



DELIVERING SHARED VALUE

# Sustainability Strategy Framework

Our Sustainability Strategy Framework steers the company towards becoming every Filipino's banking champion. In this report, we share the various products and services designed to meet our clients' needs wherever they are in their journey to financial freedom. We do this while we innovate for operational efficiency, empower people and society, use resources more efficiently, and strengthen stakeholder trust. These are aligned with the Bank's philosophy as stated in our Credo.

## Creating Shared Value

### Financial Inclusion and Financial Wellness

(See page 34)

- Deposits
  - Zero maintaining balance:
    - Kaya Savings
    - PondoKo Savings
  - For kids:
    - Jumpstart^
  - For OFs:
    - Pamana Savings
    - Moneyger
  - Regular Savings:
    - BPI Express Teller
  - Corporate Deposits
- Cards
  - Debit and Prepaid



### Scaling Up Enterprises

(See page 46)

- Higher-yielding instruments
  - Time deposits
  - Maxi-Saver
  - Retail Investments
  - UITF
    - PERA Funds
    - Odyssey Funds
    - ALFM Funds
  - Equity and Fixed-income Securities
- Consumer Loans
  - Auto Loans
  - Housing Loans
  - Credit card
  - Personal Loans
- Life Insurance



### Sustainable Development Financing

(See page 54)

Commercial Loans and Leasing for Sustainable Development Goals Investment Areas:

- Food and Agriculture (SDG 2)
- Sustainable Energy (SDG 7)
- Sustainable communities (SDG 11)
- Infrastructure development (SDG 11)
- Nutrition, Healthcare, and Wellness (SDG 3)
- Sustainable mobility (SDG 11)
- Education (SDG 4)



To ensure efficient delivery of value, we have put in place an enhanced risk-managed delivery infrastructure which includes electronic channels and cash management.

Refer to page 130 for the list of material topics.

## Risk-managed Delivery Infrastructure

(See page 68)

- Risk management
- Electronic Channels - Online Banking, Mobile Banking
- Cash Management - ELink/BizLink (Payroll, Government Payments)
- Operations - Electronic Statement of Account (eSOA), Outsourcing of ATM Loading and Servicing, Remittance Network

## Corporate Sustainability

(See page 72)

- |   |   |   |
|---|---|---|
| <p><b>Empowering our People and Society</b></p> <ul style="list-style-type: none"> <li>• HR - Employee Management and Workplace Conditions</li> <li>• BPI Foundation</li> </ul> | <p><b>Using our Resources Efficiently</b></p> <ul style="list-style-type: none"> <li>• Facilities - Environmental Impacts</li> <li>• Supply Chain Management</li> </ul> | <p><b>Building Trust</b></p> <ul style="list-style-type: none"> <li>• Customer Satisfaction</li> <li>• Compliance</li> <li>• Governance</li> <li>• Security Office</li> </ul> |
|---|---|---|

# Fostering Financial Inclusion and Wellness

203-2

All Filipinos deserve a comfortable and financially stable life for themselves and their families. BPI, as a trusted financial adviser, helps families and individuals gain enough knowledge and understanding to prepare them for their financial needs during the different stages of their lives.



## Teaching Financial Management

BPI promotes the importance of budgeting and saving in order to prepare for their future.



## Making Saving Easy

BPI encourages Filipinos to prepare for future financial needs through deposit products fit for their needs and circumstances.



## Providing Access to Financing

BPI provides financing services that will help clients fund their goals and build their own assets.



## Growing Assets

BPI helps grow assets through an array of investment products suited to clients' investment risk appetite.



## Insuring Life and Assets

BPI helps increase clients' awareness and helps them understand the impact and probability of risks around their businesses and assets.



8.4 million retail clients recorded in 2017

**2,985**

Financial Management trainings conducted

**8.2 million**

total number of savings accounts recorded for Save-Up, Jumpstart^, Kaya Savings, PondoKo, Express Teller

**Php 12.2 billion**

in total loan releases for affordable housing

**611,130**

client placements in special savings accounts, time deposits, UITFs, Mutual Funds, Fixed income securities; and Equities in BPI Trade

**290,743**

insurance accounts recorded

## Teaching Financial Management

At BPI, we want our clients to achieve financial security - we continue to innovate to provide individuals and businesses from all sectors access to basic financial products and services. We make banking more accessible and help make financial well-being a reality for more Filipinos, by delivering financial services that are better suited to low-income individuals and households. Our innovative and practical products and services make it easier for more Filipinos to save, borrow, and invest wisely, while protecting their hard-earned money and assets. With us by their side, thousands of families are now becoming financially empowered to lead the life they have envisioned for themselves.

The first step towards financial security is financial management. A major aspect of this is financial education, which is the ability to make informed decisions with one's money and assets. More Filipinos need this basic skill to prepare for their future. In this light, BPI Foundation brings tailor-made programs to schools, barangays and farming communities, to allow the unbanked learn the basics of finance. Financial management training programs also form part of the Bank's product briefings organized by different product units including Asset Management, BPI Securities, Treasury, BanKo, Remittance, and Agribusiness.



2,985

Financial Management trainings conducted

### Financial Education for Schools

The Department of Education (DepEd) is integrating financial education as a vital component of the K-12 curriculum. Through their partnership with BPI Foundation, the programs Manny and Me and BPI Senior High School Acceleration Program for Employment and Entrepreneurship (BPI SHAPE) help teachers effectively teach financial education, basic entrepreneurship, and personality development to Grades 3 and 4 (for Manny and Me), and Grades 11 and 12 (for BPI SHAPE). These programs have been rolled-out in a total of 8 DepEd divisions, and will soon expand to other parts of the Philippines. BPI SHAPE has been awarded a Gold Anvil in recognition of its innovative approach in addressing K-12 gaps.

541

schools visited for Financial Education training for teachers, students and parents

### Financial Education for OF Families

In spite of decades of working abroad, 70% of OFWs are still unable to save for their long-term goals. BPI SULONG and BPI's Remittance group advocate strengthening of OFW family ties by ensuring that the foundational support is maintained despite the physical distance. This is done through financial and family education, skills or business development, and one-on-one mentoring sessions. These trainings are done both for the OFWs in Hong Kong and their family members in the Philippines.

1,060

OFWs were trained under BPI Sulong

### Empowerment for Social Entrepreneurs

Social enterprises are businesses with a triple bottom line: people, planet and profit. Through Sinag Accelerate and Sinag U (for University), social entrepreneurs are empowered through 3 capitals: intellectual capital through business bootcamps and mentoring; social capital through the networking opportunities with mentors, impact investors, and fellow social entrepreneurs; and financial capital through the cash grants and access to credit lines.

Since the inception of these programs, our community of social entrepreneurs have been able to uplift marginalized communities around the Philippines, as well as influence more young people into building responsible businesses. These programs were organized in partnership with Bayan Academy (a pioneer for enterprise development) for BPI Sinag Accelerate, and with Ateneo Center for Social Entrepreneurship and 43 universities for Sinag U.

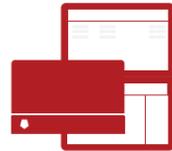
196

aspiring Social Entrepreneurs were trained and enabled through Sinag



## Making Saving Easy

Financial management begins with the understanding of savings and budgets. To translate this knowledge into habit and action, one needs to be aided by the proper tools. A simple and accessible deposit account can help many Filipinos develop a habit of saving, which is essential in the journey to financial wellness.



**7%**  
increase in total number of savings accounts recorded from 2016

### Banking the Unbanked: No need to worry about maintaining balance

More than 21 million, or 56%, of the total employed persons in the Philippines are minimum wage earners. The amount they earn is often not enough to cover their basic needs, such as shelter, food and transportation. This reality makes it difficult for many Filipinos to save enough money to open and maintain a regular bank account. BPI **Kaya Savings** and BPI Direct Banko's **PondoKo Savings** deposit products were developed to address this.

Current and potential clients can open accounts and not worry about keeping a maintaining balance. Requiring only a

minimal fee, withdrawal transactions are made accessible and convenient through our various channels.

In 2017, the volume of savings from Kaya increased by 14% from last year. Through our continuous efforts in reaching the unbanked segment, the number of accounts have steadily grown, as seen from the 11% rise from 2016. The average savings of clients have also increased by 3%. Meanwhile, PondoKo Savings recorded 279,000 clients.

### Starting them young: Save early for the future

In line with BSP's Build-Up on Your Future (BOYF) Advocacy Program, Jumpstart<sup>^</sup> enables parents to teach their children practical money-management skills while exposing them early to the banking system. The product protects a portion of the child's funds from unplanned withdrawals, enables easy allowance transfer from parents, and provides for cellphone reloading at any BPI ATM.

The continuing success of **Jumpstart<sup>^</sup>** stems from our Financial Literacy programs for kids conducted in partner schools that increase product awareness. In 2017, the volume of accounts grew by 24%, and the savings volume increased by 11%.



### Saving from Remittances: Transfer money conveniently

Our Overseas Filipinos are the backbone of our economy. Their savings and investments are helping thousands of families back home afford a better life. With about a million overseas Filipino customers being served through our 143 international business partners and 6 domestic distribution partners, we continue to help safeguard their financial well-being and that of their loved ones. In 2017, the total remittance volume grew by 2%, and the transaction count increased by 3%. With about 59,000 new overseas Filipinos served, we have maintained a robust 25% share in the remittance market, continuing to protect and channel the hard-earned money of Overseas Filipinos to their families back home.

**BPI Pamana Padala** is a remittance solution fit for the Overseas Filipino remitter because of its specific beneficial features. The product also includes a free Remittance Income Continuation plan wherein the beneficiary of the remitter can still receive up to Php 10,000 for 12 months following unfortunate events.

Meanwhile, **BPI Padala Moneyger** is an affordable savings account specially designed for those who receive remittances from abroad. The money sent is immediately credited to the BPI Padala Moneyger account. Despite being launched during the final quarter of 2017, 1,410 new accounts have already been opened.

**25%**  
share in the remittance market

**59,000**  
new overseas Filipinos served

## Providing Access to Financing

As we enable our customers to make their savings grow, we also become their partners when they decide to move one step forward to fund their goals and build their own assets. Through our financing products and services, we provide a safe path to financial wellness. One of the ways we best help our customers achieve financial wellness is through access to loans, to start a business, and invest when the right opportunities to generate new incomes arise.



**Php 12.2 billion**

in total loans releases for affordable housing

### Financing your Personal Goals

BPI believes every Filipino deserves a comfortable life. By providing them with financing products tailor-fit to their needs, more Filipinos may now afford a decent home through a BFSB **Housing Loan**. In 2017, BFSB disbursed more than Php 12.2 billion for affordable housing projects. In general, Housing Loans' real estate transactions totaled 9,105.

BFSB **Auto Loans** enable our clients to drive the car of their dreams. Whether it be a sedan or SUV, brand new or 2nd hand, our flexible financing packages make owning a vehicle easy. In 2017, BFSB Auto loans had a total of over 102,000 customers, a 5% increase from 2016.

BPI **Personal Loans** provide immediate funding for various purposes up to three times the value of your gross monthly income up to Php 2 million.

In 2017, there were over 21,000 loan transactions amounting to Php 3 billion.

### Increasing Purchasing Power

We help families and individuals gain more purchasing power, as well as convenience in retail transactions by using our credit, debit, or prepaid cards. Our cardholders number over 9 million, with total transacted amount at Php 206 billion coming from about 70 million transactions in 2017 alone across the three card types: Credit, Debit, and Prepaid.

BPI offers Special Installment Plan (SIP) Loans for customers to enjoy flexible and affordable installment terms at low, fixed add-on rates. Growth in the average SIP Loan transactions increased from Php 50,000 to almost Php 70,000.

**20,786**

client count for Personal Loans

**22,743**

number of Auto Loan releases

In addition to purchasing goods, BPI Prepaid Cards enable cardholders to access transportation conveniently via the beep™ variant of the Amore Visa Prepaid Card. Cardholders may also conveniently withdraw from BPI ATMs nationwide with the BPI ePay Suite.

While most of BPI Debit cardholders primarily use their cards for local and international withdrawals, about 2 million also use their cards to pay in-store directly against their deposit account. In 2017 alone, Php 45 billion worth of cashless purchases came from almost 20 million transactions.

**8,468**

client count for Ka-Negosyo Loans

### Enabling Small, Medium, and Micro enterprises

Banko's microfinance loan product, the **NegosyoKo Loans**, is available to micro-enterprises as additional capital, or for business expansion. Banko provides financial advisers, called Bankopares and Bankomares, who are tasked to help and advise SEMEs on the management of their finances.

For its efforts towards promoting financial inclusion, Banko was named as The Microfinance Initiative of the Year by The Asian Banker in its Philippine Country Awards 2017. The Asian Banker acknowledged Banko for developing a new credit-model that is more suitable for its target segment, given the difficulties to secure loans from regular banks, especially for micro-enterprises.

Banko has released more than Php 559 million worth of NegosyoKo loans to over 10,000 customers since we began operations in late 2016. With 103 branches and MBOs by the end of 2017, Banko continues to expand into new areas across the country.

BPI Family Savings Bank (BFSB) also offers **Ka-Negosyo Loans**, which ensure uninterrupted business operations, assist in expansion plans, and may be structured to work to the customer's available funds and cash flow schedule. In 2017, almost 2,000 businesses were funded through Ka-Negosyo Loans.

**The Microfinance Initiative of the Year by The Asian Banker in its Philippine Country Awards 2017**

## Growing Assets

### Bringing Investments Closer to Filipinos

More Filipinos should be given access to easy and safe ways to make their money grow and work for them. Through our accessible and affordable savings and investment plans and platforms, investing is no longer intimidating for Filipinos wanting to benefit from our robust economy.

#### Higher-yielding Deposits

Our **BPI Maxi-Saver and Time Deposit** accounts provide higher interest rates than regular savings accounts. In 2017, the total number of Maxi-Saver accounts increased by 7% from 2016.



**611,130**

client placements in special savings accounts, time deposits, UITFs, Mutual Funds, Fixed income securities, Equities in BPI Trade

### Promoting Mutual Fund Investments

#### Asset Management and Trust

BPI Asset Management and Trust Corporation (AMTC) promotes education in equity investing and capital markets transactions. In 2017, those aged 30 years and below comprise the majority of customers at 42%.

Total assets under management grew by 4.8% to Php 591 billion supporting retail funds, corporate funds, and retirement programs.

AMTC's contribution to the **Personal Equity Retirement Account (PERA)** Law is as Administrator and as a Product Provider. It now offers various types of PERA UITFs for clients, including the PERA Money Market Fund, the PERA Government Bond Fund, the PERA Corporate Bond Fund, and the PERA Equity Fund. Though BPI PERA is still in its infancy stage, BPI is already managing more than Php 29.5 million from more than 400 accounts.

BPI Investment Management Inc. (BIMI) manages the country's largest mutual fund group, the ALFM Mutual Funds, which has six different funds that cater to various investment objectives.

Together with the country's advocacy to promote financial inclusion, BIMI has made mutual fund investing more affordable & accessible to everyday working Filipinos, especially young professionals. As records show, more Filipinos are availing of this type of investment for long-term financial security. In 2007, only 27% of the total number of accounts invested less than Php 50,000 into mutual funds. A decade later, that percentage went up to 56%.

With targeted product briefings and promotions, about 34% of BIMI's total clients per year come from the millennial segment.

**Best Asset and Fund Manager in the Philippines, Alpha Southeast Asia**

**56%**

of total mutual fund investor accounts are less than Php 50,000

### Making a Habit of Investing

The **Regular Subscription Plan (RSP)** is a tool that allows our clients to contribute to their investment account regularly and automatically. It is an investment program that allows the purchase of units for an investment fund account on a periodic basis, either monthly or quarterly.

In 2017, the number of clients enrolled in RSP grew by 11%. Growth in RSP-enrolled investors indicates that more clients are committing to regularly set aside money to achieve their long-term life goals.

**11%**

increase in RSP-enrolled investors

**5,000**

new accounts opened for stock market trading

### Advancing Stock Market Education

One of the many challenges to stock market investing is knowing where and how to begin. BPI Securities developed an educational program called the Invest-In-You Trading Academy (I-TRAC) which offers a wide range of courses that help develop and enhance the knowledge of new and existing investors by providing expert advice in making sound investment decisions. BPI Securities also works closely with the Philippine Stock Exchange's Market Education team, various Human Resources groups of local companies, schools, and other organizations to promote the concept of investing as a lifestyle among Filipinos.

Given that investing in stocks is considered a more advanced and mature investment product, it is considered by many as a high risk form of investment. Through our investor education programs, we encourage investors to learn how to make money while managing risks.

In 2017, BPI Securities provided trainings to about 2,000 individuals on the workings of the stock market, which led to over 5,000 new accounts opened for stock market trading. In broker ranking, BPI Securities placed 11<sup>th</sup> in market share and 4<sup>th</sup> in online brokerage.



## Insuring Life and Assets



### BPLAC Life Insurance

The value of protecting one's assets and managing risks is at the core of financial wellness. We help increase our customers' awareness on risks around their businesses and assets, and help them understand the probability and impact of these risks while also fostering resilience to disasters and losses.

We have 64,000 individual customers who hold approximately 68,000 Life Insurance Policies totalling Php 81.27 billion in sum assured. In 2017, we have paid over Php 600 million in claims. We have also offered our products to 265,000 Bank clients.

### BPI/MS Non-life Insurance



**290,743**

total life and non-life insurance accounts recorded

More than half of our customers purchased motor insurance policies and about a third availed of fire insurance. Meanwhile, the total of sums insured for earthquakes, typhoons, and floods, all grew at about 8%. This shows how serious Filipino families see the growing climate concerns as a threat to their future.

## Scaling Up Enterprises

203-2

BPI's contribution to the growing Philippine economy is to help scale up enterprises across industries nationwide through our specialized products and services.



102,663 number of corporate clients served

### Improving Business Efficiency

BPI helps make businesses become more efficient through our digital platform for cash management which supports payroll, government payments, supplier payments, and collections.



14%

increase in transaction count for ELink and BizLink

### Managing Cash Flows for SMEs

BPI's Trade and Supply Chain Finance unit aids businesses under various industries in managing their cash flows through supplier financing, receivables financing, and Quick Assist program.



Php 4.2 billion

throughput volume for supplier and receivables financing and Quick Assist Program for SMEs

### Raising Capital and Providing Advisory

BPI's Investment Banking unit plays different roles in financing deals, such as adviser, arranger, issue manager, and underwriter to aid businesses in generating equity and debt capital for growth.



Php 130.3 billion

in total capital raised for clients

## Improving Business Efficiency

### Digital Business Operations

In line with our desire to make a significant contribution to Philippine economic growth, BPI has assisted businesses through products and services specifically designed to meet their needs.

We help make them more efficient, provide instruments to better manage their cash flows, raise capital, and provide financial advisory to increase their economic potential.

ELink and BizLink allow corporate and business clients to conveniently perform banking tasks – such as account and transaction inquiries, fund transfers, collections through automatic debit arrangement, payroll processing, and government payments, among others – anytime and anywhere, giving clients greater control of their financial, operational, and cash management requirements.

## Managing Cash Flows for SMEs

BPI ensures that ELink and BizLink are readily available to its more than 24,000 unique users. These digital channels have a recorded average 99.4% uptime and 5.1 sigma level for the past three years. Overall, transaction count and volume for ELink and BizLink grew by 14% and 10%, respectively.

Liquidity and plans for expansion in business operations can be affected by how money is transferred into and out of a business. In this regard, BPI offers certain services that help businesses to better manage their cash flows.



**14%**

increase in transaction count for ELink and BizLink



**Php 4.2 billion**

throughput volume for supplier and receivables financing and Quick Assist Program for SMEs



### Enhancing SME Access to Finance

The opportunity to expand is not limited to large corporations only. BPI is also working with SME and help them grow and develop.

These SME suppliers, more often than not, have difficulty accessing traditional bank financing due to the extensive documentation and credit evaluation processes involved.

In fact, in 2015, SME loans comprised only 3.1% of Philippine GDP, indicating SMEs' poor access to finance which, in turn, poses a hindrance to business expansion.

Through the Supply Chain and Trade Financing's Quick Assist Program, 17 new suppliers from the SME segment were given credit lines in 2017 and Php 90 million extended to SMEs through Quick Assist Program..

**89**

suppliers enrolled under Supply Chain and Trade Financing

### Supplier and Receivables Financing

With BPI's diverse client base – consisting of large buyers, multinational companies, and SMEs – BPI is in a unique position to create interlocked trading communities and offer clear value proposition to Suppliers through the Receivables Finance.

Receivables Finance is a type of financing wherein a Company sells its trade receivables in order to improve its cash flow.

It is common practice for Suppliers to give Buyers credit terms as part of its trading terms. Hence, Suppliers experience a working capital gap.

This prevents them from increasing production and expanding business. BPI's Receivables Finance fills such funding requirements.

In 2017, BPI Trade and Supply Chain financed Php 8.6 billion worth of trade receivables for SMEs.

**32%**

increase in throughput volume for supplier financing

## Raising Capital and Providing Advisory

We help our clients in their most meticulous and complex investment banking needs through financial advisory and capital raising transactions.

### Project Finance

BPI Capital continues to break ground and change the landscape of Philippine project finance through several landmark transactions which are significant, not only in size or project type, but also because of our ability to create value for stakeholders.

In the 2017 Thomson Reuters Project Finance International (PFI) annual league tables, BPI Capital landed the 20th spot in the global rankings for project finance deals, and the 6th spot in Asia Pacific, the highest rankings achieved by a Philippine bank so far.

The multi-awarded acquisition by the Star Energy Consortium solidifies our leadership in Project Finance.

One of the significant Project Finance milestones is the first Information Technology (IT) PPP project in the Philippines, which was the second phase of the Philippine Statistics Authority's civil registry modernization project. We supported the project sponsor in every stage of the transaction – from providing crucial advice during the early bidding stage of the deal to managing the smooth execution of the transaction until financial close.



**Php 130.3 billion**

total fund arranged by BPI Capital

## Debt and Equity Capital Markets

We provide advice in raising debt and equity capital for various corporate clients. We assist them in acquisitions, capital expenditures, refinancing of existing debt, and initial public offerings in industries such as micro-finance, energy, telecommunications, real estate, pharmaceuticals, construction, and generally, for conglomerates and holding companies.

Our strong presence in the debt capital markets was highly recognized by some of the most prominent names in banking and finance.

Our ability to craft innovative solutions for our clients is evident in our deals, one of which is the AC US\$400 million fixed-for life bond issuance, awarded as the Best Corporate Bond in the Philippines by The Asset and IFR Asia.

## Best Debt Capital Markets House in the Philippines

by FinanceAsia's Country Awards

Our commitment to significantly contribute to the development of the Philippine economy is further exemplified in our involvement as Lead Arranger and Joint Lead Underwriter in the ASA Philippines Php 2 billion microfinance bonds, which was recognized as the Best LCY Microfinance Bond in the Philippines by The Asset. Our strong participation in the two Retail Treasury Bond (RTB) issuances, one of which was recognized as the Best Bond Deal for Retail Investors in Southeast Asia in 2017, proves our continuous support to promote financial inclusion and economic growth in the Philippines.

In the PSE Bell Awards 2017, we were honored with achievement awards for the Best in Initial Public Offering Program for Small Investors (Pilipinas Shell) and Best in Retail Investor Program – Trading Participants (BPI Securities).

## Financial Advisory

Complementary to its traditional equity and debt underwriting roles, BPI Capital has provided exclusive financial advisory services to its clients, uniquely positioning each for industry leadership, strategic international joint ventures, and national endeavors.

We provide a full range of Financial Advisory services including sell-side and buy-side advisory services for mergers and acquisitions, valuation services, rendering of fairness opinions, and strategic advisory services in preparation for a capital markets or strategic transaction.

As a trusted adviser, BPI Capital works in partnership with our clients to understand their priorities and needs, and to tailor the appropriate advice and services to meet their objectives.

## Financial Market Risk Guidance

BPI Global Markets group (GMG) strengthens its commitment to support the country's sustained economic growth through its strong presence in the Philippine financial markets covering foreign exchange, fixed income and hedging solutions. BPI actively participates in the development of the domestic market, to include launch of the repurchase agreement and issuance of BPI LTNCD.

GMG's Economics and Markets Research team promotes economic and market risk assessment for the Bank and its clients, and expands its trainings and briefings in Metro Manila and provincial locations to include North Luzon, South Luzon, and key cities in the Visayas and Mindanao region. The team also provides market guidance which allows clients to effectively manage risk and optimize opportunities.

Also under GMG, BPI Treasury's strategic presence in key locations is supported by enhanced system enabling simple spot and forward hedging solutions across client segments. Its dealers provide financial risk hedging for top corporations and small and medium sized companies, and widen access for retail and middle markets customers for portfolio diversification. GMG's commitment to deliver these services and solutions has been consistently recognized by different award giving bodies.

## Best Foreign Exchange Bank in the Philippines for 2017

by The Asian Banker

# Sustainable Development Financing

203-1, 203-2, FS6, FS7, FS8

BPI promotes investments in businesses, industries, and projects that contribute to the Sustainable Development Goals.

We do this in the form of loans, capital raising, and leasing arrangements.



Php 201.8 billion in total funding for projects identified to directly contribute to the Sustainable Development Goals

## Food and Agriculture

2 Zero Hunger

**Php 156 billion**

in financing disbursed by Agribusiness



## Sustainable Energy Finance

7 Affordable and Clean Energy

**Php 30.5 billion**

in Sustainable Energy Projects funded



## Sustainable Communities

11 Sustainable Cities and Communities

**Php 12.2 million**

amount of financing for sustainable communities



## Infrastructure Development

11 Sustainable Cities and Communities

**Php 1.4 billion**

used to finance infrastructure projects



## Nutrition, Healthcare and Wellness

3 Good Health and Well-being

**Php 1.1 billion**

in financing used for funding nutrition, healthcare, and wellness projects

## Sustainable Mobility

11 Sustainable Cities and Communities

**Php 260 million**

in financing for point-to-point buses

## Education

4 Quality Education

**Php 226 million**

total amount financed for education projects

## Food and Agriculture

We support investments in industries that promote sustainable urban and countryside development. In line with our advocacy to advance shared value financing, we also encourage business innovation through cleaner, low carbon, and resource efficient technologies.

Whether a person is an existing “agripreneur” or planning to be one, BPI can help them start or expand their agri-enterprise with BPI Agribusiness Solutions. Our seasoned corporate relationship managers can customize banking solutions from BPI’s suite of products to meet specific agribusiness needs.

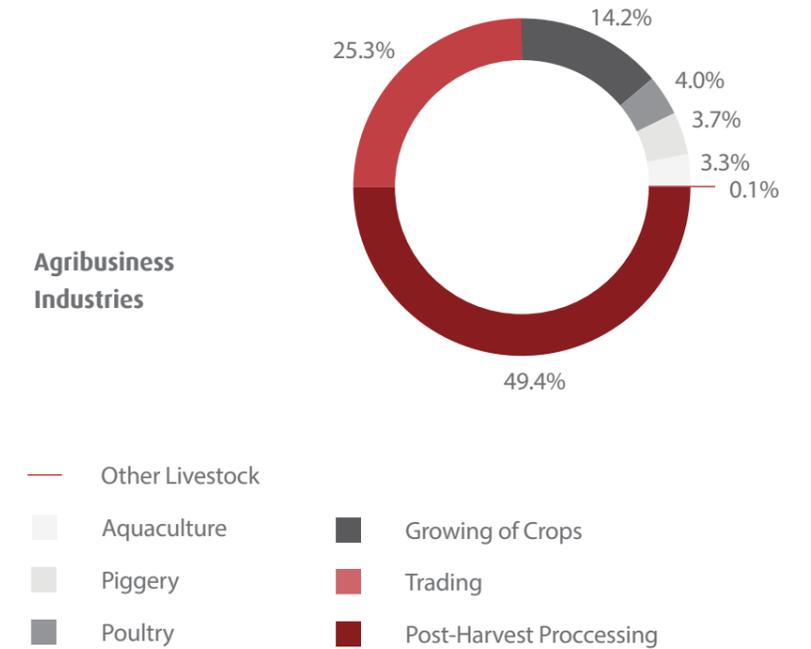


**Php 156 billion**

in financing disbursed by Agribusiness

BPI’s Agribusiness Loans can finance the set-up, expansion, or rehabilitation of farming businesses, to maximize production and increase profits. With BPI Agribusiness, business owners can raise working capital for agricultural activities such as post-harvest processing, trading, and growing of crops. These three comprise 49%, 25% and 14% of our portfolio, respectively.

### Agribusiness Industries



### Crop Production

More than Php 11 million worth of loans were disbursed to farmers producing sugar, rice, pineapple, and banana. Out of these Philippine crops, BPI has financed a significant portion of the pineapple industry with 87% of the total production area covered.

	Est. Total Farm Area Financed by BPI (ha)	Total Area of Production in PH (ha)	Est. Percentage of Area Covered
Pineapple	56,912	65,224	87.26%
Sugar	9,394	410,104	2.29%
Banana	346	86,668	0.40%
Rice	660	4,556,043	0.01%

## Livestock Production

BPI Agribusiness clients have an estimated total annual production of more than 342,000 metric tons of pork, chicken, and eggs, equivalent to 23% of the total estimated demand in the Philippines.

	Estimated Annual Production of BPI Clients (MT)	Estimated Total Demand (MT*)	Share of BPI Clients
Pork	117,082	1,573,500	7.44%
Chicken	225,289	1,468,600	15.34%
Egg	204	419,600	0.05%

\*at 104.9 M population

## Farmer Assistance

BPI Century Tokyo Lease and Finance Corp. (BPICTL) financed Php 36 million worth of trucks for agricultural products and Php 157.2 million worth of agricultural and farm equipment, including those for piggery, nursery, farrowing, feed milling, and poultry. In 2017, we financed a total of Php 193.2 million for the agribusiness sector.

In 2017, BPI Foundation spearheaded the formation of an inclusive agricultural financing consortium, together with PinoyMe Foundation and Grow Asia, that allowed the representatives from the Bank to broker loan transactions to farmer groups during the first meeting, amounting to a total of P4 million.

BPI Foundation also conducted Farmer Entrepreneurship Development Programs that helped more than 400 farmers belonging to 8 agrarian reform beneficiaries (ARB) organizations.

One of the programs was the Watershed Governance of the Araal-Nahalin-Marayo Watershed in Negros Occidental, in partnership with four local government units. In December 2017, the first Water Summit was held to present and discuss the results of the soil and water assessment.

We also held workshops on knowledge transfer on diversified block farming technologies, as well as development and maintenance of good governance in the farmer cooperatives.

## Sustainable Energy Finance

Through the Sustainable Energy Finance (SEF) Program, a company can avail of financing opportunities to be able to invest in technologies that will improve the efficiency of energy generation, distribution, and use. Such technologies can reduce a company's operating and energy expenses by at least 30% - savings that go straight to the bottom line. This is also an opportunity to lessen carbon emissions which greatly contribute to the worldwide issue of global warming. As of end-2017, SEF's total cumulative disbursements reached Php 43 billion, a 52% increase in two years.

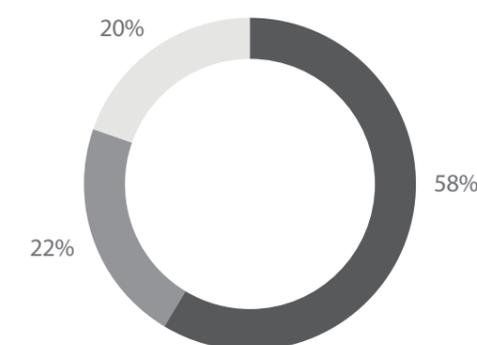
There are three general project types that can be funded under the SEF Program. First, Energy Efficiency (EE), which encourages a shift to equipment that consumes less energy while achieving the same or higher output.

Second, Renewable Energy (RE) or the production of energy from resources that naturally replenish, like sunlight for solar facilities. Finally, under Climate Resilience (CR) are structural and operational projects aimed at preparedness to impacts of extreme weather conditions.



**Php 30.5 billion**

worth of Sustainable Energy Projects financed



**SEF Cumulative Disbursements as of end-2017**

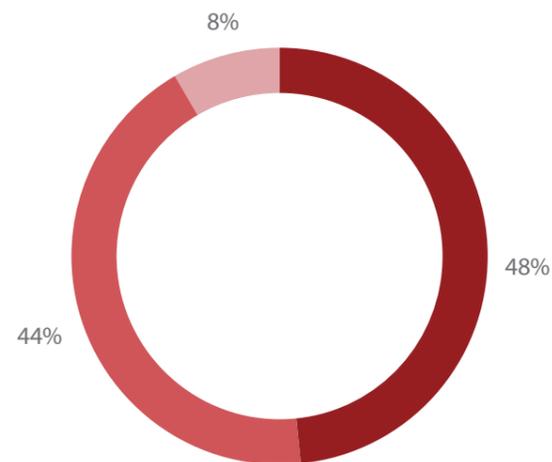
- Climate Resilience
- Renewable Energy
- Energy Efficiency

Of the total Php 43 billion cumulative SEF portfolio of BPI, 58% went to Energy Efficiency projects as BPI advocates improvement of a company's energy use prior to engaging in renewable energy production.

BPI financed some of the country's largest renewable energy projects which continue to support the sustainability and stability of power supply as well as the reliability of the national grid.

In 2017, the Bank's Structured Finance Division (SFD) disbursed a total of Php 25.3 billion to support various large hydro, geothermal, and wind projects. This brings cumulative disbursements to Php 72.1 billion, or 54% growth, from Php 46.7 billion in 2016.

In addition, BPICTL disbursed Php 451.4 million for solar projects through our leasing arrangement with clients.



**BPI Renewable Energy Portfolio**

- Wind
- Hydro
- Geothermal

## Sustainable Communities

BPI is committed to fund projects in small communities and large businesses. In 2017, BFSB disbursed Php 12.2 billion for affordable residential real estate, bringing our total to Php 158 billion since we began offering the product.



**Php 12.2 billion**

amount of financing for sustainable communities

## Infrastructure Development

Accelerating infrastructure development through the Build, Build, Build program is one of the top priorities of the government. BPI takes part in this endeavor through project financing and leasing arrangements.

Through SFD, the Bank supported the rehabilitation and expansion of a major airport in the country. In 2017, the Bank released Php 340.7 million to the project bringing total disbursements to Php 2.6 billion.

We also supported an IT project under the government's PPP program. In 2017, the Bank disbursed a total of Php 650 million to support the project. Overall, cumulative disbursements to PPP projects reached Php 3.2 billion as of 2017.

BPICTL supported various contractors and subcontractors of the Department of Public Works and Highways (DPWH). We have, so far, financed almost Php 440 million in heavy equipment and trucks to support the building of roads and other infrastructure projects nationwide through our leasing deals.



**Php 1.4 billion**

used to finance infrastructure projects



## Nutrition, Healthcare and Wellness

### Php 1.1 billion

in financing used for funding Nutrition, Healthcare and Wellness projects

BPI is committed to help improve accessibility of health care to all Filipinos. To date, BPICTL continues to provide medical equipment financing to almost 100 health facilities and hospital clients nationwide and has an outstanding portfolio of over Php 1.1 billion in medical equipment.

## Sustainable Mobility

One of the biggest problems in Metro Manila is our worsening traffic conditions, which costs the economy around Php 3.5 billion per day. BPI is helping ease the congestion by funding measures that will improve our mass transportation system. In support of the government's point-to-point (P2P) program, BPICTL financed over Php 260 million in buses which now ply various routes towards central business district of Makati.



### Php 260 million

financing for point-to-point buses



## Education

We assist in delivering education to young Filipinos by funding schools and educational equipment. BFSB disbursed about Php 43 million worth of loans for the acquisition, construction, and expansion of school buildings. Further, BPICTL, over the past two decades, has supported the educational sector via printing equipment allocated for private and public education textbooks, which stood at Php 183 million as of end-2017.

We have also embarked on Public Private Partnership initiatives with DepEd on building classrooms. Total cumulative disbursements for this project is Php 3.14 billion from 2015-2016. Also, we have total outstanding loans of Php 5.7 billion from projects directed to Education through the Corporate Clients Segment Group.



### Php 226 million

total amount financed for Education projects

## Feature

### Building BanKommunities: Developed Relationships with Clients

**Rodel Bustarga** owns a bamboo craft business in Camarines Sur, supplying nipa huts to resorts. Because of limited funding for the materials, he was only able to supply to two resorts every month. Then he learned about the BanKo NegosyoKo Loan. BanKopare Jaime Venus, Jr. of BanKo Pili MBO advised Mr. Bustarga on how to avail of the loan and helped him process the application. Mr. Bustarga was able to avail a loan amount of P70,000.



He used the loan proceeds to purchase additional materials for his nipa hut business, and was able to set up 2 additional shops which are now being managed by his children. Now that he has expanded his business, he is now able to supply huts to 5 resorts, just in time for summer!

BanKopare Jaime and Rodel continue to talk about possible further expansion of the business. He knows he can count on Jaime, and has referred his other friends to BanKo to help them in their own businesses.

**Jhonnal Dimalanta** is a bag maker from Bustos, Bulacan. He produces made-to-order bags for giveaways, but due to lack of funds to buy raw materials, he had to limit his orders. He then applied for a BanKo Negosyoko Loan for additional capital. With the help of BanKopare Renz Flores, he was able to avail P100,000 loan. With the additional capital, Jhonnal was able to buy more raw materials and contract more people in his shop from the usual 8 people to now 15. This allows him to serve more clients with bigger quantity requirements, and expand his product line. Aside from bags, he now also produces tents.

BanKopare Renz always visits Jhonnal to check on the progress of his business and provide him with business advice.

### Taking Risks, Earning Gains: Julius and Tricia's Entrep Journey

Julius and Tricia Santarin met as call center agents and fell in love. After marriage, the couple went through difficulties as their financial resources dwindled. Due to their nature of work, they almost had no time for the family, lacked sleep and rest which eventually caused health problems. As they were lining up in a pharmacy, they noticed the line of people and saw a business opportunity.

The couple attended a franchising expo where they learned about the Generics Pharmacy. They decided to leave their regular job to pursue the pharmacy business. Since the couple had no prior experience in doing business, they were required to attend orientation, community pharmacy technician course, and on-the-job management training. After 1 year, they were able to break even.

To expand the business, Julius and Tricia loaned from BPI through their KaNegosyo Loans which assisted them all throughout the process. With the loan, they established 4 stores in 2010 to 9 stores in 2014 which they manage hands-on. Because of the business, Julius and Tricia is now living a healthy life with more time to spend with the family.



## Feature

### Pushing for Renewable Energy: Star Energy's Acquisitions



Last March 31, 2017, BPI Capital and DBS Bank Ltd., led a syndicate of banks (the "Lenders") in arranging a US\$1.25 billion secured term loan facility in favor of Star Energy Geothermal (Salak-Darajat) B.V. in the recently successfully closed acquisition of Chevron Group's geothermal assets in Indonesia. The Acquisition marked one of the largest offshore acquisitions involving a Philippine company, and is considered one of the largest acquisitions in the Philippine energy sector.

Chevron Group's geothermal assets is made up of two longstanding power generation operations: the Salak and Darajat projects in West Java, which have a gross power generation installed capacity of 412.8MW and steam capacity of 235MW, making it one of the largest geothermal power portfolios worldwide and the second largest Indonesian geothermal power operations, surpassed only by the state electricity company of Indonesia, PLN.

BPI Capital together with DBS negotiated on behalf of the Philippine banks, whose commitments make up more than 50% of the total facility. This paved the way for the Borrower's successful bid for the acquisition of Chevron's renewable energy facility.

Our impact goes beyond financing businesses for growth and expansion.

This is one of the most significant cross-border transactions led by a Philippine investment house in recent years. BPI Capital's role and contribution in arranging the financing of the acquisition showcase its leadership in the project finance and loan syndication space. In addition, BPI's final take-and-hold amount, which accounts for over 30% of the total Loan Facility (the largest share among all Lenders), demonstrates the Bank's commitment to support growth of Philippine businesses.

## Risk-Managed Delivery Infrastructure

In order to bring our products and services to our clients and further nurture our relationship with them, BPI ensures that our traditional and electronic channels are easily accessible, always available, and tightly secured.

Through online and mobile banking, retail clients and business owners can access their accounts and perform key transactions quickly – including paying

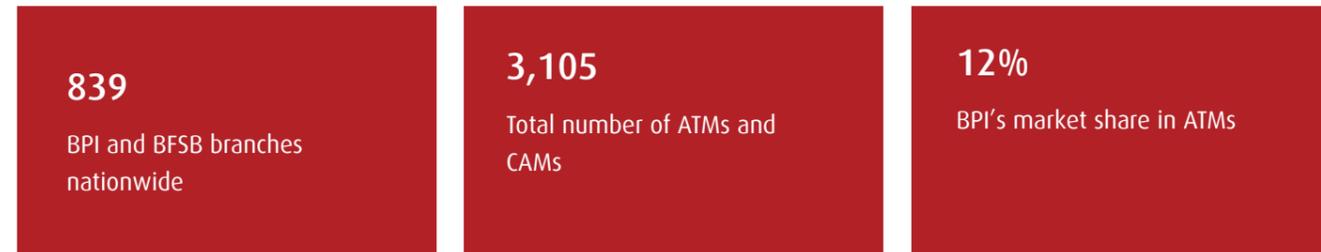
bills, suppliers, and others - through any device of choice, 24/7. By reducing the time it takes to go to the Bank, electronic banking promotes quality of life among the Bank's clients.

In support of financial inclusion, the steady growth of ATMs and CAMs nationwide are available to serve fast moving cash transactions of both banked and underbanked (BanKo) clients.

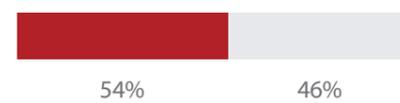
This includes cash withdrawals, cash deposits, cashing in of remittance and reloading of prepaid phones, cards, and wallets.

In 2017, total transaction volume through electronic channels increased by 8% and number of unique users enrolled went up by 13% as well, indicating the growing number of clients going digital.

## Easily Accessible



Breakdown of Branches by location



■ Within Metro Manila  
■ Outside Metro Manila

Breakdown of ATMs and CAMs by location



■ Within Metro Manila  
■ Outside Metro Manila

## Always Available

In 2017, availability of digital platforms were above 95%. We seek to improve uptime further by our continued investment in technology.

Uptime	2017 Performance
ATM	95.42%
EOL*	96.94%
Mobile Banking	99.50%
Express Phone	100.00%
Elink/BizLink*	99.43%

\*for November 2017 only

## Highly Secured

BPI has implemented the following additional control measures to secure its ATMs: TLS network encryption, installation of anti-skimming devices, regular inspection of motorized roving guards, and CCTV monitoring. In 2017, the number of compromised ATMs decreased by 33%.

