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BPI Credo

We believe our first responsibility is to our CLIENTS.

If we understand and address our clients' financial needs, we will be trusted with their most important financial transactions, and we will build lasting relationships. We do well when our clients do well.

We believe in our responsibility to our PEOPLE.

We seek to hire the best person for each job, provide our employees with the means to perform at a high level and reward them fairly. We value integrity, professionalism, and loyalty. We promote a culture of mutual respect, meritocracy, performance, and teamwork. We strive to be the employer of choice among Philippine financial institutions.

We believe in our responsibility to our SHAREHOLDERS.

We treat capital as a most valuable asset and seek to generate superior returns while being prudent in risk-taking, spending, and investment.

We believe in our responsibility to our COUNTRY.

Our prosperity is greatly dependent on the well-being of our nation. We aim to be inclusive and responsible in nation building. Through BPI Foundation, we are committed to the welfare and sustainability of the communities we serve.

Core Values 102-16

Customer Service

We establish lasting relationships with clients, putting them first in our list of priorities. We delight them with our services and we always try to anticipate their needs.

Excellence

Whatever our functions are, we always give our best and continuously upgrade our knowledge, skills, habits and attitudes. This way, we meet each challenge with determination and drive, opening ourselves to unlimited possibilities.



Loyalty

We are proud of BPI. We are true to its ideals and vision, and we actively promote and defend what BPI stands for.

Teamwork

We build relationships founded on mutual respect. We are totally committed to the achievement of the objectives of our team and of BPI. We actively participate as one in any undertaking and contribute our individual knowledge and talents for the benefit of all.

Integrity

As bankers, we strive to be worthy of the confidence in us by BPI, our clients and our shareholders. We earn the trust of those we meet and interact with, and always do what is morally and socially correct, contributing in our small way in shaping the future.

Concern for People

We are fair, supportive, friendly, caring, and sincere in our relations with the people around us.

Scope and Coverage 102-50, 102-51, 102-52

Enriching Relationships is BPI's 2017 Integrated Report, which covers the Bank's business operations, including our subsidiaries and affiliates, within the period of January 1 to December 31, 2017. It highlights our overall financial, economic, environmental, and social performance and how we create value through our products and services. This report adheres to the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI) Standards, and Bangko Sentral ng Pilipinas (BSP) guidelines on the submission of Annual Reports.

Additional Reference

The Bank's financial and operational performance is disclosed and filed at the Philippines' Securities and Exchange Commission (SEC). It forms part of the Information Statement provided to stockholders.

This is available online at www.bpiexpressonline.com.

Data covering the Philippine banking industry, macroeconomic, behavioral, and demographic trends were sourced from the reports of the World Bank and Asian Development Bank.

This report is preceded by an annual report, published in April 2017, covering topics on sustainability. This report will thereafter be published annually.

Reporting Standards 102-54, 102-55

This report has been prepared in accordance with the GRI Standards: Core option. Refer to pages 32-33 and 130 for the complete list of material topics and its boundaries, and pages 131-135 for the GRI Content Index.

Contact Information 102-53

For questions, comments, and suggestions, contact us:

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

We strive to keep our portfolio focused on promoting a sustainable and more inclusive society. We want everyone — individuals, enterprises, and institutions — to benefit directly or indirectly from the economic value generated and enabled by our business. As we enter another year, we shall continue to provide products and services efficiently, always mindful of our corporate values that have guided us through the past 166 years: Customer Service, Excellence, Loyalty, Teamwork, Integrity, Concern for People.

BPI, together with our subsidiaries and affiliates, 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. These, and more, make BPI a leading provider of financial services in the Philippines.

Most notable are the automated teller machine (ATM), the cash acceptance machine (CAM), the BPI Express Assist (BEA) machine, point-of-sale debit system, and innovations that make banking easier for an increasingly mobile population: phone banking, internet

banking, and mobile banking. Our headquarters in the heart of the Makati central business district stands witness to many milestones in the Philippine banking and financial sector. As of today, our network boasts of 942 branches and microbanking offices and 3,105 ATMs and CAMs across the country, servicing 8.5 million clients. BPI has also reached beyond Philippine shores, with offices in 4 other countries. Further, we have 143 international tie-ups to extend the BPI brand of service abroad, particularly to Overseas Filipinos.

Message from the Chairman and the President & CEO

102-14

Dear Fellow Shareholders:

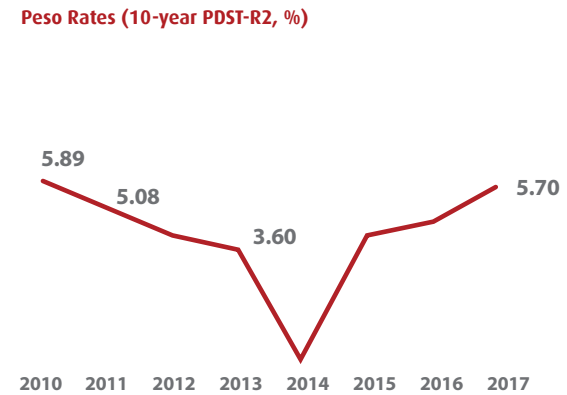
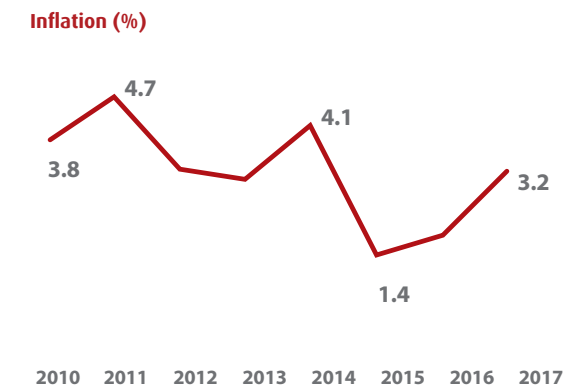
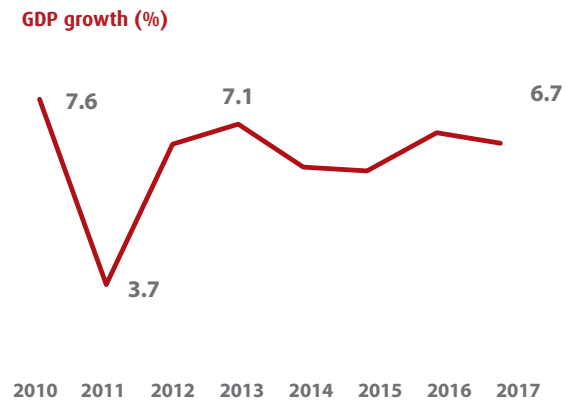
The Bank of the Philippine Islands has been an integral part of our country's rich history—from our colonial past to our increasingly digital present. BPI has contributed to nation-building by providing essential and differentiated financial services during both challenging and prosperous times. BPI will continue to serve the cause of nation building by embracing digitalization and harnessing technology to help shape the future of banking in the Philippines.



Jaime Augusto Zobel de Ayala
Chairman

Renewed Optimism

The Philippines is in the midst of one of the longest periods of robust economic growth in recent history, registering GDP growth of over 6% for the 6th consecutive year. In 2017, GDP grew by 6.7%, placing our country amongst the fastest growing economies in Asia. The Philippine Stock Exchange Index closed at a record high of 8,558, posting a gain of 25.1% during the year. Domestic inflation remain anchored, averaging 3.2%, well within the government’s target range of 2% to 4%. While financial conditions were benign, prospects of tighter monetary policy led to a rise in 10-year Peso government securities yields from 4.63% to 5.70%. The Philippine Peso closed at 49.93, depreciating slightly by 0.42% against the US Dollar.



Financial and Operating Performance

The global economy is experiencing a cyclical recovery with global GDP growth estimated at 3% in 2017, supported by a rebound in trade and investment activity. While we anticipate risks brought about by increasing global trade friction and monetary policy divergence on the part of the world’s major central banks, we believe the Philippine economy will remain resilient and can weather these global threats. In fact, we expect the global economic recovery to be sustained, and we are optimistic that the Philippines is well positioned to benefit from this trend.

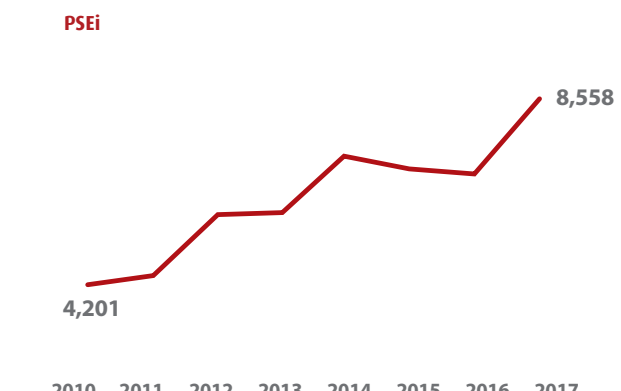
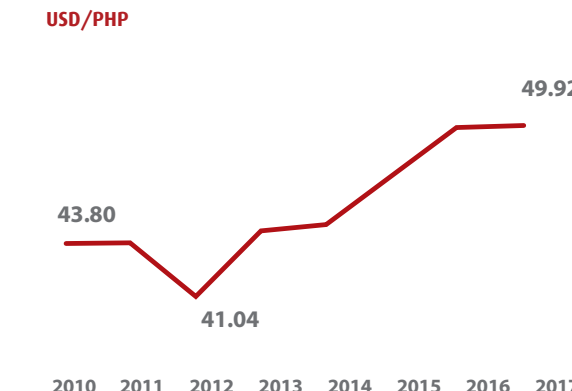
Efficient operations, prudent risk management, and best-in-class risk-adjusted returns are the qualities that define BPI. The high quality of our earnings drives returns on capital that are amongst the highest in the industry.

In 2017, BPI generated a Net Income of Php 22.42 billion, up 1.7% from the previous year. This translates to a Return on Equity of 12.75% and a Return on Assets of 1.27%. Our earnings allowed us to grow our capital to Php 180.69 billion, even after distributing cash dividends of Php 1.80 per share, (for a total of Php 7.1 billion), or 31.6% of our income. At the end of 2017, BPI’s share price closed at Php 108.10, 22% higher than the previous year.

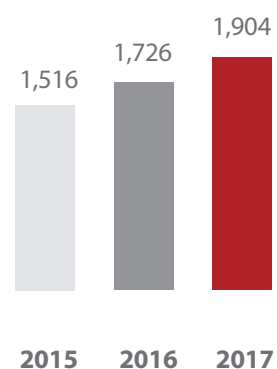
Our year-end market capitalization, at Php 425.85 billion, was the second highest in the industry. Our valuation metrics—2.4x price-to-book and 19x price-to-earnings—rank amongst the highest for banks in the Asian region.

In 2017, loans grew by 15.5% to Php 1.20 trillion while deposits increased by 9.1% to Php 1.56 trillion. The Bank’s Loan-to-Deposit Ratio increased to 77%, from 73% in the previous year.

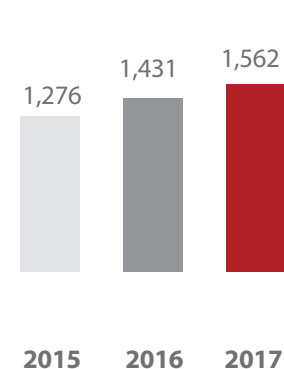
Our revenues were driven by the strong performance of our core intermediation business. Net Interest Income increased by 13.4% to Php 48.04 billion.



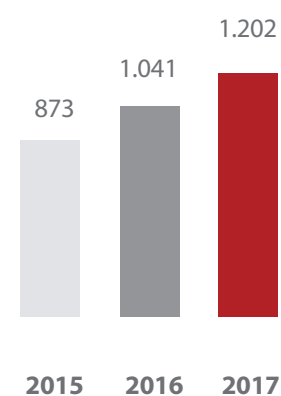
Total Assets (In Php Bn)



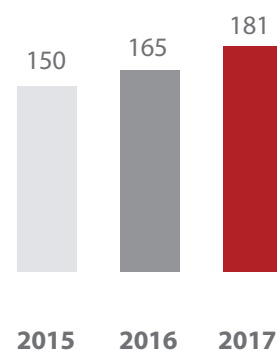
Total Deposits (In Php Bn)



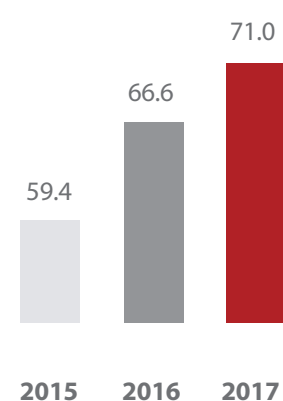
Net Loans (In Php Bn)



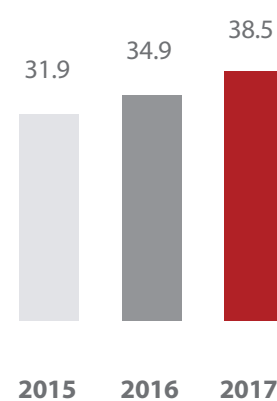
Total Capital (In Php Bn)



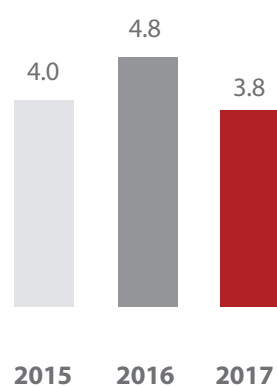
Net Revenues (In Php Bn)



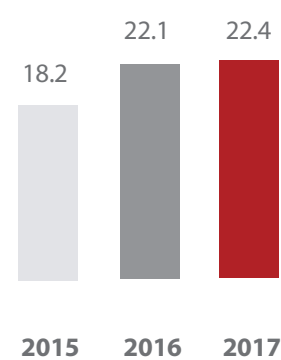
Operating Expense (In Php Bn)



Provisions (In Php Bn)



Net Income (In Php Bn)



Meanwhile, Fees and Commissions grew by 15.6%, driven by higher credit card fees, trust and investment management fees, and insurance fees.

Our efficient operations is reflected in our Cost-to-Income Ratio of 54.3%, among the lowest in the industry despite the significant increase in our technology-related expenses.

The significant growth of our loan portfolio masks our inherent prudence, which is reflected in our asset quality. Our 90-day Non Performing Loan ratio fell to 1.29% in 2017, from 1.46% of total loans in the previous year.

Notwithstanding a benign credit environment, we added loan loss provisions amounting to Php 3.8 billion. Consequently, our Reserve Cover rose from 118.7% to 129.2%, an all-time high for the bank. In 2017, we also concluded our preparations to transition the Bank to

the new accounting standards required under PFRS 9, which requires banks to adopt Expected Credit Loss models. The Bank's loan loss provisions are more than adequate even under the new accounting regime, which took effect on January 1, 2018.

Off-balance sheet, our asset management business grew in by 4.8% in 2017 to Php 591 billion in Assets Under Management. In the domestic asset management industry, our business stands out in terms of quality of earnings, as well as the degree of client and portfolio diversification.

As of the end of 2017, our consolidated Common Equity Tier 1 Ratio stood at 11.8% and our Capital Adequacy Ratio was at 12.7%. These ratios are well above minimum regulatory requirements, with an adequate buffer to support the Bank's operations.

A comprehensive evaluation of BPI's material risks through the Internal Capital Adequacy Assessment Process shows that the Bank maintains a capital level that is commensurate to both its underlying growth rate and the nature and extent of the risks it has taken. Achieving and maintaining an efficient capital structure is a key management objective. At the same time, recognizing that our economy's growth trajectory will remain strong in the near and medium term, we have embarked on a stock rights offering that will raise approximately P50 billion in new capital. The larger capital base will allow the bank to continue to contribute to, and benefit from the country's growth, and in a manner that is accretive to earnings.

	2016	2017	Δ	%
EPS (P)	5.60	5.69	0.90	2%
BVPS (P)	41.94	45.87	3.93	9%
DPS (P)	1.80	1.80	0.00	0%
COI (%)	52.50	54.26	1.76	
ROA (%)	1.39	1.27	-0.12	
ROE (%)	13.77	12.75	-1.02	



Cezar P. Consing
President & CEO

Brand and Franchise

We continue to draw strength from our established brand – one of the most trusted brands in the country – built over the 166-year history of the Bank. This has helped us grow and retain a large customer base. In 2017, we grew our client base to 8.5 million customers, about half a million more than a year ago. One out of every 4 banked Filipinos has a bank account with us. This speaks to the value of our brand and the strength of our franchise.

Both our brand and our franchise were tested in 2017. In June, we experienced an internal system problem that inconvenienced many of our clients. The fix required hundreds of unbankers to work around the clock to correct the systems problem, and thousands more working tirelessly so that our clients could continue to be serviced by our branches. The incident, while unfortunate, demonstrated the very best of our people and our institution. Subsequent brand surveys, and the growth in business volumes in the second half of 2017, showed that BPI emerged from this episode stronger than ever.

The strengths of the brand and the franchise were reinforced in November 2017, when we raised from retail investors a total of Php 12.24 billion in long-term negotiable certificates of time deposits (LTNCDs). The LTNCD issue—the largest issuance ever undertaken by a Philippine bank—was a demonstration of institutional strength.

Strategic Imperatives

Year 2017 marked the end of the 5-year period during which the Bank both doubled in size and improved its risk metrics. The next few years will be devoted to maintaining our market-leading risk-adjusted returns, while ensuring that we devote our resources to strategic initiatives that will further increase our relevance in our home market. The major strategic initiatives are the following:

Digitalization

We have and will continue to make considerable investments in technology to accelerate our digital journey. While we are already a leader in the area of digitalization amongst Philippine banks, our objective is to further increase the percentage of clients who access the Bank through our secure internet and mobile channels. In 2017, we relaunched our internet platform for corporate clients called BizLink, providing a more efficient cash management facility.

Operational Excellence

Understanding that growth comes with the need to increase capacity, and that our clients have choices, we have retooled our processes and revised policies and procedures to shorten turnaround times for key products and services. We have already registered significant improvements in areas like average branch queueing times and auto loan turnaround times, and expect to see more such gains in the coming year.

Small and Medium Enterprises

Recognizing that small and medium scale enterprises are important engines of economic growth, we organized a new unit, Business Banking, to focus on this client segment. The Business Banking Group will cater to the over 100,000 BPI clients that maintain deposits with us but, for the most part, do not avail of our other financial services, including business loans. SME loans currently account for less than 10% of our total loan book, a percentage that is not commensurate with how our economy is growing.

Financial Inclusion

Inclusive growth will help foster a resilient society and a competitive economy. In 2017, armed with the successes of our pilot programs, we expanded the footprint of BPI Direct Banko, our microfinance arm, from 9 to 103 branches and microbanking offices. BPI Direct Banko provides small business loans to self-employed micro-entrepreneurs, many of whom do not have access to the formal banking system for their financing needs. If BPI Direct Banko continues to show the strong results that it has shown to date, we will continue to grow its branch network and staffing complement.

Incorporating Sustainability

Beyond financial returns to shareholders, BPI's business model is designed to create and deliver shared value to clients, communities, and society in general, so that Filipinos can enjoy a more sustainable future. This year's Integrated Report attempts to measure the impact of the Bank's operations in a way that is aligned with the United Nations Sustainable Development Goals. In this report, we attempt to present the value we create towards the attainment of the following goals - financial education, poverty reduction, food and agriculture, and environmental protection, to name a few.

In addition, BPI Foundation, which in recent years has become one of the most active foundations in the country, helps improve the social and economic well-being of Filipinos through education, entrepreneurship, and environmental sustainability. Through BPI Sinag Accelerate 2017, the foundation advocates social entrepreneurship – the establishment of enterprises that achieve both financial and social objectives – as a way of empowering the country's marginalized sector.

Leadership

BPI owes much to the invaluable contribution of our Board of Directors. Their expertise, experience, and judgment have enabled BPI to thrive amidst an ever rapidly changing environment. We are also grateful for the professionalism and dedication of our management team and all BPI unbankers. Their diligence has kept BPI on solid footing and enabled our institution to remain relevant to our many stakeholders over the years.



Jaime Augusto Zobel de Ayala
Chairman



Cezar P. Consing
President & Chief Executive Officer