest rate swaps	**1,821**	3,088	**1,738**	3,152
Warrants	**2**	1	**-**	-
Equity option	**10**	10	**-**	-
Held for hedging				
Cross currency interest rate swap	**-**	278	**-**	-
	3,553	4,788	**3,632**	5,657

Parent

	Assets		Liabilities	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**232**	851	**310**	1,699
Currency forwards	**1,465**	498	**1,497**	806
Interest rate swaps	**1,821**	3,088	**1,738**	3,152
Warrants	**2**	1	**-**	-
Held for hedging				
Cross currency interest rate swap	**-**	278	**-**	-
	3,520	4,716	**3,545**	5,657

The Parent Bank was granted a Type 1 Derivative License by the BSP allowing it to issue options and hedged investments, among others.

Cash flow hedge of foreign currency-denominated bond

Consistent with its established risk management framework and asset liability management strategies, the Parent Bank decided to hedge the foreign currency exposure arising from the CHF-denominated debt (hedged item) issued in 2019 (Note 16).

The Parent Bank aims to minimize or reduce the volatility in the overall portfolio brought about by the movement of CHF against the US Dollar through a hedging instrument - cross currency interest rate swap (CCIRS). Under the terms of the CCIRS, the Parent Bank agrees to receive CHF in exchange for US Dollar at settlement date which coincides with the maturity date of the hedged item. The volatility arising from movement of US Dollar against the functional currency (Philippine Peso), however, is managed in conjunction with the Parent Bank's overall foreign currency risk management. The hedge ratio of 1:1 is observed so as not to create an imbalance that would create hedge ineffectiveness.

On September 24, 2021, the Parent Bank's CCIRS hedging instrument matured resulting in a net gain of P290 million attributable to the net cash inflow from receive leg of CHF100 million or P5,493 million and pay leg of USD 102 million or P5,203 million. The hedged item matured on the same date resulting in a cash settlement of CHF100 million or P5,493 million.

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.

Note 8 - Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Debt securities				
Government securities	**122,966**	100,063	**105,369**	91,971
Commercial papers of private companies	**7,869**	26,092	**7,869**	26,006
	130,835	126,155	**113,238**	117,977
Accrued interest receivable	**555**	696	**475**	646
	131,390	126,851	**113,713**	118,623
Equity securities				
Listed	**1,982**	1,784	**1,517**	1,369
Unlisted	**1,369**	1,551	**311**	308
	3,351	3,335	**1,828**	1,677
	134,741	130,186	**115,541**	120,300

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Current (within 12 months)	**34,060**	42,777	**26,921**	41,472
Non-current (over 12 months)	**97,330**	84,074	**86,792**	77,151
	131,390	126,851	**113,713**	118,623

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Peso-denominated	**1.58 - 8.57**	1.70 - 7.18	**1.58 - 7.18**	1.70 - 7.18
Foreign currency-denominated	**0.01 - 4.41**	0.06 - 5.73	**0.01 - 4.41**	0.06 - 5.73

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2021 amounts to P2,473 million (2020 - P3,398 million; 2019 - P1,937 million) and P2,306 million (2020 - P3,124 million; 2019 - P1,871 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, 2021 amounts to P30 million (2020 - P57 million; 2019 - P76 million) and P16 million (2020 - P48 million; 2019 - P48 million) for the BPI Group and Parent Bank, respectively.

Note 9 - Investment Securities at Amortized Cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Government securities	**293,751**	166,907	**292,573**	150,209
Commercial papers of private companies	**42,039**	75,411	**37,809**	64,522
	335,790	242,318	**330,382**	214,731
Accrued interest receivable	**2,888**	2,348	**2,817**	2,092
	338,678	244,666	**333,199**	216,823
Allowance for impairment	**(6)**	(13)	**(6)**	(13)
	338,672	244,653	**333,193**	216,810

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Peso-denominated	**1.61 - 8.13**	1.67 - 4.20	**1.61 - 8.13**	1.67 - 4.20
Foreign currency-denominated	**0.13 - 4.88**	2.45 - 2.61	**0.16 - 4.88**	2.45 - 2.61

In 2021, the BPI Group and the Parent Bank recognized a net gain on derecognition of P1,513 million (2020 - P4,647 million) and P1,166 million (2020 - P4,078 million), 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. In 2019, the BPI Group and the Parent Bank sold an insignificant amount of debt securities, which resulted in a gain of P128 million and P104 million, respectively.

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2021 amounts to P7,657 million (2020 - P8,398 million; 2019 - P10,318 million) and P7,347 million (2020 - P7,386 million; 2019 - P9,675 million) for the BPI Group and the Parent Bank, respectively.

Investment securities at amortized cost are expected to be realized as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Current (within 12 months)	**29,061**	46,389	**28,384**	33,404
Non-current (over 12 months)	**309,611**	198,264	**304,809**	183,406
	338,672	244,653	**333,193**	216,810

As at December 31, 2021, the Parent Bank has P4,421 million (2020 - P1,755 million) outstanding securities overlying securitization structures (SOSS) 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.

Note 10 - Loans and Advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	**1,169,551**	1,112,069	**1,151,417**	1,092,514
Small and medium enterprise	**66,594**	66,869	**48,678**	49,699
Retail loans				
Credit cards	**76,048**	68,057	**74,125**	65,686
Real estate mortgages	**153,303**	140,552	**10**	10
Auto loans	**51,182**	51,045	**3**	-
Others	**11,952**	11,616	**283**	616
	1,528,630	1,450,208	**1,274,516**	1,208,525
Accrued interest receivable	**7,819**	8,976	**5,447**	6,180
Unearned discount/income	**(6,158)**	(5,013)	**(6,047)**	(4,838)
	1,530,291	1,454,171	**1,273,916**	1,209,867
Allowance for impairment	**(53,764)**	(46,758)	**(40,864)**	(34,796)
	1,476,527	1,407,413	**1,233,052**	1,175,071

As at December 31, 2021 and 2020, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 16).

Loans and advances include amounts due from related parties (Note 25).

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Current (within 12 months)	**520,838**	520,304	**488,979**	489,943
Non-current (over 12 months)	**1,009,453**	933,867	**784,937**	719,924
	1,530,291	1,454,171	**1,273,916**	1,209,867

Finance lease operations (the BPI Group as the lessor)

In December 2020, certain receivables from finance lease arrangements of BPI Century Tokyo Lease and Finance Corporation (BPI CTL) amounting to P5,669 million were assigned to BPI and BFB. These loan accounts are subsequently grouped as part of "Corporate loans" and "Auto loans" categories for BPI and BFB, respectively. Guaranteed deposits related to the assigned receivables were not transferred to BPI and BFB and have been retained by BPI CTL.

Until December 22, 2020, the BPI Group, through BPI CTL is engaged in the leasing out of transportation equipment under various finance lease arrangements which typically run for a non-cancellable period of five years. The lease contracts generally include an option for the lessee to purchase the leased asset after the lease period at a price that approximates to about 5% to 40% of the fair value of the asset at the inception of the lease. Likewise, the lease contract requires the lessee to put up a guarantee deposit equivalent to the residual value of the leased asset at the end of lease term. In the event that the residual value of the leased asset exceeds the guaranteed deposit liability at the end of the lease term, the BPI Group receives additional payment from the lessee prior to the transfer of the leased asset.

Effective December 23, 2020, the majority ownership in BPI CTL was transferred to Tokyo Century Corporation (TCC) (Note 12). The loss of control of the Parent Bank over BPI CTL resulted in the deconsolidation of the finance lease operations in the books of the BPI Group as at December 31, 2020.

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Commercial loans				
Peso-denominated loans	**4.33 - 4.59**	4.53 - 5.20	**4.30 - 4.56**	4.75 - 5.25
Foreign currency-denominated loans	**2.50 - 2.97**	2.32 - 3.98	**2.50 - 2.97**	2.41 - 3.98
Real estate mortgages	**5.65 - 6.20**	6.50 - 8.05	**-**	-
Auto loans	**8.86 - 9.63**	8.97 - 9.87	**-**	-

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**268,427**	257,311	**138,333**	132,600
Chattel mortgage	**51,878**	51,821	**6**	8
Others	**122,943**	203,629	**120,803**	201,013
	443,248	512,761	**259,142**	333,621
Unsecured loans	**1,079,224**	932,434	**1,009,327**	870,066
	1,522,472	1,445,195	**1,268,469**	1,203,687

Other collaterals include hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Note 11 - Bank Premises, Furniture, Fixtures and Equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2021				
	Notes	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)				
Cost					
January 1, 2021		3,013	24,305	17,038	**44,356**
Additions		47	2,306	1,504	**3,857**
Disposals		(13)	(286)	(1,601)	**(1,900)**
Transfers		1	(24)	(2)	**(25)**
Other changes	20	-	(109)	2	**(107)**
December 31, 2021		**3,048**	**26,192**	**16,941**	**46,181**
Accumulated depreciation					
January 1, 2020		-	11,084	14,440	**25,524**
Depreciation and amortization		-	2,946	1,313	**4,259**
Disposals		-	(187)	(924)	**(1,111)**
Transfers		-	-	(2)	**(2)**
Other changes	20	-	(16)	2	**(14)**
December 31, 2021		**-**	**13,827**	**14,829**	**28,656**
Net book value, December 31, 2021		**3,048**	**12,365**	**2,112**	**17,525**

	2020					
	Notes	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	**Total**
			(In Millions of Pesos)			
Cost						
January 1, 2020		3,019	21,956	17,023	6,131	**48,129**
Additions		-	857	1,733	1,072	**3,662**
Disposals		(6)	(4)	(1,684)	(842)	**(2,536)**
Transfers		-	2	(9)	(13)	**(20)**
Effect of deconsolidation	12	-	(2)	(25)	(6,348)	**(6,375)**
Other changes	20	-	1,496	-	-	**1,496**
December 31, 2020		**3,013**	**24,305**	**17,038**	**-**	**44,356**
Accumulated depreciation						
January 1, 2020		-	8,179	14,357	1,845	**24,381**
Depreciation and amortization		-	847	1,523	1,326	**3,696**
Disposals		-	(2)	(1,424)	(564)	**(1,990)**
Transfers		-	-	(5)	(7)	**(12)**
Effect of deconsolidation	12	-	(8)	(11)	(2,600)	**(2,619)**
Other changes	20	-	2,068	-	-	**2,068**
December 31, 2020		**-**	**11,084**	**14,440**	**-**	**25,524**
Net book value, December 31, 2020		**3,013**	**13,221**	**2,598**	**-**	**18,832**

Parent

	2021				
	Notes	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
			(In Millions of Pesos)		
Cost					
January 1, 2021		2,668	20,783	15,160	38,611
Additions		46	1,978	1,296	3,320
Disposals		(13)	(278)	(1,542)	(1,833)
Transfers		2	(20)	-	(18)
Other changes	20	-	(2)	-	(2)
December 31, 2021		**2,703**	**22,461**	**14,914**	**40,078**
Accumulated depreciation					
January 1, 2021		-	9,563	12,917	22,480
Depreciation and amortization		-	2,326	1,083	**3,409**
Disposals		-	(181)	(873)	**(1,054)**
December 31, 2021		**-**	**11,708**	**13,127**	**24,835**
Net book value, December 31, 2021		**2,703**	**10,753**	**1,787**	**15,243**

	2020				
	Notes	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
			(In Millions of Pesos)		
Cost					
January 1, 2020		2,668	18,956	15,177	**36,801**
Additions		-	750	1,547	**2,297**
Disposals		-	-	(1,564)	**(1,564)**
Other changes	20	-	1,077	-	**1,077**
December 31, 2020		**2,668**	**20,783**	**15,160**	**38,611**
Accumulated depreciation					
January 1, 2020		-	7,232	12,974	**20,206**
Depreciation and amortization		-	640	1,286	**1,926**
Disposals		-	-	(1,343)	**(1,343)**
Other changes	20	-	1,691	-	**1,691**
December 31, 2020		**-**	**9,563**	**12,917**	**22,480**
Net book value, December 31, 2020		**2,668**	**11,220**	**2,243**	**16,131**

As at December 31, 2021, the BPI Group has recognized construction-in-progress amounting to P475.1 million in relation to the redevelopment of its main office. This is recorded as part of “Buildings and leasehold improvements” category in the table above.

Other changes pertain to additions and remeasurement of right-of-use assets due to renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts. The impact of remeasurement is presented in Note 20.

Depreciation and amortization charges are included in “Occupancy and equipment-related expenses” category in the statements of income.

In 2021, the Parent Bank realized a gain of P78 million (2020 - P77 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

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.

Note 12 - Investments in Subsidiaries and Associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	**7,165**	7,510	-	-
Investments at cost method	**-**	-	**15,556**	11,039
	7,165	7,510	**15,556**	11,039

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 **2021**	Percentage of ownership interest 2020	Acquisition cost **2021**	Acquisition cost 2020
		(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	**940**	880
BPI AIA Life Assurance Corporation (formerly BPI-Philamlife Assurance Corporation)	Philippines	**47.96**	47.96	**389**	389
BPI CTL	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
				3,061	3,001

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2021	2020
	(In Millions of Pesos)	
Acquisition cost		
At January 1	**3,001**	2,829
Additions during the year	**60**	60
Reclassification	**-**	(204)
Effect of deconsolidation	**-**	316
At December 31	**3,061**	3,001
Accumulated equity in net income		
At January 1	**4,201**	3,007
Share in net income for the year	**1,086**	487
Dividends received	**(1,211)**	(343)
Reclassification	**-**	(302)
Effect of deconsolidation	**-**	1,352
At December 31	**4,076**	4,201
Accumulated share in other comprehensive income (loss)		
At January 1	**448**	1,050
Share in other comprehensive income for the year	**(280)**	(589)
Effect of deconsolidation	**-**	(13)
At December 31	**168**	448
Allowance for impairment	**(140)**	(140)
	7,165	7,510

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:

	2021	2020
	(In Millions of Pesos)	
Total assets	**129,058**	128,719
Total liabilities	**114,717**	113,630
Total revenues	**24,044**	19,042
Total net income	**2,629**	1,484

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	
	2021	2020	**2021**	2020	**2021**	2020
			(In Millions of Pesos)			
Subsidiaries						
BPI Europe Plc.(BPI Europe)	**7,181**	3,160	**-**	-	**7,180**	3,160
BPI Direct BanKo, Inc., A Savings Bank (BanKo)	**2,009**	1,509	**-**	-	**1,392**	1,509
BPI Asset Management and Trust Corporation	**1,502**	1,502	**-**	-	**1,502**	1,502
Ayala Plans, Inc.	**864**	864	**-**	-	**864**	864
BPI Payments Holdings Inc. (BPHI)	**693**	633	**(672)**	(612)	**21**	21
BPI Capital Corporation	**623**	623	**-**	-	**623**	623
FGU Insurance Corporation	**303**	303	**-**	-	**303**	303
BPI Forex Corp.	**195**	195	**-**	-	**195**	195
BPI Family Savings Bank, Inc.	**150**	150	**-**	-	**150**	150
BPI Remittance Centre (HK) Ltd. (BERC HK)	**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	**317**	321	**-**	-	**935**	321
Associates	**2,120**	2,120	**-**	-	**2,120**	2,120
	16,228	11,651	**(672)**	(612)	**15,556**	11,039

In 2021, the Parent Bank made additional capital infusions to BPI Europe, BanKo and BPHI amounting to P4,021 million (2020 - P1,250 million), P500 million (2020 - P500 million) and P60 million (2020 - P60 million), respectively.

Likewise, the Parent Bank in 2021, recognized an impairment loss of P60 million (2020 - P313 million) on its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI, as disclosed above. In computing for its recoverable amount, the Parent Bank used a discount rate of 13.08% (2020 - 11.63%) in assessing its value in use, which amounts to P21 million in 2021 (2020 - P21 million).

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, 2021 and 2020 in its subsidiaries apart from BPHI.

For the 2021 and 2020 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.

Discontinued operations

On November 18, 2020, the Board of Directors approved the transfer of the Parent Bank's majority ownership via the sale of its 2% share in BPI CTL effective December 22, 2020, to TCC, resulting in a 49% and 51% ownership structure between BPI and TCC. The consideration paid by TCC is equivalent to the price-to-book value multiple of 1.06x of BPI CTL's book value as at December 31, 2019.

Accordingly, the sale of shares resulting in a loss of control of the subsidiary was presented as discontinued operations. The financial performance and cash flow information presented below are for the period from January 1, 2020 to December 22, 2020 (2020 column), and for the year ended December 31, 2019.

	2020	2019
	(In Millions of Pesos)	
INTEREST INCOME		
On loans and advances	370	1,095
On investment securities	-	-
On deposits with BSP and other banks	1	1
	371	1,096
INTEREST EXPENSE		
On bills payable and other borrowed funds	271	726
NET INTEREST INCOME	100	370
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	418	260
NET INTEREST (EXPENSE) INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	(318)	110
OTHER INCOME		
Fees, commissions, and other operating income	949	1,867
Income (loss) from foreign exchange trading	28	(9)
	977	1,858
OTHER EXPENSES		
Compensation and fringe benefits	63	118
Occupancy and equipment-related expenses	727	1,543
Other operating expenses	115	228
	905	1,889
(LOSS) PROFIT BEFORE INCOME TAX	(246)	79
INCOME TAX EXPENSE		
Current	90	62
Deferred	(125)	(65)
	(35)	(3)
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	(211)	82

	2020	2019
	(In Millions of Pesos)	
Net cash flows from operating activities	3,791	941
Net cash flows from investing activities	3,539	3
Net cash flows from financing activities	(7,326)	(884)
Net increase in cash flows from discontinued operations	4	60

The carrying amounts of assets and liabilities of BPI CTL as at the date of sale (December 23, 2020) are as follows:

	Amount
	(In Millions of Pesos)
Due from other banks	1,769
Investment securities at amortized cost, net	12
Loans and advances, net	2,610
Bank premises, furniture, fixtures and equipment, net	3,756
Other assets, net	3,747
Total assets	**11,894**
Bills payable and other borrowed funds	5,472
Accrued taxes, interest and other expenses	170
Deferred credits and other liabilities	3,231
Total liabilities	**8,873**
Net assets	**3,021**

The details of the sale of the 2% ownership in CTL are as follows:

	Consolidated	Parent
	(In Millions of Pesos)	
Cash consideration received	72	72
Carrying amount of net assets sold	(62)	(13)
Gain on sale	10	59

The resulting gain is recorded as part of miscellaneous income under other operating income (Note 19).

<u>Note 13 - Deferred Income Taxes</u>

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	**14,222**	15,067	**10,579**	10,675
Pension liability	**1,794**	2,558	**1,525**	2,368
Provisions	**304**	307	**225**	251
Others	**(102)**	155	**23**	144
Total deferred income tax assets	**16,218**	18,087	**12,352**	13,438
Deferred income tax liabilities				
Unrealized gain on property appraisal	**(395)**	(476)	**(395)**	(476)
Others	**(4)**	(86)	**(4)**	(124)
Total deferred income tax liabilities	**(399)**	(562)	**(399)**	(600)
Deferred income tax assets, net	**15,819**	17,525	**11,953**	12,838

Movements in net deferred income tax assets are summarized as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
At January 1	**17,525**	9,706	**12,838**	6,653
Amounts recognized in statement of income	**(1,099)**	6,845	**(375)**	5,144
Amounts recognized in other comprehensive income	**(607)**	974	**(510)**	1,041
At December 31	**15,819**	17,525	**11,953**	12,838

Details of deferred income tax items recognized in the statements of income are as follows:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
	(In Millions of Pesos)					
Allowance for impairment	**(1,816)**	(6,637)	(946)	**(1,541)**	(4,992)	(718)
Pension	**(131)**	(45)	18	**(121)**	(55)	9
NOLCO	**(6)**	17	83	**-**	-	-
Others	**3,052**	(180)	160	**2,037**	(97)	126
	1,099	(6,845)	(685)	**375**	(5,144)	(583)

The deferred income tax benefit recognized in the statement of income of the BPI Group as presented above includes the portion of BPI CTL for the year ended December 31, 2020 and 2019 amounting to P125 million and P65 million, respectively (Note 12).

<u>Critical accounting judgment - Realization of deferred income tax assets</u>

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.

Note 14 - Other Assets, net

The account at December 31 consists of the following:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Sundry debits	**9,458**	6,456	**9,367**	6,098
Accounts receivable	**2,928**	2,690	**6,405**	2,402
Intangible assets	**1,989**	2,530	**1,770**	2,178
Prepaid expenses	**1,426**	984	**1,153**	705
Rental deposits	**762**	762	**647**	650
Accrued trust and other fees	**715**	703	**136**	141
Creditable withholding tax	**216**	330	**76**	193
Investment properties	**165**	150	**153**	139
Miscellaneous assets	**3,333**	3,224	**2,849**	2,728
	20,992	17,829	**22,556**	15,234
Allowance for impairment	**(1,099)**	(983)	**(908)**	(822)
	19,893	16,846	**21,648**	14,412

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within seven days.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Intangible assets comprise computer software costs, contractual customer relationships and management contracts.

Residual value of equipment for lease pertains to refundable operating and finance lease deposits held under BPI CTL.

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
At January 1	**983**	515	**822**	310
Provision for impairment losses	**269**	684	**214**	614
Transfer/reallocation	**13**	-	**21**	(29)
Write-off	**(166)**	(216)	**(149)**	(73)
At December 31	**1,099**	983	**908**	822

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Current (within 12 months)	**18,758**	15,079	**20,624**	12,907
Non-current (over 12 months)	**2,234**	2,750	**1,932**	2,327
	20,992	17,829	**22,556**	15,234

Note 15 - Deposit Liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Demand	**369,079**	314,853	**356,398**	304,140
Savings	**1,137,124**	1,051,069	**1,012,722**	925,409
Time	**448,944**	350,255	**306,665**	240,661
	1,955,147	1,716,177	**1,675,785**	1,470,210

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2021	2020	**2020**	2019
	(In Millions of Pesos)			
Current (within 12 months)	**1,087,175**	731,596	**957,669**	646,179
Non-current (over 12 months)	**867,972**	984,581	**718,116**	824,031
	1,955,147	1,716,177	**1,675,785**	1,470,210

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		
	2021	2020	2019	**2021**	2020	2019
	(In Millions of Pesos)					
Demand	**377**	625	628	**359**	578	574
Savings	**3,419**	6,053	6,738	**2,841**	4,944	5,541
Time	**6,372**	12,308	21,508	**2,387**	7,255	15,361
	10,168	18,986	28,874	**5,587**	12,777	21,476

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 2020, the BSP approved the reduction in reserves which brought the requirement down to 12% for universal and commercial banks effective April 3, 2020 by virtue of BSP Circular 1082. For thrift banks, the BSP approved reduction in reserves which brought the requirement from 4% down to 3% effective July 31, 2020 by virtue of BSP Circular 1092. These rates continue to be consistent throughout 2021.

Reserves must be set aside in deposits with the BSP. As at December 31, 2021, the reserves (included in Due from BSP) amounted to P175,759 million (2020 - P154,696 million) for the BPI Group and P167,530 million (2020 - P147,618 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2021 and 2020.

Note 16 - Bills Payable and Other Borrowed Funds

The account at December 31 consists of:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Bills payable				
Local banks	**-**	5,406	**-**	5,406
Foreign banks	**2,906**	18,190	**-**	16,136
Other borrowed funds	**92,133**	128,351	**82,550**	118,806
	95,039	151,947	**82,550**	140,348

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group. As of December 31, 2021, the Parent Bank no longer holds any bills payable as they all matured within the year. The average payment terms of these bills payable is 1.12 years (2020 - 0.59 years).

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Private firms and local banks - Peso-denominated	**-**	0.89 - 4.30	**-**	0.89 - 4.00
Foreign banks - Foreign currency-denominated	**0.77 - 1.44**	0.11 - 2.85	**0.77 - 1.44**	0.11 - 2.85

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, in one or more tranches, under an updated Bank Bond Issuance Program with drawdowns as follows:

					Carrying amount	
Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	**2021**	2020
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	January 24, 2020	4.24%	January 24, 2022	15,328	**15,328**	15,251
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	March 27, 2020	4.05%	September 27, 2021	33,896	**-**	33,724
BPI CARe bonds, unconditional, unsecured and unsubordinated bonds	August 7, 2020	3.05%	May 7, 2022	21,500	**21,463**	21,391

Likewise, on October 31, 2019, the BOD of BFB, a wholly-owned subsidiary, approved the establishment of a Peso Bond Program in the aggregate amount of P35,000 million. In line with the said program, on December 16, 2019, BFB issued P9,600 million with a coupon of 4.30% per annum, payable quarterly to mature on June 16, 2022 and with a carrying amount of P9,584 million as at December 31, 2021 (2020 - P9,545 million).

The Parent Bank's fixed rate bonds with a coupon rate of 4.05% matured on September 27, 2021 resulting in a cash settlement of P33,896 million.

b) 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 with drawdowns as follows:

					Carrying amount	
Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	**2021**	2020
					(In Millions of Pesos)	
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	**30,519**	28,695
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**15,240**	14,330
CHF 100 million, 2-year senior unsecured Green Bonds	September 24, 2019	-	September 24, 2021	5,250	**-**	5,415

The CHF-denominated bonds are designated as hedged items in a cash flow hedge initiated by the Parent Bank in 2019 (Note 7). These bonds matured on September 24, 2021, resulting in a cash settlement of CHF100 million or P5,493 million.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
			(In Millions of Pesos)			
Bills payable	**77**	471	2,823	**59**	458	2,834
Other borrowed funds	**4,789**	4,587	3,215	**4,337**	4,137	3,197
	4,866	5,058	6,038	**4,396**	4,595	6,031

The movements in bills payable and other borrowed funds are summarized as follows:

		Consolidated		Parent	
	Note	**2021**	2020	**2021**	2020
			(In Millions of Pesos)		
At January 1		**151,947**	150,837	**140,348**	126,529
Additions		**87,461**	233,553	**74,530**	185,258
Maturities		**(147,618)**	(221,404)	**(135,539)**	(165,879)
Amortization of discount		**462**	(238)	**424**	(275)
Exchange differences		**2,787**	(5,329)	**2,787**	(5,285)
Effect of deconsolidation	12	**-**	(5,472)	**-**	-
At December 31		**95,039**	151,947	**82,550**	140,348

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
		(In Millions of Pesos)		
Current (within 12 months)	**48,261**	57,955	**36,791**	55,901
Non-current (over 12 months)	**46,778**	93,992	**45,759**	84,447
	95,039	151,947	**82,550**	140,348

Note 17 - Deferred Credits and Other Liabilities

The account at December 31 consists of the following:

		Consolidated		Parent	
	Note	**2021**	2020	**2021**	2020
			(In Millions of Pesos)		
Bills purchased - contra		**9,989**	12,802	**9,989**	12,801
Lease liabilities	20	**7,326**	7,811	**6,248**	6,559
Accounts payable		**5,396**	5,984	**3,397**	4,661
Other deferred credits		**4,129**	2,718	**342**	400
Outstanding acceptances		**2,842**	934	**2,842**	934
Due to the Treasurer of the Philippines		**1,182**	942	**1,031**	823
Withholding tax payable		**632**	604	**519**	438
Miscellaneous liabilities		**11,906**	14,062	**9,394**	10,487
		43,402	45,857	**33,762**	37,103

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.

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Other deferred credits pertain to discount on purchased contract-to-sell receivables from developers. These are being amortized on a monthly basis over the life of the receivable using the effective interest rate method.

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Current (within 12 months)	**32,810**	32,332	**24,770**	25,677
Non-current (over 12 months)	**10,592**	13,525	**8,992**	11,426
	43,402	45,857	**33,762**	37,103

Note 18 - Capital Funds

a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2021	2020	2019
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	**50,000**	49,000	49,000
Preferred A shares	**600**	600	600
	50,600	49,600	49,600

Details of the Parent Bank's subscribed common shares are as follows:

	2021	2020	2019
	(In absolute number of shares)		
Common shares			
At January 1	**4,513,101,605**	4,507,071,644	4,502,449,501
Subscription of shares during the year	**26,650**	6,029,961	4,622,143
At December 31	**4,513,128,255**	4,513,101,605	4,507,071,644
	(In absolute amounts)		
Subscription receivable	**-**	85,612,950	71,637,390

The BPI common shares are listed and traded in the PSE since October 12, 1971.

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 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, 2021, 2020 and 2019, the Parent Bank has 12,084, 12,306 and 12,396 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2021, 2020 and 2019.

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.

b) Reserves

The account consists of:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
	(In Millions of Pesos)					
Reserve for trust business	**389**	199	199	**-**	-	-
Executive stock option plan amortization	**141**	183	136	**126**	162	119
Reserve for self-insurance	**34**	34	34	**34**	34	34
General loan loss provision	**-**	-	4,739	**-**	-	4,739
	564	416	5,108	**160**	196	4,892

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, 2021 and December 31, 2020, the GLLP appropriation is nil as the loan loss provision for both periods are higher than the required GLLP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI AMTC's income from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business reaches 20% of the authorized capital of BPI AMTC.

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.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and Executive Stock Purchase Plan (ESPP) to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
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:

	2021	2020	2019
At January 1	**15,921,667**	13,965,001	11,773,334
Granted	**-**	3,950,000	4,000,000
Exercised	**(1,650,000)**	(141,667)	(1,116,666)
Cancelled	**(1,366,667)**	(1,851,667)	(691,667)
At December 31	**12,905,000**	15,921,667	13,965,001
Exercisable	**9,095,002**	8,526,667	6,733,334

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 15% below the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The subscription dates for the last three-year ESPP were on February 4, 2020, January 7, 2019 and January 8, 2018.

c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
			(In Millions of Pesos)			
Fair value reserve on financial assets at FVOCI						
At January 1	**559**	(84)	(33)	**932**	(61)	69
From continuing operations						
Unrealized fair value loss before tax	**(2,864)**	(69)	(424)	**(2,779)**	889	(94)
Amount recycled to profit or loss	**47**	494	387	**148**	479	(32)
Deferred income tax effect	**(772)**	218	(14)	**(628)**	(375)	(4)
At December 31	**(3,030)**	559	(84)	**(2,327)**	932	(61)
Share in other comprehensive income (loss) of insurance subsidiaries						
At January 1	**219**	118	(36)	**-**	-	-
Share in other comprehensive income (loss) for the year, before tax	**(184)**	131	389	**-**	-	-
Effect of PFRS9 adoption	**-**	-	(229)	**-**	-	-
Deferred income tax effect	**36**	(30)	(6)	**-**	-	-
At December 31	**71**	219	118	**-**	-	-
Share in other comprehensive income (loss) of associates						
At January 1	**446**	1,048	(206)	**-**	-	-
Share in other comprehensive (loss)income for the year	**(280)**	(602)	1,254	**-**	-	-
At December 31	**166**	446	1,048	**-**	-	-
Translation adjustment on foreign operations						
At January 1	**(1,144)**	(906)	(704)	**(291)**	(124)	-
Translation differences and others	**627**	(238)	(202)	**291**	(167)	(124)
At December 31	**(517)**	(1,144)	(906)	**-**	(291)	(124)
Remeasurements of defined benefit obligation, net						
At January 1	**(5,979)**	(2,615)	(1,197)	**(4,929)**	(2,131)	(990)
From continuing operations						
Actuarial gains (losses) for the year	**1,372**	(4,729)	(1,829)	**1,039**	(4,214)	(1,508)
Deferred income tax effect	**(753)**	1,368	427	**(608)**	1,416	367
From discontinued operations						
Actuarial losses for the year	**-**	(7)	(22)	**-**	-	-
Deferred income tax effect	**-**	4	6	**-**	-	-
At December 31	**(5,360)**	(5,979)	(2,615)	**(4,498)**	(4,929)	(2,131)
	(8,670)	(5,899)	(2,439)	**(6,825)**	(4,288)	(2,316)

d) Dividend declarations

Cash 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, 2021		
May 19, 2021	0.90	4,062
November 17, 2021	0.90	4,062
		8,124
For the year ended December 31, 2020		
May 20, 2020	0.90	4,062
October 21, 2020	0.90	4,062
		8,124
For the year ended December 31, 2019		
May 15, 2019	0.90	4,056
November 20, 2019	0.90	4,057
		8,113

On September 30, 2021, the BOD of BPI/MS Insurance Corporation, a subsidiary of the Parent Bank, approved the cash dividend declaration of P376 million to be paid on or before November 30, 2021, of which P184 million is attributable to the non-controlling interest.

e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank from:						
Continuing operations	**23,880**	21,620	28,761	**22,783**	24,611	26,218
Discontinued operations	**-**	(211)	42	**-**	-	-
b) Weighted average number of common shares outstanding during the year	**4,513**	4,513	4,507	**4,513**	4,513	4,507
c) Basic EPS (a/b) based on net income from:						
Continuing operations	**5.29**	4.79	6.38	**5.05**	5.45	5.82
Discontinued operations	**-**	(0.05)	0.01	**-**	-	-

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.

Note 19 - Other Operating Income

Details of other operating income are as follows:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
	(In Millions of Pesos)					
Trust and asset management fees	**3,913**	3,495	2,868	**6**	5	4
Credit card income	**3,542**	3,091	3,523	**3,449**	3,013	3,423
Gain on sale of assets	**477**	372	1,284	**129**	124	898
Rental income	**236**	208	226	**285**	260	267
Dividend income	**30**	57	76	**6,939**	7,792	3,794
Miscellaneous income	**2,572**	1,919	2,298	**2,218**	2,265	2,101
	10,770	9,142	10,275	**13,026**	13,459	10,487

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.

Note 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	**2021**	2020	**2021**	2020
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	**6,631**	7,222	**5,712**	6,114
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		**2,486**	1,772	**2,188**	1,448
Non-current		**4,840**	6,039	**4,060**	5,111
		7,326	7,811	**6,248**	6,559

Additions to the right-of-use assets (Note 11) in 2021 aggregated P1,622 million (2020 - P1,484 million) and P1,351 million (2020 - P1,074 million) for BPI Group and BPI Parent, respectively. Total cash outflow for leases in 2021 amounted to P2,211 million (2020 - P1,814 million) and P1,724 million (2020 - P1,387 million) for BPI Group and BPI Parent, respectively.

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Note	**2021**	2020	**2021**	2020
		(In Millions of Pesos)			
Depreciation expense					
Buildings and leasehold improvements	11	**2,029**	2,068	**1,663**	1,691
Interest expense (included in "Occupancy and equipment-related expenses")		**313**	357	**246**	279
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		**141**	125	**141**	117
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		**144**	108	**101**	57
		2,627	2,658	**2,151**	2,144

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Rent concession (included in "Miscellaneous income")	**70**	149	**69**	141
Rent escalation deferral				
Increase (decrease) in right-of-use assets	**45**	(222)	**45**	(205)
Increase (decrease) in lease liabilities	**45**	(144)	**45**	(101)

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 3.94% to 7.19% (2020 - 4.30% to 4.84%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

Note 21 - Operating Expenses

a) Compensation and fringe benefits

Details of the account for the years ended December 31:

		Consolidated			Parent		
	Note	**2021**	2020	2019	**2021**	2020	2019
		(In Millions of Pesos)					
Salaries and wages		**15,050**	14,896	14,517	**11,461**	11,411	11,231
Retirement expense	23	**1,443**	1,068	771	**1,135**	872	536
Other employee benefit expenses		**2,035**	2,041	2,081	**1,498**	1,587	1,712
		18,528	18,005	17,369	**14,094**	13,870	13,479

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		
	2021	2020	2019	**2021**	2020	2019
			(In Millions of Pesos)			
Insurance	**4,188**	4,289	4,142	**3,090**	3,065	2,861
Taxes and licenses	**1,285**	1,263	927	**996**	957	657
Travel and communication	**1,123**	1,132	1,199	**950**	961	974
Advertising	**970**	804	1,492	**920**	754	1,316
Supervision and examination fees	**843**	733	653	**593**	570	506
Litigation expenses	**373**	430	549	**101**	249	308
Office supplies	**343**	390	477	**254**	309	389
Management and other professional fees	**337**	301	501	**254**	248	388
Amortization expense	**135**	339	311	**-**	-	30
Shared expenses	**-**	-	-	**53**	39	39
Others	**6,598**	5,862	5,988	**5,009**	4,636	4,590
	16,195	15,543	16,239	**12,220**	11,788	12,058

Insurance expense comprise mainly of premium payments made to Philippine Deposit Insurance Corporation 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.

Note 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					
	2021		2020		2019	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
			(In Millions of Pesos)			
Statutory income tax	**8,384**	**25.00**	7,667	30.00	11,506	30.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**39**	**0.12**	(229)	(0.90)	(1,553)	(4.05)
Tax-exempt income	**(1,780)**	**(5.31)**	(5,320)	(20.82)	(2,925)	(7.63)
Others, net	**2,784**	**8.30**	1,788	6.88	2,327	6.07
Effective income tax	**9,427**	**28.11**	3,906	15.16	9,355	24.39

	Parent					
	2021		2020		2019	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
			(In Millions of Pesos)			
Statutory income tax	**7,465**	**25.00**	8,621	30.00	10,327	30.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**91**	**0.30**	(258)	(0.90)	(1,445)	(4.20)
Tax-exempt income	**(933)**	**(3.12)**	(3,823)	(13.30)	(1,637)	(4.76)
Others, net	**453**	**1.52**	(412)	(1.43)	960	2.79
Effective income tax	**7,076**	**23.70**	4,128	14.37	8,205	23.83

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.

Note 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. 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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Present value of defined benefit obligation	**15,580**	16,532	**13,361**	14,008
Fair value of plan assets	**(9,999)**	(9,189)	**(8,504)**	(7,762)
Pension liability recognized in the statement of condition	**5,581**	7,343	**4,857**	6,246
Effect of asset ceiling	**23**	16	**-**	-
	5,604	7,359	**4,857**	6,246

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
At January 1	**9,189**	12,172	**7,762**	10,130
Contributions	**1,386**	915	**1,194**	770
Interest income	**356**	666	**299**	556
Benefit payments	**(909)**	(2,077)	**(733)**	(1,633)
Remeasurement - return on plan assets	**(23)**	(2,468)	**(18)**	(2,061)
Effect of deconsolidation	**-**	(19)	**-**	-
At December 31	**9,999**	9,189	**8,504**	7,762

The carrying values of the plan assets represent their fair value as at December 31, 2021 and 2020.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Debt securities	**6,228**	4,343	**5,297**	3,668
Equity securities	**2,692**	3,807	**2,289**	3,216
Others	**1,079**	1,039	**918**	878
	9,999	9,189	**8,504**	7,762

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P485 million at December 31, 2021 (2020 - P390 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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
At January 1	**16,532**	14,892	**14,008**	12,545
Interest cost	**654**	830	**555**	698
Current service cost	**853**	756	**703**	628
Remeasurement - changes in financial assumptions	**(1,313)**	2,265	**(1,094)**	1,832
Remeasurement - experience adjustment	**(18)**	(80)	**97**	(62)
Remeasurement - changes in demographic assumption	**(219)**	-	**(175)**	-
Benefit payments	**(909)**	(2,077)	**(733)**	(1,633)
Effect of deconsolidation	**-**	(54)	**-**	-
At December 31	**15,580**	16,532	**13,361**	14,008

The BPI Group has no other transactions with the plan other than the regular funding contributions presented above for the years ended December 31, 2021 and 2020.

(b) Expense recognized in the statement of income for the year ended December 31 are as follows:

	Consolidated			Parent		
	2021	2020	2019	**2021**	2020	2019
	(In Millions of Pesos)					
Current service cost	**853**	754	545	**703**	628	456
Net interest cost	**298**	164	86	**256**	142	80
	1,151	918	631	**959**	770	536

The current service cost and net interest cost of the BPI Group as presented above include the portion of BPI CTL for the year ended December 31, 2019 amounting to P2.4 million.

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Discount rate	**4.93%**	3.96%	**4.93%**	3.96%
Future salary increases	**5.00%**	5.00%	**5.00%**	5.00%

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, 2022 for the BPI Group and the Parent Bank amount to P1,312 million and P1,111 million, respectively (2020 - P1,562 million and P1,301 million, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2021 is 8.12 years (2020 - 9.56 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Up to one year	**1,535**	1,225	**1,346**	1,081
More than 1 year to 5 years	**5,671**	4,715	**4,997**	4,302
More than 5 years to 10 years	**9,397**	8,604	**8,018**	7,388
More than 10 years to 15 years	**8,430**	9,781	**7,111**	8,127
More than 15 years to 20 years	**4,839**	5,243	**3,905**	4,327
Over 20 years	**13,553**	18,369	**10,428**	12,669

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2021

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.00%	Decrease by 7.60%	Increase by 8.70%
Salary growth rate	1.00%	Increase by 8.60%	Decrease by 7.60%

2020

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 5.40%	Increase by 6.00%
Salary growth rate	1.0%	Increase by 10.10%	Decrease by 8.80%

Parent

2021

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.00%	Decrease by 7.40%	Increase by 8.50%
Salary growth rate	1.00%	Increase by 8.40%	Decrease by 7.50%

2020

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.40%	Increase by 4.70%
Salary growth rate	1.0%	Increase by 9.60%	Decrease by 8.50%

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.

Under the normal or late retirement, employees are entitled to a benefit equal to the total of the following amounts:

- The higher between (a) cumulative fund balance equivalent to 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- Employee contributions fund

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Fair value of plan assets	**1,981**	1,478	**1,474**	1,102
Present value of defined benefit obligation	**(760)**	(1,069)	**(563)**	(692)
	1,221	409	**911**	410
Effect of asset ceiling	**1,221**	428	**911**	410
	-	(19)	**-**	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
At January 1	**1,069**	811	**692**	604
Interest cost	**42**	45	**27**	34
Current service cost	**196**	154	**112**	105
Benefit payments	**(71)**	(93)	**(49)**	(73)
Remeasurement - changes in financial assumptions	**(155)**	303	**(112)**	189
Remeasurement - experience adjustment	**(65)**	(146)	**79**	(167)
Remeasurement - changes in demographic assumptions	**(256)**	-	**(186)**	-
Effect of deconsolidation	**-**	(5)	**-**	-
At December 31	**760**	1,069	**563**	692

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
At January 1	**1,478**	1,748	**1,102**	1,325
Contribution paid by employer	**320**	318	**220**	218
Interest income	**62**	101	**46**	77
Benefit payments	**(71)**	(93)	**(49)**	(73)
Remeasurement - return on plan assets	**192**	(585)	**155**	(445)
Effect of deconsolidation	**-**	(11)	**-**	-
At December 31	**1,981**	1,478	**1,474**	1,102

Total retirement expense for the year ended December 31, 2021 under the defined contribution plan for the BPI Group and Parent Bank amounts to P193 million (2020 - P150 million) and P110 million (2020 - P102 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Debt securities	**1,139**	720	**847**	537
Equity securities	**839**	695	**624**	518
Others	**3**	63	**3**	47
	1,981	1,478	**1,474**	1,102

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 18.88 years (2020 - 20.46 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, 2021 and 2020 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.

Note 24 - Asset Management Business

At December 31, 2021, the net asset value of trust and fund assets managed by the BPI Group through BPI AMTC amounts to P882 billion (2020 - P854 billion).

As required by the General Banking Act, BPI AMTC has deposited government securities with the BSP valued at P503 million (2020 - P426 million).

Note 25 - Related Party Transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and 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 that vets and endorses all significant related party transactions, including those involving directors, officers, stockholders and their related interests (DOSRI), for which the latter shall require final Board approval. The Committee consists of three directors, majority of whom are independent directors including the Chairman, and two non-voting members from management, namely, the Chief Audit Executive and the Chief Compliance Officer.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

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

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**(189)**	**-**	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.
Associates	**(449)**	**60**	
Ayala Group	**(11,314)**	**65,195**	
Other related parties	**(23,614)**	**546**	
	(35,566)	**65,801**	
Deposits from:			
Subsidiaries	**3,441**	**11,383**	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.
Associates	**(4)**	**1,273**	
Ayala Group	**(7,349)**	**11,401**	
Key management personnel	**200**	**984**	
	(3,712)	**25,041**	

	2020		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	131	189	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.32% to 9.87% (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	159	509	
Ayala Group	16,624	76,509	
Other related parties	23,424	24,160	
	40,338	101,367	
Deposits from:			
Subsidiaries	(1,804)	7,942	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.13% to 0.26% Savings - 0.25% to 0.61% Time - 1.91% to 3.65% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(626)	1,277	
Ayala Group	5,463	18,750	
Key management personnel	(454)	783	
	2,579	28,752	

	2019		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	5	58	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.18% to 10.69% (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	(38)	350	
Ayala Group	27,306	59,885	
Other related parties	275	736	
	27,548	61,029	
Deposits from:			
Subsidiaries	1,024	9,746	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.22% to 0.27% Savings - 0.59% to 0.62% Time - 3.61% to 5.15% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	1,486	1,903	
Ayala Group	(3,517)	13,287	
Key management personnel	694	1,238	
	(313)	26,174	

Parent

	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	**(5,928)**	**65,195**	
Other related parties	**(7,025)**	**544**	
	(13,402)	**65,799**	
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**	

	2020		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	(58)	-	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.41% to 5.25% (including those pertaining to foreign currency-denominated loans). These are collectible at gross amount in cash and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	159	509	
Ayala Group	11,237	71,123	
Other related parties	6,833	7,569	
	18,171	79,201	
Deposits from:			
Subsidiaries	(1,782)	7,933	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.12% to 0.25% Savings - 0.24% to 0.56% Time - 0.99% to 3.44% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(632)	1,254	
Ayala Group	3,930	16,851	
Key management personnel	(378)	727	
	1,138	26,765	

	2019		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	5	58	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 0.10% to 5.88% (including those pertaining to foreign currency-denominated loans). These are collectible at gross amount in cash and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(38)	350	
Ayala Group	27,306	59,885	
Other related parties	275	736	
	27,548	61,029	
Deposits from:			
Subsidiaries	1,083	9,715	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.21% to 0.26% Savings - 0.55% to 0.58% Time - 3.27% to 5.41% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	1,473	1,887	
Ayala Group	(2,053)	12,921	
Key management personnel	642	1,105	
	1,145	25,628	

The aggregate amounts included in the determination of income before income tax (prior to elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated

	2021	2020	2019
		(In Millions of Pesos)	
Interest income			
Subsidiaries	**5**	21	99
Associates	**11**	19	21
Ayala Group	**2,782**	3,283	2,867
Other related parties	**21**	910	44
	2,819	4,233	3,031
Other income			
Subsidiaries	**1,671**	1,896	2,260
Associates	**245**	1,246	1,511
Ayala Group	**2,470**	656	580
	4,386	3,798	4,351
Interest expense			
Subsidiaries	**5**	21	99
Associates	**1**	3	3
Ayala Group	**18**	39	128
Key management personnel	**2**	5	9
	26	68	239
Other expenses			
Subsidiaries	**1,534**	1,766	2,148
Associates	**-**	-	22
Ayala Group	**1,112**	114	435
	2,646	1,880	2,605
Retirement benefits			
Key management personnel	**46**	56	51
Salaries, allowances and other short-term benefits			
Key management personnel	**829**	966	871
Directors' remuneration	**119**	126	121

Parent

	2021	2020	2019
		(In Millions of Pesos)	
Interest income			
Subsidiaries	**-**	-	-
Associates	**11**	19	21
Ayala Group	**2,782**	3,283	2,867
Other related parties	**21**	390	44
	2,814	3,692	2,932
Other income			
Subsidiaries	**1,630**	2,019	2,157
Associates	**312**	1,139	1,272
Ayala Group	**1,645**	287	372
	3,587	3,445	3,801
Interest expense			
Subsidiaries	**5**	21	99
Associates	**1**	3	3
Ayala Group	**13**	29	123
Key management personnel	**1**	4	5
	20	57	230
Other expenses			
Subsidiaries	**10**	9	28
Ayala Group	**867**	103	435
	877	112	463
Retirement benefits			
Key management personnel	**41**	52	44
Salaries, allowances and other short-term benefits			
Key management personnel	**746**	890	751
Directors' remuneration	**86**	98	92

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	
	2021	2020	2021	2020
		(In Millions of Pesos)		
Outstanding DOSRI loans	**15,230**	15,675	**15,229**	15,673

As at December 31, 2021, allowance for credit losses amounting to P280 million (2020 - P674 million) have been recognized against receivables from related parties.

Note 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 enterprise. 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 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.

The most important financial risks that the BPI Group manages are credit risk, liquidity risk and market risk.

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 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 relevant regulatory requirements and international benchmarks.

The most evident source of credit risk is loans and advances; 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 risk. CPRM supports the senior management in coordination with various business lending and operations units in identifying, measuring and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risk. The BPI Group monitors its portfolio based on different segmentation to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be totally eliminated. However, said risk may be reduced by adopting proper risk controls and diversification strategies to prevent undue risk concentrations from excessive exposures to particular counterparties, industries, countries or regions.

The BPI Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. 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 one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the PD of an obligor or counterparty, the loss severity given a default event and the 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. 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 the team that prepares the calculations, e.g., Risk Models Validation Department and Internal Auditors. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions.

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 on the loan 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 Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. 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.

Settlement risk arises in any situation where a payment in cash, securities, foreign exchange currencies, or equities is made in the expectation of a corresponding receipt in cash, securities, foreign exchange currencies, or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the BPI Group's market transactions on any single day. For certain securities, the introduction of the delivery versus payment facility in the local market has brought down settlement risk significantly.

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 risk is requiring security 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); 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 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 into 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 or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are fed into 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 a credit classification system that aims to identify deteriorating 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 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) 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 and 14-scale rating system with ten (10) 'pass' rating grades for SME accounts. For cross-border loans, the BPI Group also uses the available external credit ratings issued by reputable rating agencies. The level of risk and associated PD are determined using either the internal credit risk ratings or external credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

	Internal Credit Risk Rating System (ICRRS)		External Credit Rating by reputable rating agencies
Classifications	**Large corporate**	**SME**	**Cross-Border**
Standard monitoring	AAA to B- or unrated and based on prescribed days past due (dpd) threshold	AAA to B- or unrated and based on prescribed dpd threshold	Investment grade (IG) or Non-IG with no significant increase in credit risk (SICR)
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Non-IG with SICR but assessed to be non-impaired
Default	Adversely classified accounts (ACA) or based on prescribed dpd threshold or Item in litigation (IL)	ACA or based on prescribed dpd threshold or IL	Default, with objective evidence of impairment

ii. Retail loans

The BPI Group uses automated 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.

Classifications	Credit cards	Personal, auto and housing	SEME*
Standard monitoring	Current to 29 dpd	Current to 30 dpd	Current to 7 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd	Not applicable
Default	90 dpd and up or IL	>90, IL, Loss	8 dpd and up

**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 reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of 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	External credit rating by reputable rating agencies
Standard monitoring	IG or Non-IG with no SICR
Special monitoring	Non-IG with SICR but assessed to be non-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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Corporate and SME loans, net	**1,183,793**	1,143,340	**1,168,666**	1,120,784
Retail loans, net	**292,734**	264,073	**64,386**	54,287
	1,476,527	1,407,413	**1,233,052**	1,175,071

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

	2021				2020			
	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	945,623	65,057	-	**1,010,680**	941,379	76,645	-	1,018,024
Special monitoring	77,983	96,818	-	**174,801**	47,630	69,579	-	117,209
Default	-	-	36,223	**36,223**	-	-	37,566	37,566
Gross amount	**1,023,606**	**161,875**	**36,223**	**1,221,704**	989,009	146,224	37,566	1,172,799
Loss allowance	(11,318)	(2,728)	(23,865)	**(37,911)**	(12,721)	(6,667)	(10,071)	(29,459)
Carrying amount	**1,012,288**	**159,147**	**12,358**	**1,183,793**	976,288	139,557	27,495	1,143,340

Retail loans

	2021				2020			
	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	271,163	11,784	-	**282,947**	221,206	28,821	-	250,027
Special monitoring	465	5,702	-	**6,167**	88	8,364	-	8,452
Default	-	-	19,473	**19,473**	-	-	22,893	22,893
Gross amount	**271,628**	**17,486**	**19,473**	**308,587**	221,294	37,185	22,893	281,372
Loss allowance	(4,967)	(1,970)	(8,916)	**(15,853)**	(4,282)	(3,530)	(9,487)	(17,299)
Carrying amount	**266,661**	**15,516**	**10,557**	**292,734**	217,012	33,655	13,406	264,073

Parent

Corporate and SME loans

	2021				2020			
	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	936,805	64,334	-	**1,001,139**	927,938	76,339	-	1,004,277
Special monitoring	73,232	95,982	-	**169,214**	45,033	65,005	-	110,038
Default	-	-	33,577	**33,577**	-	-	33,922	33,922
Gross amount	**1,010,037**	**160,316**	**33,577**	**1,203,930**	972,971	141,344	33,922	1,148,237
Loss allowance	(10,689)	(2,709)	(21,866)	**(35,264)**	(12,655)	(6,445)	(8,353)	(27,453)
Carrying amount	**999,348**	**157,607**	**11,711**	**1,168,666**	960,316	134,899	25,569	1,120,784

Retail loans

	2021				2020			
	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	60,454	4,552	-	**65,006**	49,855	5,729	-	55,584
Special monitoring	80	701	-	**781**	68	711	-	779
Default	-	-	4,199	**4,199**	-	-	5,267	5,267
Gross amount	**60,534**	**5,253**	**4,199**	**69,986**	49,923	6,440	5,267	61,630
Loss allowance	(1,057)	(920)	(3,623)	**(5,600)**	(1,391)	(1,546)	(4,406)	(7,343)
Carrying amount	**59,477**	**4,333**	**576**	**64,386**	48,532	4,894	861	54,287

The tables below present the gross amount of "Stage 2" loans and advances by age category.

Consolidated

	2021			2020		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	161,128	7,831	**168,959**	139,146	21,790	160,936
Past due up to 30 days	605	4,172	**4,777**	6,573	7,468	14,041
Past due 31 - 90 days	142	5,483	**5,625**	505	7,927	8,432
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	161,875	**17,486**	**179,631**	146,224	37,185	183,409

Parent

	2021			2020		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	160,063	4,012	**164,075**	134,433	4,533	138,966
Past due up to 30 days	143	540	**683**	6,536	1,196	7,732
Past due 31 - 90 days	110	701	**811**	375	711	1,086
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	160,316	**5,253**	**165,569**	141,344	6,440	147,784

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Due from BSP	**268,827**	223,989	**197,435**	197,974
Due from other banks	**34,572**	40,155	**27,734**	36,605
Interbank loans receivable and SPAR, net	**30,852**	30,251	**30,023**	26,622
Financial assets at FVTPL	**21,146**	37,140	**15,575**	33,865
Financial assets at FVOCI	**131,390**	126,851	**113,713**	118,623
Investment securities at amortized cost, net	**338,672**	244,653	**333,193**	216,810
	825,459	703,039	**717,673**	630,499

Credit quality of treasury and other investment securities, net

Consolidated

	2021				2020			
	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	268,827	-	-	**268,827**	223,989	-	-	223,989
Due from other banks	34,572	-	-	**34,572**	40,155	-	-	40,155
Interbank loans receivable and SPAR	30,852	-	-	**30,852**	30,245	-	-	30,245
Financial assets at FVTPL	21,146	-	-	**21,146**	37,140	-	-	37,140
Financial assets at FVOCI	131,390	-	-	**131,390**	126,851	-	-	126,851
Investment securities at amortized cost	338,678	-	-	**338,678**	244,666	-	-	244,666
Default								
Interbank loans receivable and SPAR	-	-	46	**46**	-	-	47	47
Gross carrying amount	**825,465**	**-**	**46**	**825,511**	703,046	-	47	703,093
Loss allowance	(6)	-	(46)	**(52)**	(13)	-	(41)	(54)
Carrying amount	**825,459**	**-**	**-**	**825,459**	703,033	-	6	703,039

Parent

	2021				2020			
	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	197,435	-	-	**197,435**	197,974	-	-	197,974
Due from other banks	27,734	-	-	**27,734**	36,605	-	-	36,605
Interbank loans receivable and SPAR	30,023	-	-	**30,023**	26,616	-	-	26,616
Financial assets at FVTPL	15,575	-	-	**15,575**	33,865	-	-	33,865
Financial assets at FVOCI	113,713	-	-	**113,713**	118,623	-	-	118,623
Investment securities at amortized cost	333,199	-	-	**333,199**	216,823	-	-	216,823
Default								
Interbank loans receivable and SPAR	-	-	46	**46**	-	-	47	47
Gross carrying amount	**717,679**	**-**	**46**	**717,725**	630,506	-	47	630,553
Loss allowance	(6)	-	(46)	**(52)**	(13)	-	(41)	(54)
Carrying amount	**717,673**	**-**	**-**	**717,673**	630,493	-	6	630,499

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Accounts receivable, net	**1,367**	1,662	**5,369**	1,342
Rental deposits	**762**	767	**647**	650
Other accrued interest and fees receivable	**79**	58	**7**	12
Others	**130**	61	**98**	34
	2,338	2,548	**6,121**	2,038

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

	2021				2020			
	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	376,603	2,099	-	**378,702**	364,305	2,309	-	366,614
Special monitoring	15,239	-	-	**15,239**	10,152	-	-	10,152
Default	-	-	615	**615**	-	-	590	590
Gross amount	**391,842**	**2,099**	**615**	**394,556**	374,457	2,309	590	377,356
Loss allowance*	(546)	(75)	(126)	**(747)**	(760)	(119)	(80)	(959)
Carrying amount	**391,296**	**2,024**	**489**	**393,809**	373,697	2,190	510	376,397

**Included in "Miscellaneous liabilities" in Note 17*

Parent

	2021				2020			
	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	370,603	1,964	-	**372,567**	358,804	2,183	-	360,987
Special monitoring	14,955	-	-	**14,955**	9,934	-	-	9,934
Default	-	-	611	**611**	-	-	586	586
Gross amount	**385,558**	**1,964**	**611**	**388,133**	368,738	2,183	586	371,507
Loss allowance*	(534)	(68)	(126)	**(728)**	(738)	(110)	(79)	(927)
Carrying amount	**385,024**	**1,896**	**485**	**387,405**	368,000	2,073	507	370,580

**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

	2021			2020		
	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	36,223	23,865	**12,358**	37,566	10,071	27,495
Retail loans	19,473	8,916	**10,557**	22,893	9,487	13,406
Total credit-impaired assets	**55,696**	**32,781**	**22,915**	60,459	19,558	40,901
Fair value of collateral	**27,302**			26,531		

Parent

	2021			2020		
	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	33,577	21,866	**11,711**	33,922	8,353	25,569
Retail loans	4,199	3,623	**576**	5,267	4,406	861
Total credit-impaired assets	**37,776**	**25,489**	**12,287**	39,189	12,759	26,430
Fair value of collateral	**15,534**			12,493		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2021, the BPI Group's foreclosed collaterals have carrying amount of P3,282 million (2020 - P2,971 million). The related foreclosed collaterals have aggregate fair value of P10,630 million (2020 - P9,494 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 2021, the Parent Bank realized a gain of P140 million (2020 - P53 million) from disposals of foreclosed collaterals with book value of P62 million (2020 - P148 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, 2021	**12,721**	**6,667**	**10,071**	**29,459**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	**(2,204)**	**1,770**	**1,261**	**827**
Transfer from Stage 2	41	(1,194)	233	(920)
Transfer from Stage 3	1	5	(166)	(160)
New financial assets originated	3,802	-	-	3,802
Financial assets derecognized during the year	(2,802)	(3,108)	(675)	(6,585)
Changes in assumptions and other movements in provision	(787)	(1,134)	14,258	12,337
	(1,949)	(3,661)	14,911	9,301
Write-offs and other movements	546	(278)	(1,117)	(849)
Loss allowance, at December 31, 2021	**11,318**	**2,728**	**23,865**	**37,911**

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, 2021	**4,282**	**3,530**	**9,487**	**17,299**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(904)	1,094	2,557	2,747
Transfer from Stage 2	193	(2,193)	1,350	(650)
Transfer from Stage 3	39	103	(608)	(466)
New financial assets originated	2,465	-	-	2,465
Financial assets derecognized during the year	(495)	(196)	(830)	(1,521)
Changes in assumptions and other movements in provision	(593)	(357)	1,839	889
	705	(1,549)	4,308	3,464
Write-offs and other movements	(20)	(11)	(4,879)	(4,910)
Loss allowance, at December 31, 2021	**4,967**	**1,970**	**8,916**	**15,853**

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, 2021	**12,655**	**6,445**	**8,353**	**27,453**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,165)	1,758	1,156	749
Transfer from Stage 2	31	(1,154)	206	(917)
Transfer from Stage 3	-	5	(135)	(130)
New financial assets originated	3,727	-	-	3,727
Financial assets derecognized during the year	(2,737)	(2,955)	(430)	(6,122)
Changes in assumptions and other movements in provision	(702)	(1,121)	13,183	11,360
	(1,846)	(3,467)	13,980	8,667
Write-offs and other movements	(120)	(269)	(467)	(856)
Loss allowance, at December 31, 2021	**10,689**	**2,709**	**21,866**	**35,264**

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, 2021	**1,391**	**1,546**	**4,406**	**7,343**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(261)	589	1,276	1,604
Transfer from Stage 2	89	(982)	799	(94)
Transfer from Stage 3	1	3	(36)	(32)
New financial assets originated	109	-	-	109
Financial assets derecognized during the year	(24)	(59)	(395)	(478)
Changes in assumptions and other movements in provision	(244)	(176)	870	450
	(330)	(625)	2,514	1,559
Write-offs and other movements	(4)	(1)	(3,297)	(3,302)
Loss allowance, at December 31, 2021	**1,057**	**920**	**3,623**	**5,600**

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, 2020	**6,870**	**3,110**	**6,157**	**16,137**
Less: Beginning balance of CTL	(249)	(39)	(325)	(613)
Adjusted loss allowance, at January 1, 2020	**6,621**	**3,071**	**5,832**	**15,524**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(3,608)	5,046	2,827	4,265
Transfer from Stage 2	83	(589)	126	(380)
Transfer from Stage 3	-	-	-	-
New financial assets originated	6,920	-	-	6,920
Financial assets derecognized during the year	(1,375)	(1,108)	(391)	(2,874)
Changes in assumptions and other movements in provision	5,925	(110)	661	6,476
	7,945	3,239	3,223	14,407
Write-offs and other movements	(1,845)	357	1,016	(472)
Loss allowance, at December 31, 2020	**12,721**	**6,667**	**10,071**	**29,459**

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, 2020	**3,236**	**1,780**	**4,821**	**9,837**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,138)	2,697	5,362	6,921
Transfer from Stage 2	100	(1,014)	1,586	672
Transfer from Stage 3	3	33	(113)	(77)
New financial assets originated	2,000	-	-	2,000
Financial assets derecognized during the year	(68)	(99)	(314)	(481)
Changes in assumptions and other movements in provision	2,023	101	1,428	3,552
	2,920	1,718	7,949	12,587
Write-offs and other movements	(1,874)	32	(3,283)	(5,125)
Loss allowance, at December 31, 2020	**4,282**	**3,530**	**9,487**	**17,299**

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, 2020	**5,972**	**2,990**	**4,809**	**13,771**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(3,409)	4,865	2,801	4,257
Transfer from Stage 2	81	(569)	126	(362)
Transfer from Stage 3	-	-	-	-
New financial assets originated	6,657	-	-	6,657
Financial assets derecognized during the year	(1,336)	(1,095)	(263)	(2,694)
Changes in assumptions and other movements in provision	5,929	(111)	302	6,120
	7,922	3,090	2,966	13,978
Write-offs and other movements	(1,239)	365	578	(296)
Loss allowance, at December 31, 2020	**12,655**	**6,445**	**8,353**	**27,453**

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, 2020	**808**	**941**	**3,085**	**4,834**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(273)	1,186	3,004	3,917
Transfer from Stage 2	79	(646)	921	354
Transfer from Stage 3	2	1	(42)	(39)
New financial assets originated	201	-	-	201
Financial assets derecognized during the year	(15)	(47)	(227)	(289)
Changes in assumptions and other movements in provision	589	111	1,410	2,110
	583	605	5,066	6,254
Write-offs and other movements	-	-	(3,745)	(3,745)
Loss allowance, at December 31, 2020	**1,391**	**1,546**	**4,406**	**7,343**

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 regulatory, legislative or political changes is likewise considered, 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, 2021

	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 (%)	7.4	6.3	8.4	7.3	4.4	3.3
Inflation rate (%)	3.5	3.2	2.5	2.2	4.5	4.2
BVAL 5Y (%)	4.6	3.7	4.3	3.4	6.1	5.2
US Treasury 5Y (%)	1.5	2.8	1.2	2.3	1.8	3.0
Exchange rate	52.500	55.234	51.921	53.928	53.095	56.587

At December 31, 2020

	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 (%)	7.4	5.9	8.4	6.9	5.4	3.9
Inflation rate (%)	3.0	2.5	2.0	1.5	4.7	3.5
BVAL 5Y (%)	3.0	3.6	2.5	3.1	5.5	6.1
US Treasury 5Y (%)	0.5	0.5	0.7	0.7	0.3	0.3
Exchange rate	49.848	53.780	48.375	49.672	51.340	58.171

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 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 P42 million as at December 31, 2021 from the baseline scenario (2020 - P23 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 months 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 P1,137 million as at December 31, 2021 (2020 - P1,839 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:

Consolidated (December 31, 2021)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	268,827	-	-	-	-	-	**268,827**
Due from other banks	34,572	-	-	-	-	-	**34,572**
Interbank loans receivable and SPAR	30,898	-	-	-	-	(46)	**30,852**
Financial assets at FVTPL	11,306	113	11	-	9,716	-	**21,146**
Financial assets at FVOCI	2,609	1,049	2,509	477	124,746	-	**131,390**
Investment securities at amortized cost	12,321	3,960	3,114	2,420	316,863	(6)	**338,672**
Loans and advances	123,701	123,621	238,971	392,168	651,830	(53,764)	**1,476,527**
Other financial assets	-	-	-	-	3,262	(924)	**2,338**
At December 31, 2021	**484,234**	**128,743**	**244,605**	**395,065**	**1,106,417**	**(54,740)**	**2,304,324**

Consolidated (December 31, 2020)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	223,989	-	-	-	-	-	**223,989**
Due from other banks	40,155	-	-	-	-	-	**40,155**
Interbank loans receivable and SPAR	30,292	-	-	-	-	(41)	**30,251**
Financial assets at FVTPL	7,199	-	-	-	29,941	-	**37,140**
Financial assets at FVOCI	10,691	3,307	-	1,881	110,972	-	**126,851**
Investment securities at amortized cost	43,342	1,784	2,081	1,083	196,376	(13)	**244,653**
Loans and advances	129,101	116,525	217,675	369,704	621,166	(46,758)	**1,407,413**
Other financial assets	-	-	-	-	3,531	(983)	**2,548**
At December 31, 2020	**484,769**	**121,616**	**219,756**	**372,668**	**961,986**	**(47,795)**	**2,113,000**

Parent Bank (December 31, 2021)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	197,435	-	-	-	-	-	**197,435**
Due from other banks	27,734	-	-	-	-	-	**27,734**
Interbank loans receivable and SPAR	30,069	-	-	-	-	(46)	**30,023**
Financial assets at FVTPL	8,547	-	11	-	7,017	-	**15,575**
Financial assets at FVOCI	1,249	1,049	2,509	477	108,429	-	**113,713**
Investment securities at amortized cost	11,723	3,004	2,956	2,420	313,096	(6)	**333,193**
Loans and advances	122,757	69,347	236,226	229,964	615,622	(40,864)	**1,233,052**
Other financial assets	-	-	-	-	6,874	(753)	**6,121**
At December 31, 2021	**399,514**	**73,400**	**241,702**	**232,861**	**1,051,038**	**(41,669)**	**1,956,846**

Parent Bank (December 31, 2020)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	197,974	-	-	-	-	-	**197,974**
Due from other banks	36,605	-	-	-	-	-	**36,605**
Interbank loans receivable and SPAR	26,663	-	-	-	-	(41)	**26,622**
Financial assets at FVTPL	5,081	-	-	-	28,784	-	**33,865**
Financial assets at FVOCI	10,321	3,307	-	1,881	103,114	-	**118,623**
Investment securities at amortized cost	34,749	1,185	1,743	1,083	178,063	(13)	**216,810**
Loans and advances	127,929	61,909	215,238	218,201	586,590	(34,796)	**1,175,071**
Other financial assets	-	-	-	-	2,860	(822)	**2,038**
At December 31, 2020	**439,322**	**66,401**	**216,981**	**221,165**	**899,411**	**(35,672)**	**1,807,608**

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	**2021**	2020	2019	**2021**	2020	2019
				(In Millions of Pesos)			
Loans and advances	10,26	**12,765**	26,994	5,852	**10,226**	20,232	5,014
Assets held for sale		**44**	12	(197)	**20**	(78)	(240)
Interbank loans receivable and SPAR	5	**5**	1	(11)	**5**	1	(9)
Investment securities at amortized cost	9	**(7)**	13	(2)	**(7)**	13	(2)
Undrawn loan commitments	26,32	**(212)**	309	(101)	**(199)**	308	(103)
Impairment on equity investment	12	**-**	-	-	**60**	313	-
Accounts receivable	14	**83**	509	30	**215**	452	11
Other assets		**457**	162	(9)	**271**	153	(5)
		13,135	28,000	5,562	**10,591**	21,394	4,666

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. In order 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 the 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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Local fixed-income	**76**	63	**75**	62
Foreign fixed-income	**94**	68	**85**	58
Foreign exchange	**105**	52	**6**	5
Derivatives	**180**	100	**147**	100
Equity securities	**21**	31	**-**	-
Mutual fund	**24**	-	**-**	-
	500	314	**313**	225

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 US Dollar (USD), shown in their Peso equivalent at December 31:

Consolidated

	2021			2020		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,195	203	**3,398**	2,440	410	2,850
Due from other banks	31,044	1,896	**32,940**	32,976	4,342	37,318
Interbank loans receivable and SPAR	13,158	620	**13,778**	9,353	-	9,353
Financial assets at FVTPL	5,758	140	**5,898**	8,009	1,154	9,163
Financial assets at FVOCI - debt securities	47,979	1,568	**49,547**	39,691	1,046	40,737
Investment securities at amortized cost	111,205	1,695	**112,900**	102,826	1,098	103,924
Loans and advances, net	113,229	6,450	**119,679**	120,709	10,406	131,115
Others financial assets	2,723	9	**2,732**	3,274	113	3,387
Total financial assets	**328,291**	**12,581**	**340,872**	319,278	18,569	337,847
Financial liabilities						
Deposit liabilities	257,513	7,713	**265,226**	238,496	11,323	249,819
Derivative financial liabilities	1,846	204	**2,050**	3,209	165	3,374
Bills payable	48,664	-	**48,664**	66,038	5,998	72,036
Due to BSP and other banks	609	-	**609**	868	-	868
Manager's checks and demand drafts outstanding	444	37	**481**	235	5	240
Other financial liabilities	5,938	311	**6,249**	3,960	125	4,085
Accounts payable	199	2	**201**	136	85	221
Total financial liabilities	**315,213**	**8,267**	**323,480**	312,942	17,701	330,643
Net on-balance sheet position	**13,078**	**4,314**	**17,392**	6,336	868	7,204

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Parent Bank

	2021			2020		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,031	203	**3,234**	2,267	405	2,672
Due from other banks	23,616	1,513	**25,129**	31,912	3,396	35,308
Interbank loans receivable and SPAR	13,158	-	**13,158**	9,353	-	9,353
Financial assets at FVTPL	3,788	128	**3,916**	7,639	1,094	8,733
Financial assets at FVOCI - debt securities	38,659	1,568	**40,227**	36,001	1,027	37,028
Investment securities at amortized cost	107,977	-	**107,977**	90,870	136	91,006
Loans and advances, net	111,401	5,283	**116,684**	117,208	8,990	126,198
Others financial assets	11,581	2,664	**14,245**	8,417	145	8,562
Total financial assets	**313,211**	**11,359**	**324,570**	303,667	15,193	318,860
Financial liabilities						
Deposit liabilities	240,939	7,585	**248,524**	224,134	9,526	233,660
Derivative financial liabilities	1,770	204	**1,974**	3,209	165	3,374
Bills payable	45,758	-	**45,758**	64,567	5,415	69,982
Due to BSP and other banks	470	-	**470**	868	-	868
Manager's checks and demand drafts outstanding	441	37	**478**	232	5	237
Other financial liabilities	14,817	2,950	**17,767**	3,797	8,874	12,671
Accounts payable	199	2	**201**	60	3	63
Total financial liabilities	**304,394**	**10,778**	**315,172**	296,867	23,988	320,855
Net on-balance sheet position	**8,817**	**581**	**9,398**	6,800	(8,795)	(1,995)

**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.

		Effect on pre-tax income	
Year	Change in currency	Consolidated	Parent
		(In millions of Pesos)	
2021	**+/-2.19%**	**+/- 286**	**+/- 193**
2020	+/- 2.29%	+/- 589	+/- 656

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 re-pricing risk arising from financial assets and liabilities that have different maturities 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 regularly 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 (e.g. non-maturity deposits), behavioural models are employed to determine their repricing buckets.

Earnings-at-Risk (EaR)

The EaR is built on 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 months as earnings are affected when interest rates move against the BPI Group's position. As of December 31, 2021, the net interest income impact of movement in interest rates resulted to a decrease of P210 million (2020 - P5,174 million increase) for the whole BPI Group and decrease of P204 million (2020 - P4,614 million increase) for the Parent Bank.

BSVaR

The BS VaR 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 is the present value of the BPI Group's expected net cash flows due to changes in interest rates. As at December 31, 2021, the average monthly BSVaR for the banking book stood at P24,497 million (2020 - P21,251 million) for the whole BPI Group and P20,806 million (2020 - P17,397 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 Risk Management Committee (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 for 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 steepening and flattening yield curves, parallel up/down and short rate up/down shocks. The interest rate shocks applied is calibrated for all major currencies in which the BPI Group has significant positions. 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, 2021)

	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, 2021					
Financial Assets					
Cash and other cash items	-	-	-	35,143	**35,143**
Due from BSP	-	-	-	268,827	**268,827**
Due from other banks	-	-	-	34,572	**34,572**
Interbank loans receivable and SPAR	-	-	-	30,852	**30,852**
Financial assets at FVTPL	406	444	971	19,325	**21,146**
Financial assets at FVOCI	-	-	-	131,390	**131,390**
Investment securities at amortized cost	-	-	-	338,672	**338,672**
Loans and advances, net	487,616	311,336	568,296	109,279	**1,476,527**
Other financial assets	-	-	-	2,338	**2,338**
Total financial assets	**488,022**	**311,780**	**569,267**	**970,398**	**2,339,467**
Financial Liabilities					
Deposit liabilities	1,087,175	370,115	497,857	-	**1,955,147**
Derivative financial liabilities	395	472	870	1,895	**3,632**
Bills payable and other borrowed funds	1,886	1,020	-	92,133	**95,039**
Due to BSP and other banks	-	-	-	953	**953**
Manager's checks and demand drafts outstanding	-	-	-	6,931	**6,931**
Other financial liabilities	-	-	-	7,256	**7,256**
Total financial liabilities	**1,089,456**	**371,607**	**498,727**	**109,168**	**2,068,958**
Total interest gap	**(601,434)**	**(59,827)**	**70,540**	**861,230**	**270,509**

Consolidated (December 31, 2020)

	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, 2020					
Financial Assets					
Cash and other cash items	-	-	-	37,176	**37,176**
Due from BSP	-	-	-	223,989	**223,989**
Due from other banks	-	-	-	40,155	**40,155**
Interbank loans receivable and SPAR	-	-	-	30,251	**30,251**
Financial assets at FVTPL	188	1,790	1,108	34,054	**37,140**
Financial assets at FVOCI	-	-	-	126,851	**126,851**
Investment securities at amortized cost	-	-	-	244,653	**244,653**
Loans and advances, net	490,534	218,351	590,879	107,649	**1,407,413**
Other financial assets	-	-	-	2,548	**2,548**
Total financial assets	**490,722**	**220,141**	**591,987**	**847,326**	**2,150,176**
Financial Liabilities					
Deposit liabilities	731,596	407,805	576,776	-	**1,716,177**
Derivative financial liabilities	193	1,752	1,207	2,505	**5,657**
Bills payable and other borrowed funds	2,054	9,571	-	140,322	**151,947**
Due to BSP and other banks	-	-	-	1,491	**1,491**
Manager's checks and demand drafts outstanding	-	-	-	7,108	**7,108**
Other financial liabilities	-	-	-	10,694	**10,694**
Total financial liabilities	**733,843**	**419,128**	**577,983**	**162,120**	**1,893,074**
Total interest gap	**(243,121)**	**(198,987)**	**14,004**	**685,206**	**257,102**

Parent Bank (December 31, 2021)

	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, 2021					
Financial Assets					
Cash and other cash items	-	-	-	33,868	**33,868**
Due from BSP	-	-	-	197,435	**197,435**
Due from other banks	-	-	-	27,734	**27,734**
Interbank loans receivable and SPAR	-	-	-	30,023	**30,023**
Financial assets at FVTPL	406	444	971	13,754	**15,575**
Financial assets at FVOCI	-	-	-	113,713	**113,713**
Investment securities at amortized cost	-	-	-	333,193	**333,193**
Loans and advances, net	424,674	238,764	524,511	45,103	**1,233,052**
Other financial assets	-	-	-	6,121	**6,121**
Total financial assets	**425,080**	**239,208**	**525,482**	**800,944**	**1,990,714**
Financial Liabilities					
Deposit liabilities	957,669	288,826	429,290	-	**1,675,785**
Derivative financial liabilities	395	472	870	1,808	**3,545**
Bills payable and other borrowed funds	-	-	-	82,550	**82,550**
Due to BSP and other banks	-	-	-	814	**814**
Manager's checks and demand drafts outstanding	-	-	-	5,243	**5,243**
Other financial liabilities	-	-	-	4,974	**4,974**
Total financial liabilities	**958,064**	**289,298**	**430,160**	**95,389**	**1,772,911**
Total interest gap	**(530,880)**	**(50,090)**	**95,323**	**705,654**	**217,803**

Parent Bank (December 31, 2020)

	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, 2020					
Financial Assets					
Cash and other cash items	-	-	-	35,912	**35,912**
Due from BSP	-	-	-	197,974	**197,974**
Due from other banks	-	-	-	36,605	**36,605**
Interbank loans receivable and SPAR	-	-	-	26,622	**26,622**
Financial assets at FVTPL	188	1,791	1,108	30,778	**33,865**
Financial assets at FVOCI	-	-	-	118,623	**118,623**
Investment securities at amortized cost	-	-	-	216,810	**216,810**
Loans and advances, net	431,004	161,565	544,112	38,390	**1,175,071**
Other financial assets	-	-	-	2,038	**2,038**
Total financial assets	**431,192**	**163,356**	**545,220**	**703,752**	**1,843,520**
Financial Liabilities					
Deposit liabilities	646,179	331,517	492,514	-	**1,470,210**
Derivative financial liabilities	193	1,752	1,207	2,505	**5,657**
Bills payable and other borrowed funds	-	9,571	-	130,777	**140,348**
Due to BSP and other banks	-	-	-	1,491	**1,491**
Manager's checks and demand drafts outstanding	-	-	-	5,447	**5,447**
Other financial liabilities	-	-	-	5,924	**5,924**
Total financial liabilities	**646,372**	**342,840**	**493,721**	**146,144**	**1,629,077**
Total interest gap	**(215,180)**	**(179,484)**	**51,499**	**557,608**	**214,443**

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. HQLAs therefore, serve 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. Cash outflows from derivatives contracts are effectively offset by derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively.

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 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**	
	2021	2020	**2021**	2020
Liquidity coverage ratio	**220.68%**	231.86%	**221.67%**	240.40%
Net stable funding ratio	**154.88%**	153.58%	**152.11%**	153.13%
Leverage ratio	**10.63%**	10.92%	**10.22%**	10.61%
Total exposure measure	**2,471,163**	2,262,656	**2,085,573**	1,924,061

The decline in the Parent Bank's LCR was driven by higher volumes of operational deposits. Cash, reserves and due from BSP make up 38% of the total stock of HQLA for the year ended December 31, 2021.

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, 2021)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2021				
Financial Assets				
Cash and other cash items	35,143	-	-	**35,143**
Due from BSP	268,866	-	-	**268,866**
Due from other banks	34,572	-	-	**34,572**
Interbank loans receivable and SPAR	30,859	71	-	**30,930**
Financial assets at FVTPL	13,301	1,182	3,694	**18,177**
Financial assets at FVOCI	37,499	36,415	69,980	**143,894**
Investment securities at amortized cost	45,432	105,717	240,363	**391,512**
Loans and advances, net	521,202	550,196	458,500	**1,529,898**
Other financial assets	2,338	-	-	**2,338**
Total financial assets	**989,212**	**693,581**	**772,537**	**2,455,330**
Financial Liabilities				
Deposit liabilities	1,086,489	366,365	491,971	**1,944,825**
Bills payable and other borrowed funds	48,679	47,391	-	**96,070**
Due to BSP and other banks	953	-	-	**953**
Manager's checks and demand drafts outstanding	6,931	-	-	**6,931**
Lease liabilities	2,081	3,358	2,911	**8,350**
Other financial liabilities	7,256	-	-	**7,256**
Total financial liabilities	**1,152,389**	**417,114**	**494,882**	**2,064,385**
Total maturity gap	**(163,177)**	**276,467**	**277,655**	**390,945**

Consolidated (December 31, 2020)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2020				
Financial Assets				
Cash and other cash items	37,176	-	-	37,176
Due from BSP	223,989	-	-	223,989
Due from other banks	40,155	-	-	40,155
Interbank loans receivable and SPAR	30,345	14	87	30,446
Financial assets at FVTPL	21,637	1,010	11,093	33,740
Financial assets at FVOCI	45,333	19,051	70,602	134,986
Investment securities at amortized cost	53,430	84,155	123,368	260,953
Loans and advances, net	621,097	318,461	605,102	1,544,660
Other financial assets	2,548	-	-	2,548
Total financial assets	1,075,710	422,691	810,252	2,308,653
Financial Liabilities				
Deposit liabilities	731,729	408,122	577,286	1,717,137
Bills payable and other borrowed funds	84,810	25,197	43,132	153,139
Due to BSP and other banks	1,491	-	-	1,491
Manager's checks and demand drafts outstanding	7,108	-	-	7,108
Lease liabilities	2,098	3,299	4,278	9,675
Other financial liabilities	10,694	-	-	10,694
Total financial liabilities	837,930	436,618	624,696	1,899,244
Total maturity gap	237,780	(13,927)	185,556	409,409

Parent Bank (December 31, 2021)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2021				
Financial Assets				
Cash and other cash items	33,868	-	-	**33,868**
Due from BSP	197,445	-	-	**197,445**
Due from other banks	27,734	-	-	**27,734**
Interbank loans receivable and SPAR	30,030	71	-	**30,101**
Financial assets at FVTPL	8,915	344	3,393	**12,652**
Financial assets at FVOCI	29,982	33,274	61,710	**124,966**
Investment securities at amortized cost	44,439	105,013	235,943	**385,395**
Loans and advances, net	488,979	436,227	348,710	**1,273,916**
Other financial assets, net	6,121	-	-	**6,121**
Total financial assets	**867,513**	**574,929**	**649,756**	**2,092,198**
Financial Liabilities				
Deposit liabilities	957,211	288,208	426,338	1,671,757
Bills payable and other borrowed funds	37,003	46,371	-	83,374
Due to BSP and other banks	814	-	-	814
Manager's checks and demand drafts outstanding	5,243	-	-	5,243
Lease liabilities	1,463	2,554	2,634	6,651
Other financial liabilities	4,974	-	-	4,974
Total financial liabilities	**1,006,708**	**337,133**	**428,972**	**1,772,813**
Total maturity gap	**(139,195)**	**237,796**	**220,784**	**319,385**

Parent Bank (December 31, 2020)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2020				
Financial Assets				
Cash and other cash items	35,912	-	-	35,912
Due from BSP	197,974	-	-	197,974
Due from other banks	36,605	-	-	36,605
Interbank loans receivable and SPAR	26,716	14	87	26,817
Financial assets at FVTPL	18,566	915	11,055	30,536
Financial assets at FVOCI	43,863	18,633	63,680	126,176
Investment securities at amortized cost	39,940	79,680	112,647	232,267
Loans and advances, net	556,706	232,501	428,088	1,217,295
Other financial assets, net	2,038	-	-	2,038
Total financial assets	958,320	331,743	615,557	1,905,620
Financial Liabilities				
Deposit liabilities	646,279	331,570	492,702	1,470,551
Bills payable and other borrowed funds	82,343	14,995	43,132	140,470
Due to BSP and other banks	1,491	-	-	1,491
Manager's checks and demand drafts outstanding	5,447	-	-	5,447
Lease liabilities	1,676	2,469	3,765	7,910
Other financial liabilities	5,924	-	-	5,924
Total financial liabilities	743,160	349,034	539,599	1,631,793
Total maturity gap	215,160	(17,291)	75,958	273,827

26.3.3 Maturity profile - Derivative instruments

(a) 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.

<u>Consolidated and Parent Bank</u>

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2021		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	406	444	971	1,821
- Outflow	(395)	(472)	(871)	(1,738)
- Net inflow	**11**	**(28)**	**100**	**83**
Non-deliverable forwards and swaps - held for trading				
- Inflow	167	30	-	197
- Outflow	(34)	(167)	(14)	(215)
- Net outflow	**133**	**(137)**	**(14)**	**(18)**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2020		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	188	1,792	1,108	3,088
- Outflow	(193)	(1,752)	(1,207)	(3,152)
- Net inflow	(5)	40	(99)	(64)
Non-deliverable forwards and swaps - held for trading				
- Inflow	13	-	-	13
- Outflow	(679)	(794)	(287)	(1,760)
- Net outflow	(666)	(794)	(287)	(1,747)

(b) 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. 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.

<u>Consolidated</u>

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2021		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,449	34	41	1,524
- Outflow	(1,679)	-	-	(1,679)
- Net inflow	**(230)**	**34**	**41**	**(155)**
Foreign exchange derivatives - held for hedging				
- Inflow	-	-	-	-
- Outflow	-	-	-	-
- Net outflow	**-**	**-**	**-**	**-**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2020		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,168	188	42	1,398
- Outflow	(740)	(1)	(4)	(745)
- Net inflow	428	187	38	653
Foreign exchange derivatives - held for hedging				
- Inflow	278	-	-	278
- Outflow	-	-	-	-
- Net outflow	278	-	-	278

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2021		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,426	34	41	1,501
- Outflow	(1,602)	-	-	(1,602)
- Net inflow	**(176)**	**34**	**41**	**(101)**
Foreign exchange derivatives - held for hedging				
- Inflow	-	-	-	-
- Outflow	-	-	-	-
- Net outflow	-	-	-	-

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2020		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,106	188	42	1,336
- Outflow	(740)	(1)	(4)	(745)
- Net inflow	366	187	38	591
Foreign exchange derivatives - held for hedging				
- Inflow	278	-	-	278
- Outflow	-	-	-	-
- Net outflow	278	-	-	278

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, 2021)

	Carrying Amount	Fair value Level 1	Level 2	**Total**
Recurring measurements:		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	3,553	-	3,553	**3,553**
Trading assets				
- Debt securities	17,593	14,784	2,809	**17,593**
- Equity securities	188	188	-	**188**
Financial assets at FVOCI				
- Debt securities	131,390	131,390	-	**131,390**
- Equity securities	3,351	1,982	1,369	**3,351**
	156,075	148,344	7,731	**156,075**
Financial liabilities				
Derivative financial liabilities	3,632	-	3,632	**3,632**
Non-recurring measurements				
Assets held for sale, net	3,282	-	10,630	**10,630**

Consolidated (December 31, 2020)

	Carrying Amount	Fair value Level 1	Level 2	Total
Recurring measurements:		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,788	-	4,788	4,788
Trading assets				
- Debt securities	32,352	30,307	2,045	32,352
- Equity securities	70	70	-	70
Financial assets at FVOCI				
- Debt securities	126,851	126,765	86	126,851
- Equity securities	3,335	1,784	1,551	3,335
	167,396	158,926	8,470	167,396
Financial liabilities				
Derivative financial liabilities	5,657	-	5,657	5,657
Non-recurring measurements				
Assets held for sale, net	2,971	-	9,494	9,494

Parent Bank (December 31, 2021)

	Carrying Amount	Fair value Level 1	Level 2	**Total**
Recurring measurements		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	3,520	-	3,520	**3,520**
Trading assets - debt securities	12,055	12,055	-	**12,055**
Financial assets at FVOCI				
- Debt securities	113,713	113,713	-	**113,713**
- Equity securities	1,828	1,517	311	**1,828**
	131,116	127,285	3,831	**131,116**
Financial liabilities				
Derivative financial liabilities	3,545	-	3,545	**3,545**
Non-recurring measurements				
Assets held for sale, net	505	-	3,866	**3,866**

Parent Bank (December 31, 2020)

	Carrying Amount	Fair value Level 1	Level 2	Total
Recurring measurements		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,716	-	4,716	4,716
Trading assets - debt securities	29,149	29,149	-	29,149
Financial assets at FVOCI				
- Debt securities	118,623	118,623	-	118,623
- Equity securities	1,677	1,370	307	1,677
	154,165	149,142	5,023	154,165
Financial liabilities				
Derivative financial liabilities	5,657	-	5,657	5,657
Non-recurring measurements				
Assets held for sale, net	357	-	3,439	3,439

There are no assets and liabilities whose fair values fall under the Level 3 category as at December 31, 2021 and 2020. Likewise, there were no transfers between Level 1 and Level 2 during the years ended December 31, 2021 and 2020.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2021)

	Carrying Amount	Fair value Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	35,143	-	35,143	**35,143**
Due from BSP	268,827	-	268,827	**268,827**
Due from other banks	34,572	-	34,572	**34,572**
Interbank loans receivable and SPAR, net	30,852	-	30,852	**30,852**
Investment securities at amortized cost, net	338,672	339,189	-	**339,189**
Loans and advances, net	1,476,527	-	1,524,826	**1,524,826**
Other financial assets	2,338		2,338	**2,338**
Financial liabilities				
Deposit liabilities	1,944,825	-	1,944,825	**1,944,825**
Bills payable and other borrowed funds	95,039	82,550	12,695	**95,245**
Due to BSP and other banks	953	-	953	**953**
Manager's checks and demand drafts outstanding	6,931	-	6,931	**6,931**
Other financial liabilities	7,256	-	7,256	**7,256**
Non-financial assets				
Investment properties	165	-	1,899	**1,899**

Consolidated (December 31, 2020)

	Carrying Amount	Fair value		
		Level 1	Level 2	Total
			(In Millions of Pesos)	
Financial assets				
Cash and other cash items	37,176	-	37,176	37,176
Due from BSP	223,989	-	223,989	223,989
Due from other banks	40,155	-	40,155	40,155
Interbank loans receivable and SPAR, net	30,251	-	30,251	30,251
Investment securities at amortized cost, net	244,653	253,097	-	253,097
Loans and advances, net	1,407,413	-	1,511,405	1,511,405
Other financial assets	2,548	-	2,548	2,548
Financial liabilities				
Deposit liabilities	1,716,177	-	1,708,322	1,708,322
Bills payable and other borrowed funds	151,947	128,351	21,498	149,849
Due to BSP and other banks	1,491	-	1,491	1,491
Manager's checks and demand drafts outstanding	7,108	-	7,108	7,108
Other financial liabilities	10,694	-	10,694	10,694
Non-financial assets				
Investment properties	150	-	638	638

Parent Bank (December 31, 2021)

	Carrying Amount	Fair value		
		Level 1	Level 2	**Total**
			(In Millions of Pesos)	
Financial assets				
Cash and other cash items	33,868	-	33,868	**33,868**
Due from BSP	197,435	-	197,435	**197,435**
Due from other banks	27,734	-	27,734	**27,734**
Interbank loans receivable and SPAR, net	30,023	-	30,023	**30,023**
Investment securities at amortized cost, net	333,193	333,720	-	**333,720**
Loans and advances, net	1,233,052	-	1,217,489	**1,217,489**
Other financial assets	6,121	-	6,121	**6,121**
Financial liabilities				
Deposit liabilities	1,671,757	-	1,671,757	**1,671,757**
Bills payable and other borrowed funds	82,550	82,550	-	**82,550**
Due to BSP and other banks	814	-	814	**814**
Manager's checks and demand drafts outstanding	5,243	-	5,243	**5,243**
Other financial liabilities	4,974	-	4,974	**4,974**
Non-financial assets				
Investment properties	153	-	1,860	**1,860**

Parent Bank (December 31, 2020)

	Carrying Amount	Fair value Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	35,912	-	35,912	35,912
Due from BSP	197,974	-	197,974	197,974
Due from other banks	36,605	-	36,605	36,605
Interbank loans receivable and SPAR, net	26,622	-	26,622	26,622
Investment securities at amortized cost, net	216,810	224,636	-	224,636
Loans and advances, net	1,175,071	-	1,199,349	1,199,349
Other financial assets	2,038	-	2,038	2,038
Financial liabilities				
Deposit liabilities	1,470,210	-	1,467,541	1,467,541
Bills payable and other borrowed funds	140,348	118,806	21,498	140,304
Due to BSP and other banks	1,491	-	1,491	1,491
Manager's checks and demand drafts outstanding	5,447	-	5,447	5,447
Other financial liabilities	5,924	-	5,924	5,924
Non-financial assets				
Investment properties	139	-	638	638

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.

Note 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 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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Tier 1 capital	**291,396**	277,830	**291,322**	277,755
Tier 2 capital	**14,847**	13,593	**12,961**	11,835
Gross qualifying capital	**306,243**	291,423	**304,283**	289,590
Less: Regulatory adjustments/required deductions	**28,688**	30,760	**78,076**	73,557
Total qualifying capital	**277,555**	260,663	**226,207**	216,033
Risk weighted assets	**1,664,989**	1,527,572	**1,430,838**	1,309,660
CAR (%)	**16.67**	17.06	**15.81**	16.50
CET1 (%)	**15.78**	16.17	**14.90**	15.59

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.

Note 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.

Note 29 - Subsequent Event

Release of the 4th Tranche of the Peso Bond and Commercial Paper Program

On January 31, 2022, the BPI Group released the fourth tranche of the Peso Bond Commercial Paper Program with a par value amounting to P27,000 million. These bonds issued at a fixed rate of 2.81% p.a., payable quarterly. These bonds are unconditional, unsecured and unsubordinated, and are expected to mature within 2 years from issuance or January 31, 2024.

Note 30 - Other Disclosures

30.1 BPI and BFB Merger

The plan of merger between the Parent Bank and BFB was cleared by the Philippine Deposit Insurance Corporation on June 30, 2021 and the Monetary Board in its resolution dated September 30, 2021 as reflected in the letter of the BSP dated October 4, 2021. On December 21, 2021, the SEC likewise signified its approval on the merger effective January 1, 2022.

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 merger date, the Parent Bank shall issue common shares to BFB shareholders amounting to the net assets of the latter in the standalone financial statements as at December 31, 2020.

The Parent Bank, owning 100% of the shares of BFB, shall effectively issue treasury shares as a consideration of the merger. The number of treasury shares to be issued shall be 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 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 to be 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 Bangko Sentral ng Pilipinas	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

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 the result of the 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 cash dividends remain to be outstanding as at reporting date. The remaining net income after dividend declaration will form part of Other reserves upon effectivity of the merger.

A summary of the statement of income of BFB for the year ended December 31, 2021 is as follows:

	Amount (In Thousands of Pesos)
INTEREST INCOME	
On loans and advances	15,446,743
On investment securities	339,408
On deposits with BSP and other banks	602,061
	16,388,212
INTEREST EXPENSE	
On deposits	4,452,939
On other borrowed funds	451,342
	4,904,281
NET INTEREST INCOME	11,483,931
IMPAIRMENT LOSSES	2,000,000
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	9,483,931
OTHER INCOME	
Fees and commissions	1,450,304
Foreign exchange profit and securities trading gain	13,038
Net gains on disposals of investment securities measured at amortized cost	319,673
Other operating income	484,954
	2,267,969
OTHER EXPENSES	
Compensation and fringe benefits	2,398,486
Occupancy and equipment-related expenses	1,950,452
Other operating expenses	2,887,531
	7,236,469
INCOME BEFORE INCOME TAX	4,515,431
PROVISION FOR INCOME TAX	
Current	669,987
Deferred	296,133
	966,120
NET INCOME FOR THE YEAR	3,549,311

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 the cash and cash equivalents acquired are as follows:

	Amount (In Thousands of Pesos)
Cash and other cash items	982,150
Due from Bangko Sentral ng Pilipinas	67,065,132
Due from other banks	10,152,692
Interbank loans receivable and securities purchased under agreements to resell (with maturity of three months or less)	-
	78,199,974

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 will be applying the guidelines, which will only be relevant for prudential reporting purposes, to its commercial loan portfolio beginning January 1, 2022.

Note 31 - Summary of Significant Accounting Policies

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 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) *New amendments to existing standards adopted by the BPI Group*

The BPI Group has adopted the following amendments to existing standards effective January 1, 2021:

- Amendment to PFRS 16, *'Leases'*

  The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  As at December 31, 2021, the Bank recognized a lease concession adjustment to reflect the amendments made to the existing lease contracts following the reliefs provided by the Bank's lessors due to the COVID-19 pandemic. The lease concession adjustment is deemed immaterial for financial reporting purposes.

- Amendments to PFRS 9, *'Financial Instruments'*, PFRS 7 *'Financial Instruments: Disclosures'*, PFRS 4, *'Insurance Contracts'* and PFRS 16 *'Leases'*

  These amendments that were issued in August 2020 address issues that arise during the reform of an interest rate benchmark rate (IBOR), including the replacement of one benchmark rate with an alternative one.

  The key reliefs provided by the amendments are as follows:

  - Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.

  - Hedge accounting. The hedge accounting reliefs will allow most PFRS 9 hedge relationships that are directly affected by IBOR reform to continue (Note 19). However, additional ineffectiveness might need to be recorded.

Hedge relationships

The 'Phase 2' amendments address issues arising during interest rate benchmark reform, including specifying when the 'Phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

The 'Phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs had the effect that IBOR reform should not generally cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness is continued to be recorded in the statement of income. Furthermore, the amendments set out triggers for when the reliefs would end, which included the uncertainty arising from interest rate benchmark reform no longer being present. The BPI Group has not adopted any hedge accounting reliefs provided by 'Phase 1' in 2020 as the sole cash flow hedge held was not IBOR-based (Note 7).

The hedge accounting reliefs provided by 'Phase 2' of the amendments are as follows:

- Hedge designation: When the phase 1 amendments cease to apply, the BPI Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of these changes:
  - designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  - amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  - amending the description of the hedging instrument. The BPI Group will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships.

- Hedges of groups of items: When amending hedges for groups of items (such as the fair value hedge of interest rate risk within the mortgage portfolio) for IBOR reform, hedged items are allocated to sub-groups within that hedge designation, based on the benchmark rate being hedged for that subgroup (for example, a GBP LIBOR sub-group and a SONIA sub-group within the fair value hedge of the mortgage portfolio). The benchmark rate for each sub-group is designated as the hedged risk.

- Risk components: The BPI Group is permitted to designate an alternative benchmark rate as a noncontractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided that the BPI Group reasonably expects that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. The 24-month period applies separately to each alternative benchmark rate which the BPI Group might designate.

For the year ended December 31, 2021, the BPI Group has not adopted any hedge accounting reliefs provided by 'Phase 2' of the amendments since there are no outstanding hedging relationships for the year then ended.

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD, GBP and EUR LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

As part of the reforms noted above, the international regulators have decided to no longer compel panel banks to participate in the LIBOR submission process after the end of 2021 - although it acknowledges that COVID-19 might impact on these plans - and to cease oversight of these benchmark interest rates. Regulatory authorities and private sector working groups, including the International Swaps and Derivatives Association ('ISDA') and the Working Group on Sterling and Risk-Free Reference Rates, continue to discuss alternative benchmark rates for LIBOR.

It is currently expected that SOFR (Secured Overnight Financing Rate), SONIA (Sterling Overnight Index Average) and €STR (Euro Short Term-Rate) (collectively, "replacement rates") will replace USD LIBOR, GBP LIBOR and EUR LIBOR, respectively. There remain key differences between LIBOR and the replacement rates. LIBOR is a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. The replacement rates are currently 'backward-looking' rates, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which the replacement rates currently do not. To transition existing contracts and agreements that reference LIBOR to their respective replacement rates, adjustments for term differences and credit differences might need to be applied to the replacement rates, to enable the two benchmark rates to be economically equivalent on transition.

The Philippine Interbank Reference Rate (PHIREF) is the benchmark rate used by key local players in setting the reset value for the Philippine Peso floating leg of interest rate swaps. This is derived from done deals in the interbank foreign exchange swap market and computed using USD LIBOR.

As at December 31, 2021, the BPI Group has approved SOFR and SONIA as the replacement rates for USD and GBP LIBOR, respectively, while the remaining exposure on EUR LIBOR matured prior to the cessation of the related benchmark rate. The adoption of the above changes in interest rate benchmark did not have a material impact on the financial statements of the BPI Group.

The following table contains details of all financial instruments that BPI Group holds which reference LIBOR as at December 31, 2021:

<u>Consolidated:</u>

			Of which: have reference to a currency LIBOR* (In Millions of Pesos)							
	Carrying Value		USD Libor		PHIREF		GBP Libor		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-derivative assets and liabilities										
Measured at amortized cost										
Cash and other cash items	35,143	-	-	-	-	-	-	-	-	-
Due from BSP	268,827	-	-	-	-	-	-	-	-	-
Due from other banks	34,572	-	-	-	-	-	-	-	-	-
Interbank loans receivable and SPAR	30,852	-	-	-	-	-	-	-	-	-
Investment securities at amortized cost	338,672	-	4,421	-	-	-	-	-	4,421	-
Loans and advances, net	1,476,527	-	68,787	-	-	-	2,069	-	70,856	-
Other financial assets	2,338	-	-	-	-	-	-	-	-	-
Deposit liabilities	-	1,955,147	-	774	-	-	-	-	-	774
Bills payable and other borrowed funds	-	95,039	-	-	-	-	-	-	-	-
Due to BSP and other banks	-	953	-	-	-	-	-	-	-	-
Manager's checks and demand drafts outstanding	-	6,931	-	-	-	-	-	-	-	-
Lease liabilities	-	7,326	-	-	-	-	-	-	-	-
Other financial liabilities	-	7,256	-	-	-	-	-	-	-	-
	2,186,931	2,072,652	73,208	774	-	-	2,069	-	75,277	774
Measured at fair value										
Financial assets at FVTPL	17,781	-	-	-	-	-	-	-	-	-
Financial assets at FVOCI	134,741	-	-	-	-	-	-	-	-	-
	152,522	-	-	-	-	-	-	-	-	-
Total carrying value of non-derivative assets and liabilities	2,339,453	2,072,652	73,208	774	-	-	2,069	-	75,277	774
Derivative assets and liabilities	3,553	3,632	150,842	-	9,900	-	785	-	161,527	-
Total carrying value of assets and liabilities exposed	2,343,006	2,076,284	224,050	774	9,900	-	2,854	-	236,804	774

**Based on the notional amounts of their related contracts*

Parent:

(in millions of Pesos)	Carrying Value		Of which: have reference to a currency LIBOR* (In Millions of Pesos) USD Libor		PHIREF		GBP Libor		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-derivative assets and liabilities										
Measured at amortized cost										
Cash and other cash items	33,868	-	-	-	-	-	-	-	-	-
Due from BSP	197,435	-	-	-	-	-	-	-	-	-
Due from other banks	27,734	-	-	-	-	-	-	-	-	-
Interbank loans receivable and SPAR	30,023	-	-	-	-	-	-	-	-	-
Investment securities at amortized cost	333,193	-	4,421	-	-	-	-	-	4,421	-
Loans and advances, net	1,233,052	-	68,091	-	-	-	2,069	-	70,160	-
Other financial assets	6,121	-	-	-	-	-	-	-	-	-
Deposit liabilities	-	1,675,875	-	774	-	-	-	-	-	774
Bills payable and other borrowed funds	-	82,550	-	-	-	-	-	-	-	-
Due to BSP and other banks	-	814	-	-	-	-	-	-	-	-
Manager's checks and demand drafts outstanding	-	5,243	-	-	-	-	-	-	-	-
Lease liabilities	-	6,248	-	-	-	-	-	-	-	-
Other financial liabilities	-	4,974	-	-	-	-	-	-	-	-
	1,861,426	1,775,704	72,512	774	-	-	2,069	-	74,581	774
Measured at fair value										
Financial assets at FVTPL	12,055	-	-	-	-	-	-	-	-	-
Financial assets at FVOCI	115,541	-	-	-	-	-	-	-	-	-
	127,596	-	-	-	-	-	-	-	-	-
Total carrying value of non-derivative assets and liabilities	1,989,022	1,775,704	72,512	774	-	-	2,069	-	74,581	774
Derivative assets and liabilities	3,520	3,545	147,673	-	9,900	-	-	-	157,573	-
Total carrying value of assets and liabilities exposed	1,992,542	1,779,249	220,185	774	9,900	-	2,069	-	232,154	774

**Based on the notional amounts of their related contracts*

(b) New standards and amendments to existing standards not yet adopted by the BPI Group

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2021 reporting period and have not been early adopted by the BPI Group:

- PFRS 17, Insurance Contracts (effective for annual periods beginning on or after January 1, 2025)

  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.

Likewise, the following amendments to existing standards are not mandatory for December 31, 2021 reporting period and have not been early adopted by the BPI Group:

- Amendments to PAS 16, 'Property, Plant and Equipment'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendments to PFRS 3, *'Business Combinations'*

  Amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'* and Interpretation 21, *Levies*.

- Amendment to PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' 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.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *'Income Taxes*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

- Annual Improvements to PFRS Standards 2018-2020

  The following improvements were finalized in May 2020:
  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the BPI Group.

31.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The BPI Group recognizes a financial instrument in the statements of condition when, and only when, the BPI Group becomes a party to the contractual provisions of the instrument.

31.3.1 Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and advances, due from BSP and other banks, government and corporate bonds and other financial receivables.

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. 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

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

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 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.
- 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, 2021 and 2020.

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:

- 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.

- 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.

- 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.

Loan modifications in compliance with the Bayanihan Acts I and II in 2020, was treated in line with BPI Group's policies discussed above.

31.3.4 Derecognition of financial assets other than modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the BPI Group transfers substantially all the risks and rewards of ownership, or (ii) the BPI Group neither transfers nor retains substantially all the risks and rewards of ownership and the BPI Group has not retained control.

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 contracts in which the BPI Group is required to provide loans with pre-specified terms to customers. These contracts, which are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument, are not recorded in the statements of condition.

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".

Hedge accounting

The BPI Group designates derivatives as either:
- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the BPI Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The BPI Group documents its risk management objective and strategy for undertaking its hedge transactions.

In 2021, the BPI Group's existing cash flow hedge activity in 2020 has matured (Note 7). There are no fair value hedges or net investment hedges as of reporting date.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the "Cash flow hedge reserve" within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within "Other operating income".

When the group excludes the forward element of a forward contract and foreign currency basis spread of financial instruments in the hedge designation, the fair value change of the forward element and currency basis spread that relates to the hedged item ('aligned forward element/currency basis spread') is recognized within OCI in the costs of hedging reserve within equity. If the group designates the full change in fair value of the derivative (including forward points and currency basis spreads) the gains or losses relating to the effective portion of the change in fair value of the entire derivative are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss within other operating income in the same periods during which the hedged future cash flows affect profit or loss. However, if the amount is a loss and the BPI Group expects that all or a portion of that loss will not be recovered in one or more future periods, the amount that is not expected to be recovered shall immediately be reclassified to profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time shall be reclassified to profit or loss in the same periods during which the future cash flows affect profit or loss. When the future cash flows are no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

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 30.3.2 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

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. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, PSE, Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter (OTC) derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The BPI Group considers relevant and observable market prices in its valuations where possible. The BPI Group has no assets or liabilities classified under Level 3 as at and for the year ended December 31, 2021 and 2020.

31.3.10 Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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 Dividend income

Dividend income is recognized in profit or loss when the BPI Group's right to receive payment is established.

31.3.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at December 31, 2021 and 2020, there are no financial assets and liabilities presented at net amounts due to offsetting.

31.3.13 Cash and cash equivalents

Cash and cash equivalents consist of Cash and other cash items, Due from BSP, Due from other banks, and Interbank loans receivable and securities purchased under agreements to resell (SPAR) with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

31.3.14 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

Subsidiaries are all entities over which the BPI Group has control. The BPI Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The BPI Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the BPI Group's voting rights relative to the size and dispersion of holdings of other shareholders give the BPI Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the BPI Group. They are de-consolidated from the date that control ceases.

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary 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. 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.

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.

When the BPI Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the BPI Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Parent Bank loses control of a subsidiary, the Parent Bank:

- derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position.
- recognizes any investment retained in the former subsidiary and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. The remeasured value at the date that control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or the cost on initial recognition of an investment in an associate or joint venture, if applicable.
- recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests other than those related to discontinued operation are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the Parent Bank are reported in consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the statements of income as net income (loss) attributable to non-controlling interests.

(c) 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. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The BPI Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the BPI Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the BPI Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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.

(d) 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. 2018-01. 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.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who allocates resources to, and assesses the performance of the operating segments of the BPI Group.

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. Historical cost includes expenditure that is directly attributable to the acquisition of an asset which comprises its purchase price, import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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.

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. 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, 2021 and 2020.

An item of Bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss 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.

31.8 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 Discontinued operations

A discontinued operation is a component of the BPI Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of income, statement of total comprehensive income and statement of cash flows. Likewise, prior year balances of such statements are restated in accordance with the provisions of PFRS 5. The details of the discontinued operations are disclosed in Note 12.

31.11 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.

31.12 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.

31.13 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, 2021 and 2020.

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.

31.14 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.

There are no warranties and other similar obligation and refunds agreed with customers.

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.

31.15 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.

31.16 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) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at FVTPL, are reported as part of the fair value gain or loss recognized under "Securities trading gain" in the statement of income. Translation differences on non-monetary financial instruments, such as equities classified as financial assets at FVOCI, are included in Accumulated other comprehensive income (loss) in the capital funds.

(c) Foreign subsidiaries

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.

(d) 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.

31.17 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the BPI Group is established.

31.18 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.

31.19 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the year except to the extent that current tax is related to items (for example, current tax on financial assets at FVOCI) that are charged or credited in other comprehensive income or directly to capital funds.

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 Provision for income tax - Current.

(b) Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

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.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, and associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the BPI Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the BPI Group is unable to control the reversal of the temporary difference for associates except when there is an agreement in place that gives the BPI Group the ability to control the reversal of the temporary difference.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

31.20 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.

31.21 Capital funds

Share capital consists of common shares which are instruments that meet the definition of "equity".

Share premium includes any premiums or consideration received in excess of the total par value of the common shares issued.

Incremental costs directly attributable to the issue of new shares are treated as a deduction from the share issuance proceeds.

31.22 Earnings per share (EPS)

Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. In case of a rights issue, an adjustment factor is being considered for the weighted average number of shares outstanding for all periods before the rights issue. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

31.23 Dividends on common shares

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.

31.24 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).

31.25 Leases

31.25.1 BPI Group is the lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the 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).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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.

31.25.2 BPI Group is the lessor

PFRS 16 substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, the BPI Group (as a lessor) continues to classify its leases as operating leases or finance leases.

Operating lease

Properties (land and building) leased out under operating leases are included in "Investment properties" in the statements of condition. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income under finance lease is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

31.26 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; (d) amounts recoverable from reinsurers and loss adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts; and (e) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The more significant provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) premium income from sale of pre-need plans is recognized as earned when collected; (b) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (c) 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 (d) 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.

31.27 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

31.28 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no changes to the presentation made during the year.

31.29 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the BPI Group's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 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	
	2021	2020	**2021**	2020
Return on average equity				
- Daily average[1]	**8.40**	7.70	**9.70**	10.81
- Simple average[2]	**8.28**	7.79	**9.60**	11.00
Return on average assets				
- Daily average[3]	**1.08**	0.98	**1.21**	1.33
- Simple average[4]	**1.03**	0.96	**1.15**	1.31
Net interest margin				
- Daily average[5]	**3.30**	3.49	**3.06**	3.31
- Simple average[6]	**3.15**	3.45	**2.91**	3.26

[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, 2021 and 2020.
[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, 2021 and 2020.
[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, 2021 and 2020.
[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, 2021 and 2020.
[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, 2021 and 2020.
[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, 2021 and 2020.

(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, 2021 and 2020.

Significant Credit Exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Real estate, renting and other related activities	**25.63**	25.42	**18.05**	18.04
Manufacturing	**15.62**	14.97	**18.54**	17.79
Wholesale and retail trade	**10.69**	10.97	**11.83**	12.18
Consumer	**8.08**	8.01	**5.44**	5.12
Financial institutions	**8.08**	8.88	**9.64**	10.57
Agriculture and forestry	**1.94**	2.53	**2.31**	3.01
Others	**29.96**	29.22	**34.19**	33.29
	100.00	100.00	**100.00**	100.00

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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**268,427**	257,311	**138,333**	132,600
Chattel mortgage	**51,878**	51,821	**6**	8
Others	**122,943**	203,629	**120,803**	201,013
	443,248	512,761	**259,142**	333,621
Unsecured loans	**1,079,224**	932,434	**1,009,327**	870,066
	1,522,472	1,445,195	**1,268,469**	1,203,687

Other collaterals include 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

	2021			2020		
	Performing	Non-performing	**Total**	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	1,198,873	17,531	**1,216,404**	1,147,201	12,990	1,160,191
Credit cards	67,397	3,762	**71,159**	58,652	5,453	64,105
Other retail loans	218,255	16,663	**234,918**	200,612	20,310	220,922
	1,484,525	37,956	**1,522,481**	1,406,465	38,753	1,445,218
Allowance for probable losses	(8,546)	(17,572)	**(26,118)**	(13,073)	(14,483)	(27,556)
Net carrying amount	**1,475,979**	**20,384**	**1,496,363**	1,393,392	24,270	1,417,662

**Amounts exclude accrued interest receivables and GLLP*

Parent

	2021			2020		
	Performing	Non-performing	**Total**	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	1,177,981	16,087	**1,194,068**	1,127,042	10,507	1,137,549
Credit cards	65,765	3,576	**69,341**	56,803	5,096	61,899
Other retail loans	4,584	476	**5,060**	3,823	430	4,253
	1,248,330	20,139	**1,268,469**	1,187,668	16,033	1,203,701
Allowance for probable losses	(7,378)	(12,790)	**(20,168)**	(11,001)	(9,470)	(20,471)
Net carrying amount	**1,240,952**	**7,349**	**1,248,301**	1,176,667	6,563	1,183,230

**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:

	Consolidated		**Parent**	
	2021	2020	**2021**	2020
		(In Millions of Pesos)		
Loans and advances from:				
Subsidiaries	**-**	189	**-**	-
Associates	**60**	509	**60**	509
Ayala Group	**65,195**	76,509	**65,195**	71,123
Other related parties	**546**	24,160	**544**	7,569

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**65,801**	101,367	**65,799**	79,201
% to total outstanding related party loans				
Subsidiaries	**-**	0.19	**-**	0.00
Associates	**0.09**	0.50	**0.09**	0.64
Ayala Group	**99.08**	75.48	**99.08**	89.80
Other related parties	**0.83**	23.83	**0.83**	9.56

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**65,801**	101,367	**65,799**	79,201
% to total outstanding related party loans				
Unsecured related party loans	**66.61**	32.58	**66.61**	41.69
Past due related party loans	**0.00**	0.00	**0.00**	0.00
Non-performing related party loans	**0.00**	0.00	**0.00**	0.00

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Outstanding DOSRI loans	**15,230**	15,675	**15,229**	15,673

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In percentages)			
% to total outstanding loans and advances	**1.00**	1.08	**1.20**	1.30
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	**3.11**	3.20	**3.11**	3.20
Past due DOSRI loans	**0.01**	0.00	**0.01**	0.00
Non-performing DOSRI loans	**0.02**	0.00	**0.02**	0.00

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2021 and 2020.

(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, 2021 and 2020, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 10).

(v) 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	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Guarantees issued	**2,327**	1,401	**2,327**	1,401
Financial standby letters of credit - foreign	**15,367**	8,370	**15,367**	8,370
Performance standby letters of credit - foreign	**4,453**	3,442	**4,453**	3,442
Commercial letters of credit	**10,719**	9,055	**10,719**	9,055
Trade related guarantees	**1,305**	2,255	**1,305**	2,255
Commitments	**124,754**	126,903	**122,689**	125,004
Spot foreign exchange contracts	**10,208**	18,616	**10,208**	18,616
Derivatives	**357,556**	339,259	**349,039**	336,211
Other contingent accounts	**1,141,823**	1,095,617	**27,337**	45,902
	1,668,512	1,604,918	**543,444**	550,256

Other contingent accounts pertain to inward and outward bills for collection, late deposits or payments received, and trust department accounts.

Significant credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	(In Millions of Pesos)			
Undrawn loan commitments	**360,425**	352,844	**354,002**	346,995
Unused letters of credit	**34,131**	24,512	**34,131**	24,512
Gross carrying amount	**394,556**	377,356	**388,133**	371,507
Loss allowance	**(747)**	(959)	**(728)**	(927)
Carrying amount	**393,809**	376,397	**387,405**	370,580

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 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.

Note 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, 2021 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	6,016
Trade finance documents	565
Mortgage documents	453
Others	2
	7,063

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2021 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Income taxes withheld on compensation	1,868	214	2,082
Withholding tax on withdrawal from decedent’s account	22	2	24
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,041	46	1,087
Final income taxes withheld on income payment	285	204	489
Creditable income taxes withheld (expanded)	390	51	441
Fringe benefit tax	76	20	96
VAT withholding tax	36	2	38
	3,718	**539**	**4,257**

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2021 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Gross receipts tax	3,819	370	4,189
Real property tax	119	-	119
Municipal taxes	291	-	291
Others	82	-	82
	4,311	**370**	**4,681**

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 pending cases filed in courts, with the tax authorities contesting certain tax assessments, and for various claims for tax refund.

Bank of the Philippine Island
Financial Indicators
As at December 31, 2021 and 2020

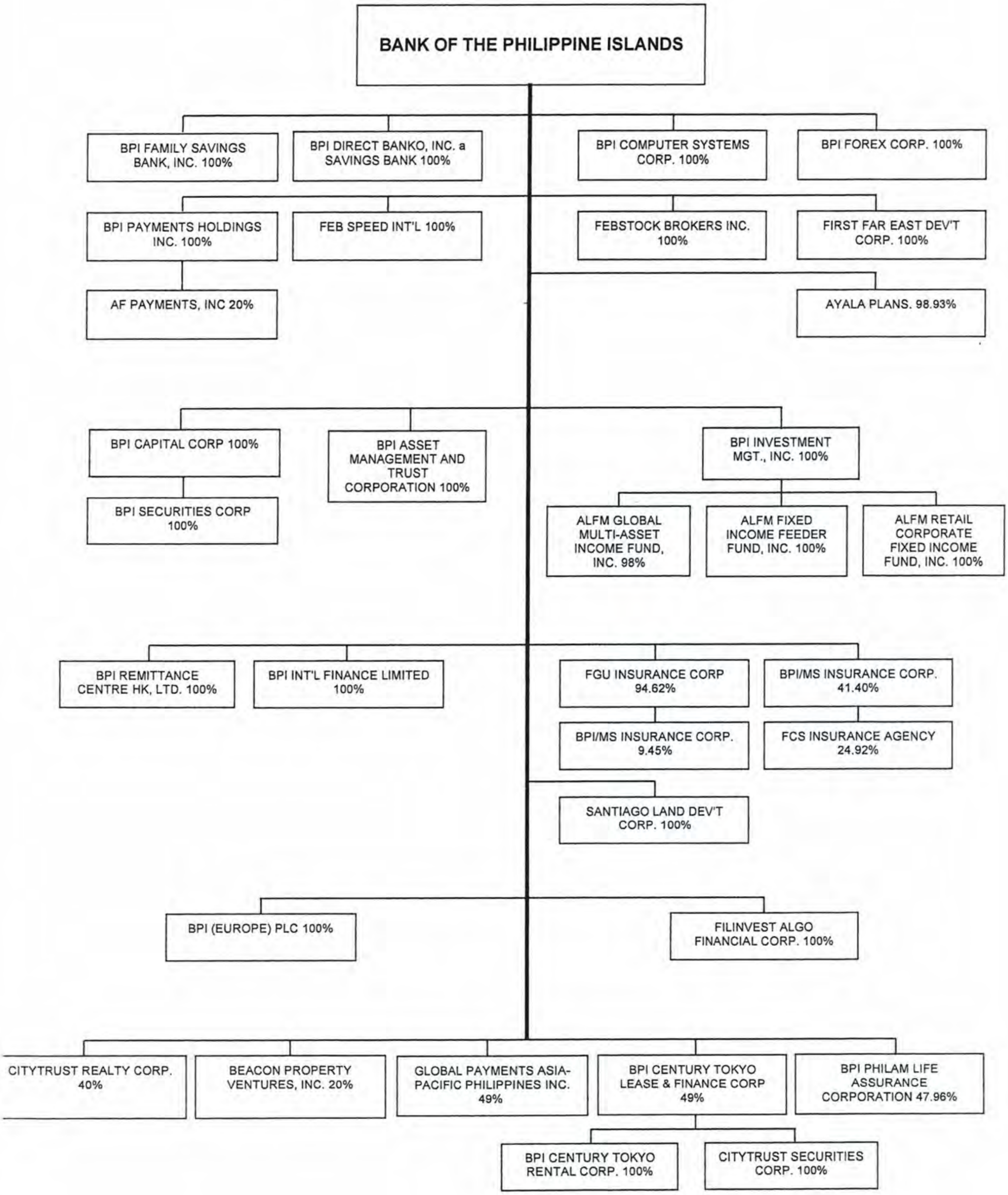
Ratio	Formula (in Millions of Pesos, except ratios)		Current Year	Prior Year
			in percentage	
Liquidity ratio	Total current assets divided by total current liabilities			
	Total current assets	989,212	50.60	62.68
	Divided by: Total deposits	1,955,147		
	Liquidity ratio	0.5060		
Debt-to-equity ratio	Total liabilities (Bills payable and Bonds payable) divided by total equity			
	Total liabilities (Bills payable and Bonds payable)	95,039	32.43	54.30
	Divided by: Total equity	293,060		
	Debt-to-equity ratio	0.3243		
Asset-to-equity ratio	Total assets divided by total equity			
	Total assets	2,421,915	826.42	798.13
	Divided by: Total equity	293,060		
	Asset-to-equity ratio	8.2642		
Interest rate coverage ratio	Earnings before interest expense, income taxes, depreciation, and amortization			
	EBITDA	54,820	364.64	231.35
	Divided by: Total interest Expense	15,034		
	Interest rate coverage ratio	3.6464		
Return on equity	Net income divided by daily average equity			
	Net income	23,880	8.40	7.70
	Divided by: Daily average equity	284,414		
	Return on equity	0.0840		
Return on assets	Net income divided by daily average assets			
	Net income	23,880	1.08	0.98
	Divided by: Daily average assets	2,220,644		
	Return on assets	0.0108		

Net interest margin (NIM)	Net interest income (return on investment less interest expense) divided by daily average net interest bearing assets Net interest income 69,583 Divided by: Daily average Net Interest Bearing Assets 2,106,049 NIM 0.0330	3.30	3.49
Other ratios:			
Average assets to average equity	Daily average assets divided by daily average equity Daily average assets 2,220,644 Divided by: Daily average equity 284,414 Average assets to average equity 7.8078	780.78	786.84
Net interest to average assets (NRFF)	Net interest income divided by daliy average assets Net interest income 69,583 Divided by: Daily average assets 2,220,644 NRFF 0.0313	3.13	3.30
Cost to income ratio	Total operating expense divided by total income (Net interest income and Other income) Total operating expense 50,733 Divided by: Total income (Net Interest income and Other income) 97,405 Cost to income ratio 0.5208	52.08	47.25
Cost to asset ratio	Total operating expense divided by daily average assets Total operating expense 50,733 Divided by: Daily average assets 2,220,644 Cost to asset ratio 0.0228	2.28	2.20
Capital to assets ratio	Total equity divided by total assets Total equity 293,060 Divided by: Total assets 2,421,915 Capital to assets ratio 0.1210	12.10	12.53

Bank of the Philippine Islands
14/F Ayala North Exchange, Tower I
6796 Ayala Avenue corner Salcedo Street,
Legaspi Village, Makati City Philippines

Reconciliation of Retained Earnings Available for Dividend Declaration
As at and for the year ended December 31, 2021
(In Millions of Pesos)

Unappropriated Retained Earnings, based on audited financial statements, beginning of the year			**115,453**
Add:	**Net income actually earned/realized during the period**	22,783	
Less:	**Non-actual/unrealized income net of tax:**		
	• Equity in net income of associate/joint venture	-	
	• Unrealized foreign exchange gain (after tax) except those attributable to Cash and cash equivalents	542	
	• Unrealized actuarial gain	-	
	• Fair value adjustment (mark-to-market gains)	1,948	
	• Fair value adjustment of investment property resulting to gain	-	
	• Adjustment due to deviation from PFRS (gain)	-	
	• Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS	-	
	Subtotal	2,490	
Add:	**Non-actual losses, net of tax:**		
	• Depreciation on revaluation increment (after tax)	-	
	• Adjustment due to deviation from PFRS/GAAP - loss	-	
	• Loss on fair value adjustment of investment property (after tax)	-	
	Subtotal	-	
	Net income actually earned during the year		**20,293**
Add (Less):	Dividend declarations during the year	(8,124)	
	Appropriations of Retained Earnings during the year	-	
	Reversals of appropriations	-	
	Effects of prior period adjustments	-	
	Treasury shares	-	
	Others	(12)	
	Subtotal		**(8,136)**
Unappropriated retained earnings available for dividend distribution, end of the year			**127,610**


BANK OF THE PHILIPPINE ISLANDS
BPI FAMILY SAVINGS BANK, INC. 100%
BPI DIRECT BANKO, INC. a SAVINGS BANK 100%
BPI COMPUTER SYSTEMS CORP. 100%
BPI FOREX CORP. 100%
BPI PAYMENTS HOLDINGS INC. 100%
FEB SPEED INT'L 100%
FEBSTOCK BROKERS INC. 100%
FIRST FAR EAST DEV'T CORP. 100%
AF PAYMENTS, INC 20%
AYALA PLANS. 98.93%
BPI CAPITAL CORP 100%
BPI ASSET MANAGEMENT AND TRUST CORPORATION 100%
BPI INVESTMENT MGT., INC. 100%
BPI SECURITIES CORP 100%
ALFM GLOBAL MULTI-ASSET INCOME FUND, INC. 98%
ALFM FIXED INCOME FEEDER FUND, INC. 100%
ALFM RETAIL CORPORATE FIXED INCOME FUND, INC. 100%
BPI REMITTANCE CENTRE HK, LTD. 100%
BPI INT'L FINANCE LIMITED 100%
FGU INSURANCE CORP 94.62%
BPI/MS INSURANCE CORP. 41.40%
BPI/MS INSURANCE CORP. 9.45%
FCS INSURANCE AGENCY 24.92%
SANTIAGO LAND DEV'T CORP. 100%
BPI (EUROPE) PLC 100%
FILINVEST ALGO FINANCIAL CORP. 100%
CITYTRUST REALTY CORP. 40%
BEACON PROPERTY VENTURES, INC. 20%
GLOBAL PAYMENTS ASIA-PACIFIC PHILIPPINES INC. 49%
BPI CENTURY TOKYO LEASE & FINANCE CORP 49%
BPI PHILAM LIFE ASSURANCE CORPORATION 47.96%
BPI CENTURY TOKYO RENTAL CORP. 100%
CITYTRUST SECURITIES CORP. 100%

BANK OF THE PHILIPPINE ISLANDS
As at December 31, 2021
(in Millions of Pesos)

Schedule A - Financial Assets

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Due from Bangko Sentral ng Pilipinas		268,827	
Due from other banks		34,572	
Interbank loans receivable and Securities purchase under agreements to resell		30,852	
Sub-total		334,251	1,956
Financial assets at fair value through profit or loss – Trading securities (*)		17,781	306
Financial assets at fair value through profit or loss – Derivative financial assets		3,553	
Sub-total		21,334	
Financial assets at fair value through other comprehensive income (*)		134,741	2,473
Investment Securities at amortized cost (*)		338,672	7,657
Loans and advances, net		1,476,527	72,225
Others		2,338	-
TOTAL		**2,307,863**	**84,617**

(*) Please refer succeeding pages for the detailed information on these financial assets

BANK OF THE PHILIPPINE ISLANDS

December 31, 2021

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amount Collected	Amount written off	Current	Not Current	Balance at end of period
Nothing to report. Transactions with these parties are made under the normal course of business.							

BANK OF THE PHILIPPINE ISLANDS
December 31, 2021
(In Millions of Pesos)

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements.

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Not Current	Balance at the end of period
BANK OF THE PHILIPPINE ISLANDS	3	19	2	-	20	-	20
BPI DIRECT BANKO, INC.	445	76	-	-	521	-	521
BPI COMPUTER SYSTEMS CORP.	-	8	-	-	8	-	8
BPI CAPITAL CORP.	4	-	-	-	4	-	4
BPI FAMILY SAVINGS BANK, INC.	151	3,532	105	-	3,578	-	3,578
BPI INVESTMENT MANAGEMENT, INC.	7	7	-	-	14	-	14
BPI SECURITIES CORP.	100	-	2	-	98	-	98
BPI ASSET MANAGEMENT AND TRUST CORP.	59	221	-	-	280	-	280
BPI/MS INSURANCE CORPORATION	2	-	1	-	1	-	1
	771	**3,863**	**110**	**-**	**4,524**	**-**	**4,524**

BANK OF THE PHILIPPINE ISLANDS
As at December 31, 2021
(in Millions of Pesos)

Schedule D - Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture (Original Currency)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (in PHP)	Amount shown under caption "Long-term debt" in related balance sheet (in PHP)	Terms of Long-term debts
Parent Bank				
Bonds payable	USD 600	-	30,519	Int Rate : 4.25 % Frequency of Payment: Semi - Annual Maturity Date : 9/4/2023 Face Value : USD 600,000,000
Bonds payable	USD 300	-	15,239	Int Rate : 2.5 % Frequency of Payment: Semi - Annual Maturity Date : 9/10/2024 Face Value : USD 300,000,000
Bonds payable	Php 15,328	15,328	-	Int Rate : 0.424 % Frequency of Payment: Quarterly Maturity Date : 1/24/2022 Face Value : PHP 15,328,200,000
Bonds payable	Php 21,500	21,463	-	Int Rate : 0.0305 % Frequency of Payment: Quarterly Maturity Date : 5/07/2022 Face Value : PHP 21,500,000,000
SUB-TOTAL		**36,791**	**45,758**	

BPI Family Savings Bank, Inc.				
Bonds payable	Php 9,600	9,584	-	Int Rate : 4.30 % Frequency of Payment: Quarterly Maturity Date : 06/16/2022 Face Value : PHP 9,600,000,000

BPI Europe				
Bills payabe		1,886	1,020	Various
TOTAL		**48,261**	**46,778**	

BANK OF THE PHILIPPINE ISLANDS

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Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
	Nothing to report.	

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Schedule F - Guarantees of Securities of Other Issuers

Name of Issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by Person for which statement is filed	Nature of guarantee
		Nothing to report.		

BANK OF THE PHILIPPINE ISLANDS
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Schedule G - Capital stock

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights *	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	5,000,000,000	4,513,128,255	12,905,000	2,294,725,778	30,133,482	2,188,268,995
Preferred A Shares	60,000,000	-	-	-	-	-

**Shares granted but not yet exercised*