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

Up to ₱5,000,000,000
with option to upsize
Fourth Tranche under its ₱100 Billion Bond Program

Issue Price: 100% of Face Value
Interest Rate: 2.8068% p.a.

Joint Lead Arrangers

Sole Selling Agent

Participating Selling Agent

The date of this Pricing Supplement is 05 January 2022.

THE BONDS REFERRED TO IN THIS PRICING SUPPLEMENT ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE SRC) AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC).

This constitutes the Pricing Supplement relating to the up to Five Billion Philippine Peso-denominated Bonds (the **Fourth Tranche Bonds**) under the ₱100 Billion Bond Program of the Bank of the Philippine Islands (the **Bank or BPI**) and described herein (the **Offer**). Unless otherwise defined, the terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **General Terms and Conditions**) set forth in the Trust Agreement dated on or about 13 January 2020 (the **Trust Agreement**) and the Offering Circular dated 13 January 2020 (the **Offering Circular**). This Pricing Supplement contains the terms of this Offer and the Fourth Tranche Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular, the pricing supplement dated 27 March 2020 covering the second tranche under the Program (the **Second Tranche Pricing Supplement**), the pricing supplement dated 07 August 2020 covering the third tranche under the Program (the **Third Tranche Pricing Supplement**) and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. All information contained in the Offering Circular, the Second Tranche Pricing Supplement and the Third Tranche Pricing Supplement are deemed incorporated by reference in this Pricing Supplement, insofar as such information does not conflict with this Pricing Supplement. In case of conflict between the provisions of this Pricing Supplement and the Trust Agreement, the provisions of the Trust Agreement shall prevail.

The Bank accepts responsibility for the information contained in this Pricing Supplement. To the best of the knowledge and belief of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Pricing Supplement is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Bank, having made all reasonable enquiries, confirms that the Offering Circular and the Pricing Supplement together contain or incorporate all information which is material in the context of the Fourth Tranche Bonds, that the information contained or incorporated in this Pricing Supplement is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed and incorporated in this Pricing Supplement are honestly held and that there are no other facts the omission of which would make the Offering Circular and this Pricing Supplement, taken together, or any of such information or the expression of any such opinions or intentions misleading. The Bank accepts responsibility accordingly.

Neither the delivery of this Pricing Supplement nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Pricing Supplement is accurate as of any time subsequent to the date hereof. To the fullest extent permitted by law, none of the Joint Lead Arrangers, the Sole Selling Agent, and the Participating Selling Agent (the Sole Selling Agent and the Participating Selling Agent shall collectively be referred to as **Selling Agents**) (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), accept any responsibility for the contents of this Pricing Supplement or for any other statement, made or purported to be made by the Joint Lead Arrangers or the Selling Agents or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers or on their respective behalf in connection with the Bank, or the issue and offering of the Fourth Tranche Bonds. Each of the Joint Lead Arrangers and the Selling Agents (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Pricing Supplement or any such statement.

No person is or has been authorised by the Bank to give any information or to make any representation other than those contained in this Pricing Supplement or any other information supplied in connection with the Fourth Tranche Bonds and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Bank, the Joint Lead Arrangers and/or the Selling Agents (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers).

None of the Joint Lead Arrangers and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Lead Arrangers or any of the Selling Agents as to the accuracy or completeness of the information contained or incorporated in this Pricing Supplement or any other information provided by the Bank in connection with the Fourth Tranche Bonds.

The contents of this Pricing Supplement are not to be considered as legal, business or tax advice. Neither this Pricing Supplement nor any other information supplied in connection with the Fourth Tranche Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, the Joint Lead Arrangers, and/or the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), that any recipient of this Pricing Supplement or any other information supplied in connection with the Fourth Tranche Bonds should purchase any of the Fourth Tranche Bonds. Each investor contemplating purchasing Fourth Tranche Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Bank. Neither this Pricing Supplement, nor any other information supplied in connection with the Fourth Tranche Bonds, constitutes an offer or invitation by or on behalf of the Bank, any of the Joint Lead Arrangers or any of the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) to any person to subscribe for or to purchase any Fourth Tranche Bonds.

Neither the delivery of this Pricing Supplement nor the offering, sale or delivery of any Fourth Tranche Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Fourth Tranche Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and the Selling Agents (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Fourth Tranche Bonds or to advise any investor in the Fourth Tranche Bonds of any information coming to their attention. Neither the delivery of this Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Fourth Tranche Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or thereof or the date upon which this Pricing Supplement has been most recently amended or supplemented or create any implication that the information contained herein or therein is correct as at any date subsequent to the date hereof or thereof or the date upon which this Pricing Supplement has been most recently amended or supplemented. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Pricing Supplement when deciding whether or not to purchase any Fourth Tranche Bonds.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The audited consolidated financial statements of the Bank and its subsidiaries as of and for the years ended 31 December 2018, 2019, and 2020 and reviewed condensed consolidated financial statements as of and for the nine months ended 30 September 2021 included in this Pricing Supplement have been prepared in accordance with accounting principles generally accepted in the Philippines or Philippine Generally Accepted Accounting Principles (**GAAP**) and Philippine Financial Reporting Standards (**PFRS**). PFRS is substantially based on International Financial Reporting Standards. The Bank's financial statements as of and for the years ended 31 December 2018, 2019, and 2020 were audited by Isla Lipana & Co., independent auditors, in accordance with Philippine Standards on Auditing (**PSA**) and the Bank's financial statements as of and for the nine months ended 30 September 2020 and 2021 were reviewed by Isla Lipana & Co., independent auditors, in accordance with the Philippine Standard on Review Engagements (**PSRE**).

CERTAIN DEFINITIONS

Unless the context clearly indicates otherwise, any reference to the **Bank or BPI Group** refers to Bank of the Philippine Islands and its subsidiaries on a consolidated basis, while **Parent Company**, **BPI** or the **Issuer** refers to Bank of the Philippine Islands on a standalone basis. The information contained in this Pricing Supplement relating to the Bank, its operations and those of its subsidiaries and associates has been supplied by the Bank, unless otherwise stated herein. To the best of its knowledge and belief, the Bank (which has taken all reasonable care to ensure that such is the case) confirms that, as of the date of this Pricing Supplement, the information contained in this Pricing Supplement relating solely to the Bank, its operations and those of its subsidiaries and associates is true and that there is no material misstatement or omission of fact which would make any statement in this Pricing Supplement misleading in any material respect and that the Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Pricing Supplement with respect to the same. Unless otherwise indicated, all information in this Pricing Supplement is as of the date of this Pricing Supplement. Neither the delivery of this Pricing Supplement nor any sale made pursuant to this Pricing Supplement shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Bank since such date. Neither of the Joint Lead Arrangers assume any liability for information supplied by the Bank in relation to this Pricing Supplement.

In this Pricing Supplement, unless otherwise specified or the context otherwise requires, all references to the **Philippines** are references to the Republic of the Philippines. All references to the **Government** herein are references to the Government of the Republic of the Philippines. All references to the **BSP** herein are references to Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to **United States** or **U.S.** herein are to the United States of America, its territories and possessions, any State of the United States and the District of Columbia. All references to **Peso** and **₱** herein are to the lawful currency of the Philippines and all references to **U.S. Dollars** or **US$** herein are to the lawful currency of the United States. Unless the context indicates otherwise, references to a particular **calendar** year are to the Bank's financial year ended 31 December of such year.

Figures in this Pricing Supplement have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

FORWARD-LOOKING STATEMENTS

The Bank has included statements in this Pricing Supplement which contain words or phrases such as "will", "would", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "seeking to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the expectations of the Bank with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its allowance for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to implement its dividend policy, the impact of Philippine banking regulations on it, which includes the assets and liabilities of the Bank, its ability to roll over its short-term funding sources, its exposure to market risks and the market acceptance of and demand for internet banking services.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Pricing Supplement include, but are not limited to general economic and political conditions in the Philippines, Southeast Asia, and the other countries which have an impact on the Bank's business activities or investments, political or financial instability in the Philippines or any other country caused by any factor including any terrorist attacks in the Philippines, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of the Philippines, political or financial instability in the Philippines or any other country or social unrest in any part of the Philippines, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Peso, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of internet penetration in the Philippines and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in the Philippines and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "*Investment Considerations*" contained in the Offering Circular and the Pricing Supplement.

If the terms of the Fourth Tranche Bonds are modified or amended in a manner which would make this Pricing Supplement, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Fourth Tranche Bonds, a new pricing supplement will be prepared.

RECENT DEVELOPMENTS

This section discusses recent events after the respective dates of the Offering Circular and the pricing supplements for the preceding tranches and must be read in conjunction with the Offering Circular and all preceding pricing supplements collectively. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement, subject to such modification as may be communicated by the Issuer from time to time. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Pricing Supplement. All information contained in the Offering Circular and the pricing supplements for the preceding tranches are deemed incorporated by reference in this Pricing Supplement.

COVID-19

In December 2019, an outbreak of the novel coronavirus (**COVID-19**) occurred in China and spread to other countries, including the Philippines. On 10 March 2020, the World Health Organization characterized COVID-19 as a pandemic. The Philippines remains vulnerable to exposure and spread of the disease for the following reasons, among others: (a) the considerable number of Overseas Filipino Workers (**OFWs**) globally that travel to and from the Philippines; (b) insufficient testing facilities and protocols; (c) inadequacy of the necessary infrastructure and health care facilities; and (d) density of population, especially in urban areas.

To address the COVID-19 outbreak, the Office of the President of the Philippines issued a memorandum dated 13 March 2020 that imposed stringent social distancing measures in the National Capital Region (**NCR**) effective 15 March 2020. On 16 March 2020, the President of the Philippines, through Presidential Proclamation Nos. 929 and 922, Series of 2020 (**Presidential Proclamation**), declared a state of calamity throughout the Philippines due to COVID-19.

On the same day, the Office of the President issued another memorandum that directed the imposition of an enhanced community quarantine (**ECQ**) throughout the island of Luzon until 12 April 2020, unless earlier lifted or extended. The ECQ was extended several times in order to stem the spread of COVID-19 and to prevent a second wave of infections. The ECQ was followed by the proclamation of relaxed quarantine restrictions such as the modified enhanced community quarantine (**MECQ**) until 31 May 2020 and subsequently, general community quarantine (**GCQ**) beginning 19 August 2020. Various cities, municipalities and regions in the country have since been placed on different levels of quarantine restrictions depending on local rates of COVID-19 infection. On 3 September 2021, the Inter-agency Task Force for the Management of Emerging Infectious Diseases (**IATF**) issued a policy of classifying provinces, highly urbanized cities, and independent component cities for purposes of community quarantine. In the new classification framework under the Guidelines on the Pilot Implementation of Alert Levels System for COVID-19 Response in the National Capital Region (**Guidelines on the Pilot Implementation of Alert Levels**), which focuses on the imposition of granular lockdown measures, community quarantine was reduced to either ECQ or GCQ, with the latter having an Alert Level System through Levels 1 to 4 (Alert Level System), with each alert level limiting restrictions only to identified high-risk activities. The pilot area for this policy shift was implemented in the NCR, which was placed under alert level 4 starting 16 September 2021 and extended until 15 October 2021, and alert level 3 beginning 16 October 2021. Starting 05 November 2021, Metro Manila was placed under alert level 2, while the whole country was under alert level 2 starting 03 December 2021. The downgrading of the quarantine classification to alert level 1 was on hold due to the threat of the new COVID-19 variant, Omicron. On 18 November 2021, the IATF approved the Guidelines on the Nationwide Implementation of Alert Level System for COVID-19 Response which aims to manage and minimize the risk of the disease through system indicators, triggers and thresholds determined by the IATF to specify the public health and social measures to be taken in relation to the COVID-19 response. It is expected that COVID-19 infections will continue to cause implementation of varying levels of quarantine restrictions throughout 2021.

The imposition of community quarantines had the effect of reducing mobility and disrupting business activity, resulting in an economic slowdown that has led to an increase in non-performing loans. The Bank booked ₱28.0 billion in provisions for loan losses for the full year 2020. This provision is 5.0x more than the ₱5.6 billion set aside in 2019. Provisions in January to September 2021 was at ₱10.3 billion, down ₱10.2 billion, or 49.9% less than the amount booked from the same period a year ago.

For clarity, any reference to the imposition of ECQ or GCQ in this Pricing Supplement, shall carry the applicable definition or treatment under the Presidential Proclamation, or Guidelines on the Pilot Implementation of Alert Levels, depending on the period covered.

As of 30 November 2021, there have been 2,832,724 confirmed COVID-19 cases in the Philippines, with 48,545 local deaths. ECQ has been implemented in Metro Manila twice this year (April and August) amid the surge in COVID-19 cases and presence of new variants, which cause more infections and spread faster than earlier forms of the virus that causes COVID-19.

Despite this, domestic demand has improved compared to 2020 given the adjustments made by consumers and businesses. The availability of vaccines has also contributed to this improvement. As of 30 November 2021, a total of 49,742,227 first doses, 36,365,357 second doses and 64,752 booster doses have been administered. The economy grew by 7.1% in the third quarter of 2021 after five straight quarters of contraction. However, the economy is still far from restoring all the output it lost due to the pandemic.

Implications on Business and Strategy

Against this backdrop, BPI and the entire banking industry play a major role in the economic recovery of the country. BPI remains focused on its long-term strategy of re-balancing its loan mix by prudently accelerating growth in the higher-margin small and medium-sized enterprise (**SME**) and consumer lending businesses. However, the pandemic has revealed the vulnerability of the consumer and SME sector. Loan growth is expected to slow down in view of tepid loan demand as well as clients needing help in rescheduling loan payments before they turn past due or nonperforming status. BPI is tempering the expected loan growth in the consumer segment due to weakened demand in the current business environment. As such, the Bank has taken an active role in supporting this segment's economic resurgence by continuing to lend to emerging winners and those with a clear path to recovery. This is in tandem with the Bank’s objective to preserve a high-quality loan book while supporting customer needs.

BPI also maintains strength in the large corporate segment, which comprises 75.9% of its loan portfolio as of 30 September 2021. The Bank strives to be the main operating bank for its clients, especially those bounce-back industries and companies, while evaluating what assistance can be provided to clients in affected sectors.

The current environment also requires the Bank’s continued emphasis on managing risks by enhancing the credit process in the aspects of underwriting, monitoring, and collections, in consideration of the COVID-19 impact. With the depth and length of the disruption still uncertain, asset quality is constantly monitored given the steady increase in non-performing loans (**NPLs**). The Bank also monitors vulnerable industries and sectors that have been affected by COVID-19, at the same time, seeking to identify opportunities in other industries and sectors as a result of the change in economic behaviors post-crisis.

In addition, with Republic Act No. 11523, otherwise known as the Financial Institutions Strategic Transfer (**FIST**) Act, signed and approved by the Philippine President, supplemented with BSP Circular 1117, BPI sees an opportunity to accelerate the disposal of non-performing assets. Overall, despite the Philippines continuing grapple with high COVID-19 cases due to new variants, the economy is regaining its footing and is on the right growth track. With continuous efforts in vaccination roll out and mobility slowly picking up, the Bank sees that the Philippine economy may return to pre-pandemic level towards the end of 2022, at the earliest.

The Bank’s deposit base remains robust and, similar to previous crisis situations, the overall current account and savings account (**CASA**) deposit base has grown rather than diminished, as BPI has been generally considered as a safe haven in times of crisis. The Bank proceeds with an invigorated focus on CASA deposit growth in the near-term.

Reinforcing the Bank’s operational resilience during this crisis, BPI has put in motion business continuity plans and a pandemic response plan and protocol for the entire organization. The objective of BPI’s pandemic response plan is three-fold: (1) ensure continuous delivery of products and services to BPI’s customers and the banking public, (2) ensure the health and well-being of BPI’s employees, and (3) cooperate with authorities in their efforts to contain transmission. The Bank has implemented the following operational changes:

- Flexible work arrangements where BPI’s personnel are working from home, compressed work week and relaxed work/time scheduling;
- Activation of alternate work sites and/or mobility sites to improve accessibility of BPI’s employees to the office premises;
- Splitting of operations in different physical locations to ensure containment in the event of infection and continued operation;
- Shuttle operations to augment limited public transportation;

- Use of virtual communications (teleconferencing and video conferencing) in lieu of face-to-face meetings;
- Increase in email capacities and deployment of additional communications and portable work tools;
- Protective measures in opened branches and offices:
  - Temperature screening of all employees, clients, and guests at office entrances and branches;
  - Increased availability of hand washing facilities and provision of hand sanitizers at office entrances;
  - Regular disinfection of door handles and work areas, as well as automated teller machines (**ATMs**), cash acceptance machines (**CAMs**), and BPI Express Assist (**BEA**) machines;
  - Social distancing markers;
  - Provided masks, and dividers to the branches for added protection.

Moving forward, there will be changes in the workforce arrangements and set-up of corporate offices as social distancing will now be the new norm, duly supported by the increased use of mobility tools and virtual communications. Additional expenses are also expected related to the purchase of supplies and installation of equipment to prevent the spread of the virus, deep-cleaning and sanitation performed on building premises, incremental insurance to cover increased Cash-in-Vault limits, logistics, and meal and transportation allowances to keep the skeletal force reporting for work during community quarantine.

Given the nationwide implementation of community quarantines, the Bank further recognizes the importance of building strong digital capabilities via BPI's digital distribution platforms to increase client access points, enhance overall customer experience, and increase efficiency and reduce costs in the back office infrastructure. In the last few years, significant investments have been made around the five pillars of BPI's digital ecosystem: (1) omni-channel experience, (2) customer experience, (3) high tech, high touch channels, (4) open banking, and (5) cybersecurity and privacy. Capitalizing on this head start, BPI's digital and self-service channels are available to handle clients' transactions.

For the Bank's digital channels, there is a 39% increase in average daily online transactions from 01 January 2020 to 30 September 2021. Enrolled users are now at 4.68 million, representing about 56% of BPI's eligible account holders. Online transactions, prior to the imposition of ECQ, comprised 85% of total daily transaction count. Since the imposition of ECQ, online transactions account for 91% of total daily transactions, with significant increase in usage of its open banking facilities (e.g. GCash, ECPay) and transfer services (e.g. FTA, IBFT) and in investment subscriptions.

On the other hand, ATM transactions were down to 31% of total retail transactions during ECQ, from 51% prior to the lockdowns. However, a slight increase in average transaction amount was observed as customers were going out less to transact.

Competitive Landscape and Drivers

The Philippine Banking Industry has more than tripled its capital levels since the Global Financial Crisis of 2008, from ₱687.97 billion in 2009 to ₱2.55 trillion in September 2021. With several of the top and middle-tier banks raising capital in the last few years, the industry faces the COVID-19 pandemic with robust capital levels and ratios.

The most pressing challenge faced by the industry is asset quality and NPL formation. Industry NPL ratio has increased from 2.08% in 2019 to 4.58% in September 2021. In anticipation of higher NPLs, banks have proactively booked higher loan loss provisions in 2020. While credit costs have declined in September 2021, it remains elevated compared to pre-pandemic levels.

In terms of profitability, Bank margins have remained under pressure from low interest rate environment. Fee income, on the other hand, has recovered from lows reflected in 2020 as various aspects of the economy have reopened resulting in higher transaction volume. Trading income for the first nine months of 2021 has tempered after an extraordinary performance in 2020 while operating costs remain under control. In sum, Bank profitability for the nine-month period ending September 2021 recovered from year ago largely due to lower credit costs, rebound in fee income and controlled operating expenses.

Operationally, the industry is adapting to the new normal of rising adoption of online and mobile banking platforms. Merger and acquisition opportunities may also present themselves at this time, as stronger and weaker players emerge.

Recovery in the banking industry may likely continue into next year with the reopening of the economy and the push of the BSP to drive credit growth.

Credit

The Bank anticipates slower growth in the loan portfolio as it becomes more cautious in granting of corporate and consumer loans, notwithstanding the BSP's increased regulatory forbearance aimed at providing liquidity (by lowering the reserve rate and cutting the policy rate) and encouraging lending via inclusion of micro, small, and medium enterprises (**MSMEs**) and large enterprises in the alternative compliance to the reserve requirements, among other measures. In 2021, the Bank expects flat to a low single digit growth at best for loans both corporate and consumer loans.

The Bank has seen an increase in the level of non-performing loans due to the impact of COVID-19 on businesses, e.g. temporary/permanent closure of certain businesses, suspended operations, limited travel and exchange of goods. Industries remain vulnerable during the ongoing crisis, in particular, tourism, hospitality, transportation, non-essential retail trade, and real estate.

To mitigate these risks, the Bank is taking a pro-active stance. The Bank has earlier identified industries and accounts susceptible to the effects of the pandemic. The business units have touched based with clients to discuss possible workout arrangements, whether re-scheduling of loan payments or restructuring even before any event of payment default to minimize loan defaults. The Bank will also attempt to secure additional collateral/security to these restructured loans in exchange for softer interest rates. Altogether, the Bank believes that both the Bank and its clients should survive together, and so the Bank shall extend all the reasonable help it can provide to its clients.

For cross-border loans, the Bank reduced portfolio size in light of the expected impact of the COVID-19 pandemic by selling high risk exposures in both industry and company assessment.

For consumer loans, the Bank is experiencing mixed results as mortgage portfolio is growing by a low single digit while the auto loan portfolio is declining mirroring the auto industry slump. However, the Bank continues to enhance its collection process that has helped manage the NPL formation.

Unemployment brought about by possible downsizing and business closures in various sectors and industries, as well as reduced income for the self-employed borrowers are major factors affecting repayment of existing consumer loans and approvals of new applications. Originally, a public health crisis in year 2019 now became an economic issue. Individual borrowers are expected to change priorities and spend more on basic needs rather than non-essentials or discretionary goods. Given this change in consumer behavior, the Bank will continue to exercise prudent risk management for this segment and enhance its monitoring systems to better manage credit risks.

Market and Liquidity

The COVID-19 pandemic crisis has led to heightened market volatility as global and local economies brace for more uncertainties. At the onset of the Luzon lockdown in mid-March 2020, Philippine Government Securities (**GS**) prices declined sharply as local and foreign market players were seen unloading positions in an already illiquid market. GS bid-offer spreads widened by as much as 30 to 60 basis points in mid- to late- March, coming from a normal bid-offer spread of 1 to 5 basis points.

The Bank maintains a strong liquidity profile with Liquidity Coverage Ratio (**LCR**) and Net Stable Funding Ratio (**NSFR**) at 218% and 151%, respectively as of 30 September 2021. Currently, the Bank's short-term liquidity levels, as measured by the Minimum Cumulative Liquidity Gap (**MCLG**) metric, remain well-above BPI's internal threshold. Furthermore, recent liquidity stress tests show that the Bank can generate excess liquidity under moderate to severe stress scenarios.

Branch Network

BPI branch network as of 30 September 2021 stood at 1,179 branches inclusive of branches of its microfinance arm, BPI Direct BanKo (**BanKo**). However, the Bank's branch operations were severely impacted by the effects of COVID-19 quarantine measures, with at times only 50% of its branches operating on a skeletal and/or rotational basis during the beginning of ECQ. Following the transition to GCQ, all BPI and BPI Direct BanKo branches are currently operational. However, branch traffic has not returned to pre-pandemic levels as customers adopt digitalization and shift to doing transactions online. As a result, we are in the process of rationalizing the number of our branches through either co-location, consolidation or relocation. As of 30 September 2021, 33 branches have been co-located and this process is on-going, especially with the forthcoming merger of BPI and BPI Family Bank. The remaining branches will undergo physical transformation and transition from being processing centers to sales stores.

Work-from-Home Difficulties and Cybersecurity

As part of its COVID response, in December 2019, various bank units already moved out of the central headquarters and moved to different locations. Concurrent with the relocation, split operations were also being implemented for key functions like treasury, operations, and lending. For head office functions, employees with laptops and work tools could be on a Work-from-Home (**WFH**) arrangement. Despite the imposition of GCQ over the NCR, social distancing must continually be observed. Consequently, seats in the Bank's corporate sites were recalibrated and some of the Bank's head office employees continue to work from home, such that the number of employees reporting on any given day is at 30%. Work tools and remote access for WFH employees are limited given security protocols. Technical controls are in place along with usage guidelines that supplement existing policies. Existing risk assessments have been updated to account for the changes in the end-user workstation set-up brought about mainly by the deployment of mobility tools. Threats and vulnerabilities that have been identified are being mitigated by both technical and organizational (e.g. 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.

During ECQ, select branches were open depending on the ability to secure manning, largely affected by the absence of public transportation. The Bank provided transportation and lodging in nearby dormitories or hotels for employees living outside of Metro Manila or those with difficulty clearing checkpoints, as well as provided special meal and transportation allowances for those reporting for work. In the workplace, safety protocols were implemented such as mandatory wearing of acrylic protection shields, frequent disinfection, and temperature checks, among others. Additional resources were also provided to key employees such as split sites and WFH tools.

Per BPI's Cyber Security Operations Center, there has been an increase in cyber threats and attacks, but no successful breaches to date. System availability has also been resilient throughout this period.

Changes in Customer Behavior

The Bank has noted an increasing shift in customer behavior from transacting in person at a physical location to transacting online, as effect of the pandemic. In 30 September 2021, 91% of total transactions were done via its digital platforms, with only 9% in-branch transactions.

As the Bank continues to make significant investments in and shift towards digitalization, it intends to rationalize it branch footprint. The Bank believes that digitalization will enable its branches to provide more meaningful interactions that address the increasingly complex financial needs of its clients. Digital banking and branch banking will exist side by side, with different purposes for each customer. Although some clients still prefer discussing their financial needs face-to-face, digital banking could accord its clients more choices and greater control of their interactions with the Bank. The result is faster, more accessible, convenient, and safe banking transactions.

The Bank believes that "phygital", a combination of physical and digital banking, is the future of the banking distribution network.

Ratings Update

As of 30 September 2021, BPI has a local long-term bank deposit rating of "Baa2" from Moody's, a long-term local currency issuer default rating of "BBB-" from Fitch, a long-term issuer credit rating of "BBB+" from S&P and "BBB" rating from Capital Intelligence.

Financial and Operating Results

Financial Condition as of 30 September 2021 versus as of 31 December 2020

Total assets at ₱2.26 trillion, increased ₱26.94 billion, or 1.2%, as **Due from Bangko Sentral ng Pilipinas** increased ₱33.32 billion, or 14.9%, and **Financial Assets at Fair Value through Profit or Loss** increased ₱14.09 billion, or 37.9%, from excess liquidity from **Total deposits** which increased ₱80.79 billion, or 4.7%, partly offset by **Bills Payable and Other Borrowed Funds** which declined ₱58.21 billion, or 38.3%, following maturities of bonds. Major account movements for the period were as follows:

- **Due from Other Banks** at ₱55.38 billion, up ₱15.23 billion, or 37.9%, due to the net increase in account balances with various banks;
- **Interbank loans receivable and securities purchased under agreements to resell** at ₱39.73 billion, up ₱9.47 billion, or 31.3%, due to higher volume of interbank term lending;
- **Other Assets,** net at ₱22.83 billion, increased ₱5.99 billion, or 35.6%, primarily from the increase in miscellaneous assets;
- **Assets Held for Sale, net** at ₱3.15 billion, up ₱183 million, or 6.2%, due to the increase in foreclosed properties;
- **Investments in subsidiaries and associates, net** at ₱6.73 billion, declined ₱777 million, or 10.4**%**, due to booking of impairment losses tempering the higher equity investments from the Bank's affiliates;
- **Deferred Income Tax Assets, net** at ₱15.93 billion, down ₱1.60 billion, or 9.1%, mainly due to the net impact of the new tax rate under the Corporate Recovery and Tax Incentives for Enterprises (**CREATE**) Act;
- **Bank Premises, Furniture, Fixtures and Equipment, net** at ₱17 billion, down ₱1.84 billion, or 9.8%, on account of the lower booking of right-of-use assets under PRFS 16;
- **Cash and other cash items** at ₱28.55 billion, decreased ₱8.63 billion, or 23.2%, on account of lower cash placements as compared to year-end 2020;
- **Investment Securities at amortized cost** at ₱230.23 billion, decreased ₱14.42 billion, or 5.9%, due to various maturities and sales from hold to collect debt securities.

Total liabilities at ₱1.97 trillion, increased ₱15.03 billion, or 0.8%, primarily from the ₱80.79 billion, or 4.7%, increase in **total deposits**, ending at ₱1.80 trillion. The increase is attributable to the growth in CASA deposits at ₱1.44 trillion, up ₱74.30 billion, or 5.4%, tempered by the following account movements:

- **Deferred credits and other liabilities** at ₱42.15 billion, decreased ₱3.71 billion, or 8.1%, primarily from the decrease in other liabilities;
- **Derivative financial liabilities** at ₱4.38 billion, declined ₱1.27 billion, or 22.5%, owing to decreases in certain derivative positions;
- **Liabilities attributable to insurance operations** at ₱13.11 billion, down ₱1.24 billion, or 8.6%, owing to lower reserves and other balances;
- **Accrued taxes, interest and other expenses** at ₱7.77 billion, down ₱1.14 billion, or 12.8%, due to lower accruals on interest and other expenses;
- **Due to BSP and other banks** at ₱1.32 billion, lower by ₱172 million, or 11.5%, on account of lower outstanding balance collected for other banks.

Total capital at ₱291.81 billion, increased ₱11.97 billion, or 4.3%, due to the ₱13.33 billion increase in surplus, ending at ₱178.84 billion. **Reserves** also up by ₱118 million, or 28.4%. **Accumulated other comprehensive loss** at ₱7.57 billion, increased ₱1.67 billion, or 28.3%, as a result of higher cumulative unrealized losses on certain financial assets at fair value through other comprehensive income.

Results of Operations

For the Quarters ended 30 September 2021 and 30 September 2020

Net income of ₱5.66 billion for the third quarter of 2021 was up 3.0%, largely due to lower **impairment losses** recognized at ₱3.75 billion, down ₱2.06 billion, or 35.5%.

Pre-provision operating profit at ₱11.11 billion, down 12.9%, on account of lower **total revenues** at ₱23.51 billion, down 4.5%, and modest increase in **operating expenses** at ₱12.39 billion, up ₱530.19 million, or 4.5%, from the same period last year.

Net interest income at ₱17.30 billion, down ₱666.12 million, or 3.7%, as net interest margin (NIM) contracted 15-basis points (bps) brought about by the 46 bps decline in earning asset yields, partially tempered by the drop in cost of funds.

Interest income, net of GRT stood at ₱21.13 billion, down ₱2.54 billion, or 10.7%, on the back of the following movements in interest income on:

- **Loans and advances** at ₱18.24 billion, down ₱2.07 billion, or 10.2%, due to decline in yields despite higher average asset volume;
- **FA at FV through OCI** at ₱575.82 million and **deposits with BSP and other banks** at ₱473.13 million, both declined on account of lower yields and average asset volume;
- **FA at FV through profit or loss** at ₱106.66 million, up 95.7%, on account of higher average asset volume despite lower yields.

Interest expense at ₱3.83 billion, decreased ₱1.88 billion, or 32.9%, driven by the decrease in interest expense **on deposits** at ₱2.53 billion, down ₱1.91 billion, or 43.0%, on account of lower average volume and cost.

Other income, net of GRT at ₱6.20 billion, decreased ₱453.56 million, or 6.8%, mainly from **trading gain on securities** at ₱155.30 million, down ₱1.01 billion. This was partly offset by the increase in **fees and commissions** by ₱583.74 million, or 14.8%, primarily from higher service charges and underwriting fees. Other notable movements are:

- **Income attributable to insurance operations** at ₱400.83 million, down ₱77.04 million, or 16.1%, due to the lower income contribution of the non-life insurance affiliate;
- **Other operating income** at ₱481.59 million, down ₱26.60 million, or 5.2%,, due to decline in asset sales;
- **Income from foreign exchange trading** at ₱647.74 million, up ₱72.35 million, or 12.6%, due to favorable trading opportunities.

Other expenses at ₱12.39 billion, up ₱530.19 million, or 4.5%, with moderate increase in compensation and fringe benefits at ₱4.67 billion, up ₱288.59 million, or 6.6%, and **occupancy and equipment-related expenses** at ₱4.02 billion, up ₱244.40 million, or 6.5%, on account of the increase in staff benefits from recent CBA and technology-related expenses.

Provision for income tax at ₱1.64 billion, increased ₱295.69 million, or 22.0%, due to lower negative balance of **deferred income tax** at ₱347.42 million, down ₱1.22 billion from last year's ₱1.57 billion, impact brought about by higher loss provisioning in 2020. **Current income tax** at ₱1.99 billion, lower ₱922.83 million, or 31.7%, due to lower income subject to regular corporate income tax.

Income attributable to non-controlling interest at ₱62.30 million, down 43.9%, largely attributable to lower income contribution from the Bank's bancassurance affiliate**.**

Total comprehensive income at ₱5.93 billion, increased ₱1.42 billion, or 31.4%, due to the increase in **total other comprehensive income, net of tax effect of ₱1.24 billion, or 120.8%, on the back of the following movements:**

For Items that may be reclassified subsequently to profit and loss:

- **Net change in fair value reserve on FVOCI securities, net of tax effect** at ₱91.62 million loss, decreased ₱474.58 million, or 83.8%, on account of lower market valuation loss of the Bank's investment securities;
- **Currency translation differences** at ₱143.89 million, up ₱191.34 million, on account of the net effect from cash flow hedging;
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱52.47 million loss, decreased ₱31.50 million, or 37.5%, as a result of lower market valuation loss of the insurance subsidiaries' investment funds;
- **Share in other comprehensive loss of associates** at ₱176.85 million, increased ₱49.28 million, on account of the lower valuation of the life insurance affiliate's investment securities;

For Items that will not be reclassified to profit and loss:

- **Share in other comprehensive income of associates** at ₱207.06 million, up ₱409.74 million, or 202.2%, on higher valuation of the bancassurance affiliate's investments relative to the same period last year;

- **Actuarial gains on defined benefit plan, net of tax effect** at ₱0.50 million, decreased ₱4.62 million, on account of the flat movement on valuation of the Bank's consolidated subsidiaries' contribution to the retirement fund.

Income attributable to non-controlling interest at ₱48.58 million, decreased ₱34.69 million, or 249.79%, on account of lower income contribution from the rental and leasing business.

For the Nine Months ended 30 September 2021 and 30 September 2020

Net income at ₱17.47 billion, increased 1.77%, from the same period last year, due to lower impairment losses at ₱10.25 billion, down ₱10.22 billion, or 49.9%. Pre-provision operating profit at ₱35.13 billion, down ₱5.83 billion, or 14.2%, due to lower **total revenues** at ₱71.62 billion, down ₱4.59 billion, or 6.0%, and slightly higher **operating expenses** at ₱36.49 billion, up ₱1.24 billion, or 3.5%.

Net interest income at ₱51.17 billion, decreased ₱3.05 billion, or 5.6%, as NIM contracted 20 bps on account of the 73 bps contraction in asset yields.

Interest income, net of GRT stood at ₱62.60 billion, down ₱11.15 billion, or 15.1%, on the back of the overall decreases in interest income on:

- **Loans and advances** at ₱53.84 billion, down ₱9.44 billion, or 14.9%, and FA at amortized cost at ₱5.41 billion, down 15.3%, on account of the decline in yields and average asset volume;
- **FA at FV through OCI** at ₱1.86 billion, down ₱561.98 million, or 23.2%, on account of lower yields despite higher average asset volume;
- **Deposits with BSP and other banks** at ₱1.26 billion, down ₱193.50 million, or 13.3%, on account of lower yields and average asset volume;
- **FA at FV through profit or** loss at ₱237.74 million, up 10.0%, on account of higher average asset volume despite lower yields.

Interest expense at ₱11.44 billion, decreased ₱8.10 billion, or 41.5%, driven by the decrease in interest expense **on deposits** at ₱7.49 billion, down ₱8.34 billion, or 52.7%, partly offset by the increase in **bills payable and other borrowings** at ₱3.94 billion, up ₱242.25 million, or 6.5%.

Other income, net of GRT at ₱20.45 billion, declined ₱1.54 billion, or 7.0%, lower than the ₱21.99 billion earned in the same period last year, mainly from **trading gain on** securities at ₱1.76 billion, down ₱5.05 billion, or 74.2%. Cushioned by the increase in **fees and commissions** of ₱2.78 billion, up 25.19%, due to the increase in transaction-based service charges. Other notable account movements are as follows:

- **Income from foreign exchange trading** at ₱1.56 billion, down ₱150 million, or 8.74%, on account of unfavorable trading opportunities;
- **Other operating income** at ₱2.034 billion, up ₱783 million, or 62.56% due to the increase in miscellaneous income and higher income from the trust business;
- **Income attributable to insurance operations** at ₱1.30 billion, up ₱100.18 million, or 8.4%, due to higher income contribution of the bancassurance affiliates.

Other expenses at ₱36.49 billion, increased ₱1.24 billion, or 3.5%, due to **occupancy and equipment-related expenses** at ₱11.52 billion, up ₱1.06 billion, or 10.1%, mainly driven by investments in technology.

Provision for income tax at ₱7.24 billion, increased ₱4.13 billion, or 132.8%, due to higher **deferred income tax** at ₱1.36 billion, up ₱6.75 billion, or 125.2%, partially tempered by the decrease in **current income tax at** ₱5.88 billion, lower by ₱2.62 billion, or 30.8%. Impact brought about by the adjustment on deferred income tax and reduced new income tax rate with the implementation of CREATE Act.

Income attributable to non-controlling interest at **₱**168.49 million, up ₱39.93 million, or 30.2%, attributable to lower income contribution from the Bank's bancassurance affiliate.

Total comprehensive income at ₱15.94 billion, decreased ₱1.93 billion, or 10.8%, due to the decrease in **total other comprehensive loss, net of tax effect** of ₱2.19 billion, or 451.5%, on the back of the following movements:

For Items that may be reclassified subsequently to profit and loss:

- **Net change in fair value reserve on FVOCI securities, net of tax effect** at ₱1.39 billion loss, from a gain of ₱1.24 billion same period last year, on account of negative market valuation of the Bank's investment securities;
- **Share in other comprehensive income of associates** at ₱650.58 million loss, from gain of ₱416.94 million a year ago, on lower valuation of the bancassurance affiliate's investments relative to last year;
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱122.04 million loss, from a gain of ₱195.63 million same period last year, as a result of lower market valuation of the insurance subsidiaries' investment funds;
- **Currency translation differences was favorable** at ₱593.52 million, up ₱923.76 million, on account of the net effect of cash flow hedging and strengthening of the Euro Currency.

For Items that will not be reclassified to profit and loss:

- **Actuarial losses on defined benefit plan, net of tax effect** at ₱422.72 million, increased ₱423.11 million, 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 ₱284.50 million, up ₱1.32 billion, on account of the higher valuation of the life insurance affiliate's investment securities.

Income attributable to non-controlling interest at ₱130.40 million, decreased ₱65.92 million, or 33.7%, on account of lower income contribution from the Bank's bancassurance affiliate.

Key Performance Indicators

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority owned subsidiaries:

	30 September 2020	**30 September 2021**
Return on Equity (%)	8.32%	8.25%
Return on Assets (%)	1.05%	1.07%
Net Interest Margin (%)	3.51%	3.31%
Operating Efficiency Ratio (%)	46.25%	50.95%
Capital Adequacy Ratio (%)- Basel III	17.72%	17.64%

Return on equity (ROE), the ratio of net income to average equity, was at 8.25%, lower compared to last year's 8.32%, as the expansion in average equity outpaced the growth in net income.

Return on assets (ROA), the ratio of net income to average assets, was higher at 1.07%, compared to last year's 1.05%, due to the increase in net income of 1.77% compared to the expansion in average asset base of 0.2%.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, at 3.31% was lower by 20 basis points than the 3.51% in 2020, due to decline in asset yields, partly tempered by the drop in cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, increased to 50.95% from 46.25% in the same period last year, as revenues declined and operating expenses slightly increased.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was at 17.64%, lower versus the prior year's 17.72%, as the growth in risk-weighted assets outpaced the growth in qualifying capital. The CET 1 ratio at 16.76%, was also lower than the 16.84% from the same period last year. The Bank's capital ratios for the period ended 30 September 2021 and 30 September 2020 are above the BSP's minimum requirement.

Financial Inclusion

BPI has grown the nationwide network of its wholly-owned microfinance bank, BPI Direct BanKo, to 307 branches with three (3) branches opened in 2021. Fifty-eight percent of BanKo's branches and branch-lite units are located in town centers in North and South Luzon, while the rest are distributed throughout various municipalities in Visayas and Mindanao. Now in its fifth year of microfinance operations, BanKo has been increasing its loan portfolio by 154% year on year. From only 2,495 clients in 2016, BanKo has since served over 196,740 self-employed micro-entrepreneurs, providing business loans and financial advice.

Updated Description of the Bank's Assets and Liabilities

The tables below and accompanying discussions provide selected financial highlights regarding the Bank's assets and liabilities. The following unaudited information should be read together with the Bank's financial statements included in this Pricing Supplement as well as "Selected Statistical Data" in this Pricing Supplement, and "Risk Management" and "Description of the Bank" in the Offering Circular.

Funding

(a) *Overview*

The Bank's funding is primarily provided by time, savings and demand deposits. Of the total amount of deposits of ₱1.8 trillion as of 30 September 2021, 19.9% thereof pertain to time deposits, 60.4% pertain to savings deposits, and 19.7% pertain to demand deposits. The Bank also sources part of its funding requirements from the interbank market, which generally results in lower overall funding cost.

(b) *Sources of Funding*

The Bank's principal source of deposits is private individuals. As of 30 September 2021, these accounted for 65.7% of total deposit liabilities.

The Bank has been successful in attracting and retaining its low-cost deposit base. While the cost of deposits is largely driven by interest rate movements, the average cost of deposits is also bolstered by the continued increase in the share of CASA to total deposits. The Bank intends to continue to grow its CASA through the launching of CASA products bundled with the Bank's other product and service offerings and enhanced digital banking platforms. The maturities of the Bank's funding portfolio enable it to achieve funding stability and liquidity while achieving its desired profile of loan and deposit maturities. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a base of core liquidity.

The following tables set out an analysis of the Bank's principal sources of funding as of the periods indicated[1]:

	For the year ended 31 December					
	2018		2019		2020	
	Volume	Average Cost of Funding(2)	Volume	Average Cost of Funding(2)	Volume	Average Cost of Funding(2)
			(₱ millions, except percentages)			
Deposits by type:						
Demand	256,279	0.3%	272,020	0.2%	314,853	0.2%
Savings	883,650	0.8%	899,181	0.8%	1,051,069	0.6%
Time	445,817	3.4%	524,142	4.5%	350,255	2.8%
Total	**1,585,746**	**1.4%**	1,695,343	**1.8%**	**1,716,177**	**1.1%**
Deposits by currency:						
Peso	1,337,506	1.2%	1,459,701	1.6%	1,469,851	1.0%
Foreign	248,240	0.9%	235,642	1.0%	246,326	0.4%
Total	**1,585,746**	**1.4%**	**1,695,343**	**1.8%**	**1,716,177**	**1.1%**
Deposits by classification:						
Low Cost	1,139,929		1,171,201		1,365,922	
Term	445,817		524,142		350,255	
Total	**1,585,746**		**1,695,343**		**1,716,177**	
Bills Payable and Other Borrowed Funds:						
Peso	96,265		64,371		83,753	
Foreign	70,636		86,466		68,194	
Total	**166,901**	**3.8%**	**150,837**	**4.8%**	**151,947**	**3.8%**
Acceptances Payable:						
Peso	5		30		20	
Foreign	2,389		3,825		914	
Total	**2,394**		**3,855**		**934**	

Notes:

(1) 2018, 2019, 2021 and September 2020 restated with impact of discontinued operation arising from BPICTL transaction.

(2) Average cost of funding represents total interest expense for the year divided by the simple average liability for the respective period, expressed as a percentage.

	For the nine months ended 30 September			
	2020		2021	
	Volume	Average Cost of Funding(2)	Volume	Average Cost of Funding(2)
	(₱ millions, except percentages)			
Deposits by type:				
Demand	295,881	0.2%	354,226	0.1%
Savings	988,323	0.7%	1,085,997	0.3%
Time	400,791	3.0%	356,743	2.0%
Total	**1,684,995**	**1.2%**	**1,796,966**	**0.6%**
Deposits by currency:				
Peso	1,437,301	1.4%	1,527,480	0.7%
Foreign	247,694	0.5%	269,486	0.1%
Total	**1,684,995**	**1.2%**	**1,796,966**	**0.6%**
Deposits by classification:				
Low Cost	1,284,204		1,440,223	
Term	400,791		356,743	
Total	**1,684,995**		**1,796,966**	
Bills Payable and Other Borrowed Funds:				
Peso	88,775		46,319	
Foreign	65,731		47,421	
Total	**154,506**	**3.9**	**93,740**	**4.00**
Acceptances Payable:				
Peso	151		213	
Foreign	2,716		2,659	
Total	**2,867**		**2,872**	

Notes:

(1) 2018, 2019, 2021 and September 2020 restated with impact of discontinued operation arising from BPICTL transaction.

(2) Average cost of funding represents total interest expense for the period divided by the simple average liability for the respective period, expressed as a percentage.

As of 30 September 2021, 80.1% of the Bank's outstanding deposits were demand and savings deposits, both of which can be withdrawn on demand without any prior notice from the customer. The following table sets out an analysis of the maturities of the deposit base of the Bank as of the dates indicated:

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(₱ millions)			
Demand	256,279	272,020	314,853	354,226
Savings	883,650	899,181	1,051,069	1,085,997
Time	445,817	524,142	350,255	356,743
Up to 1 year	330,845	424,455	262,885	273,844
More than 1 year	114,972	99,687	87,370	82,899
Total	**1,585,746**	**1,695,343**	**1,716,177**	**1,796,966**

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market, mainly for treasury management purposes. Interbank borrowings are mostly short-term in duration and have historically accounted for a minor portion of the Bank's total funding requirements.

The Bank is a member of the Philippine Deposit Insurance Corporation (the **PDIC**), which insures all deposits up to a maximum of ₱0.50 million per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

(c) ***Liquidity***

As of the date of this Pricing Supplement, Peso deposits and deposit substitutes of universal and commercial banks are subject to a 12% reserve requirement. Required reserves must be kept in the form of deposits placed in the Bank's demand deposit account (**DDA**) with the BSP. Sufficient asset cover is likewise provided for foreign-denominated liabilities. The Bank follows BSP regulations that require depository banks under the foreign currency deposit system to maintain at all times a 100% asset cover for their foreign currency liabilities, of which at least 30% must be in the form of liquid assets.

As of 31 December 2020, the Bank's liquid assets amounted to ₱981 million, or 43.9% of the Bank's total assets. The Bank's liquid assets consisted largely of government securities, cash, and other liquid assets to cover primary reserves requirement for deposits as well as to maintain a significant level of secondary reserves to fund any potential increase in loan demand. The following table sets forth information with respect to the Bank's liquidity position as of the dates indicated:

	As of 31 December		
	2018	**2019**	**2020**
	(₱ millions, except percentages)		
Liquid Assets[(1)]	**950,813**	**897,122**	**980,715**
Cash and Other Cash Items	43,536	47,256	37,176
Due from BSP	225,907	207,845	223,989
Due from Other Banks	12,477	22,356	40,155
Interbank Loans Receivable and Securities Purchased Under Agreements to Resell	34,253	22,509	30,167
Derivative Assets	4,033	2,933	4,788
Financial Assets at Fair Value through Profit or Loss	12,688	21,172	32,422
Investment Securities, net			
Financial Assets at Fair Value through OCI	27,910	3,105	42,777
Financial Assets at Amortised Cost	30,159	15,165	46,389
Loan and Advances, Gross	554,183	552,190	520,304
Other Financial Assets	5,667	2,591	2,548
Total Assets	**2,085,228**	**2,205,030**	**2,233,443**
Total Deposits	**1,585,746**	**1,695,343**	**1,716,177**
Net Loans[(2)]	**1,354,896**	**1,475,336**	**1,407,413**
Financial Ratios			
Liquid Assets to Total Assets	45.6%	40.7%	43.9%
Liquid Assets to Total Deposits	60.0%	52.9%	57.1%
Net Loans to Total Deposits	85.4%	87.0%	82.0%

Notes:

(1) Liquid assets include all financial assets due within one year.

(2) Receivable from customers, net of allowance for credit losses and unearned discounts.

(d) *Liquidity Management*

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investments in securities, trade financing and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines and the maintenance of repurchase facilities. Liquidity risk on funding mainly comes from mismatches in asset, liability and exchange contract maturities. The Bank manages liquidity risk by setting and maintaining a minimum cumulative liquidity gap (**MCLG**, which is the smallest net cumulative cash inflow or the largest net cumulative cash outflow), conducting internal and regulatory stress tests and testing the Bank's contingency funding plan. The Bank's market and liquidity risk exposures are generally well within the Board-approved value-at-risk (**VaR**), stop loss and other risk limits set by the Bank and its subsidiaries.

The Bank's asset and liability committee (**ALCO**) is directly responsible for liquidity risk exposure. ALCO regularly monitors the Bank's positions and sets appropriate fund transfer prices to effectively manage movement of funds across business activities.

Securities Portfolio

The Bank classifies its securities in the following three categories: financial assets at fair value through profit and loss (**FVPL**), financial assets at amortised cost investments and financial assets at fair value through other comprehensive income (**FVOCI**) investments. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Securities are classified as FVOCI investments when purchased and held indefinitely, but which the Bank expects to sell in response to liquidity requirements or changes in market conditions. Financial assets at FVPL include debt and equity securities that have been acquired principally for the purpose of selling or repurchasing in the near term. Amortised Cost investments are quoted, non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the intention and ability to hold to maturity.

As of 30 September 2021, the Bank's investments (exclusive of derivatives) comprised 17.9% of its total assets. The table below shows the balances of the Bank's securities as of the dates indicated:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	2021
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(₱ millions)							
Financial Assets at FVTPL.........	12,688	12,688	21,172	21,172	32,422	32,422	46,822	46,822
Investment Securities, net Financial Assets at FVOCI.....	37,206	37,206	53,905	53,905	130,186	130,186	127,056	127,056
Financial Assets at Amortised Cost	287,571	258,652	275,105	276,454	244,653	253,097	230,231	235,596
Total	**337,465**	**308,546**	**350,182**	**351,531**	**407,261**	**415,705**	**404,109**	**409,474**

Loan Portfolio

As of 30 September 2021, the Bank's gross loan portfolio amounted to ₱1.4 trillion, representing 63.6% of total assets. Large corporate loans, SME loans, and consumer loans make up 75.9%, 4.4% and 19.7%, respectively, of the Bank's total loan portfolio as of 30 September 2021.

The following table sets out the distribution of the total loan portfolio held by the Bank among its principal lending units as of the dates indicated:

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(₱ millions)			
Corporate Entities				
Large Corporate Customers	1,043,855	1,147,643	1,112,069	1,092,266
Small-and-Medium-Sized Enterprise	87,998	73,357	66,869	62,961
Retail Customers				
Credit Cards	60,843	75,100	68,057	70,444
Real Estate Mortgages	126,088	137,380	140,552	150,941
Auto Loans	51,845	53,789	51,045	50,185
Others	5,145	11,421	11,616	11,495
Total	**1,375,774**	**1,498,690**	**1,450,208**	**1,438,292**

(a) *Industry concentration*

The real estate (25.5%), manufacturing (14.6%), electricity, gas, and water (11.1%), wholesale and retail trade financial institutions (10.8%), and consumer sectors (8.1%) have, in general, represented the largest sectors of the Bank's loan portfolio as of 30 September 2021.

Under guidelines established by the BSP, loan concentration is considered to exist when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. BSP regulations require banks to allocate 25% of their loanable funds for agricultural credit in general, of which at least 10% is to be made available for agrarian reform credit. Alternatively, a bank may temporarily meet all or a portion of its agrarian reform and agricultural lending requirements by investing in eligible government securities under certain conditions. Failure to comply with required credit to the agrarian reform and agricultural sectors may result in sanctions, including an annual penalty of 0.5% of the amount of non-compliance/under-compliance. For the years ended 31 December 2018, 2019 and 2020, and the nine months ended 30 September 2021 and 2020, the Bank was fined ₱491.7 million, ₱589.0 million, ₱822.0 million, ₱590.1 million and ₱612.8 million respectively, for its failure to fully comply with Agri-Agra mandated lending. The amount of loans to be extended by the Bank under Agri-Agra amounts to approximately ₱269.8 billion as of 30 September 2021.

The BSP has also mandated banks to allocate credit resources of at least 8% of their total loan portfolio as of the end of the previous quarter for micro-and-small-enterprises (**MSEs**) and at least 2% for medium-enterprises (**MEs**). Sanctions include monetary fines of ₱500,000 for non-compliance while the amount of under-compliance is expressed as a percentage of the applicable requirement multiplied by ₱400,000 for MSEs and by ₱100,000 for MEs. For the years ended 31 December 2018, 2019, and 2020, and the nine months ended 30 September 2021 and 2020, the Bank was fined ₱0.25 million, ₱0.28 million, ₱0.27 million, ₱0.28 million, and ₱0.29 million, respectively, for failure to extend loans in a sufficient amount to MSMEs. The amount of credit to be extended by the Bank to MSMEs amounted to ₱120.7 billion as of 30 September 2021. Because the Bank is unable to generate sufficient exposure to the Agri-Agra or MSMEs sectors that meet its credit and risk management standards, the Bank has paid fines in the past and may continue to do so in the future.

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

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	114,277	8.3%	130,648	8.8%	121,593	8.4%	116,692	8.1%
Manufacturing	223,365	16.3%	228,697	15.3%	216,884	15.0%	208,793	14.6%
Real estate, renting and other related activities	314,398	23.0%	366,077	24.5%	367,527	25.4%	364,956	25.5%
Wholesale and retail	172,597	12.6%	169,828	11.4%	159,144	11.0%	155,021	10.8%
Agriculture, fishing and forestry	37,539	2.7%	42,852	2.9%	36,502	2.5%	31,987	2.2%
Electricity, gas and water	130,944	9.6%	149,566	10.0%	169,824	11.8%	158,659	11.1%
Transport and storage	27,732	2.0%	28,319	1.9%	28,234	2.0%	34,721	2.4%
Information and communication	58,840	4.3%	73,798	4.9%	73,428	5.1%	94,806	6.6%
Construction	27,409	2.0%	27,347	1.8%	32,752	2.3%	35,040	2.4%
Financial intermediaries	83,462	6.1%	161,568	10.8%	128,683	8.9%	113,612	7.9%
Others	178,781	13.1%	112,950	7.6%	110,625	7.7%	118,685	8.3%
Total	**1,369,344**	**100.0%**	**1,491,650**	**100.0%**	**1,445,195**	**100.0%**	**1,432,972**	**100.0%**

(b) *Loan Maturity Profile*

As of 30 September 2021, 32.7% of the Bank's loan portfolio had a maturity of one year or less. The following table sets forth an analysis of the Bank's loan portfolio by maturity as of the dates indicated:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Within one year[(1)]	540,450	39.5%	548,837	36.8%	517,224	35.8%	469,027	32.7%
More than one year	828,894	60.5%	942,813	63.2%	927,971	64.2%	963,945	67.3%
Total	**1,369,344**	**100.0%**	**1,491,650**	**100.0%**	**1,445,195**	**100.0%**	**1,432,972**	**100.0%**

Note:

(1) Includes past due loans.

(c) *Foreign Currency Denominated Loans*

As of 30 September 2021, 91.4% of the Bank's loan portfolio was denominated in Pesos while 8.6% was denominated in a foreign currency, 93.6% of which was comprised of U.S. dollars.

The following table sets forth an analysis of the Bank's loans by currency as of the dates indicated:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Philippine Peso	1,218,379	89.0%	1,335,017	89.5%	1,314,080	90.9%	1,309,640	91.4%
Foreign Currency	150,965	11.0%	156,633	10.5%	131,115	9.1%	123,332	8.6%
U.S. Dollars	145,995	96.7%	149,012	95.1%	120,709	92.1%	115,472	93.6%
Others	4,970	3.3%	7,621	4.9%	10,406	7.9%	7,860	6.4%
Total	**1,369,344**	**100.0%**	**1,491,650**	**100.0%**	**1,445,195**	**100.0%**	**1,432,972**	**100.0%**

(d) *Interest Rates*

As of 30 September 2021, 89.2% of the Bank's total loan portfolio are subject to repricing. The Bank sets interest rates for floating rate Peso-denominated loans based on market rates for Philippine government securities and for floating rate U.S. dollar-denominated loans based on U.S. dollar London Interbank Offered Rate (**LIBOR)**. The floating rate loans are repriced for interest periods of typically 30 to 90 days.

The following table sets forth the total amount of the Bank's loan exposure to interest rate risk, on a consolidated basis, categorised by the earlier of contractual repricing or maturity dates:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Repricing	1,227,757	89.7%	1,332,760	89.3%	1,293,264	89.5%	1,278,446	89.2%
Up to one year	833,657	67.9%	887,474	66.6%	489,033	37.8%	436,348	34.1%
Over 1 up to 3 years	129,410	10.5%	136,081	10.2%	223,545	17.3%	281,053	22.0%
Over 3 years	264,690	21.6%	309,205	23.2%	580,686	44.9%	561,045	43.9%
Non-repricing	141,587	10.3%	158,890	10.7%	151,931	10.5%	154,526	10.8%
Total Loans	**1,369,344**	**100.0%**	**1,491,650**	**100.0%**	**1,445,195**	**100.0%**	**1,432,972**	**100.0%**

(e) ***Sizes and concentration of loans***

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's unimpaired capital and surplus, which includes combined capital accounts, paid-in-capital and surplus, but excludes unbooked reserves for valuation purposes, liabilities and deferred income tax. As of 30 September 2021, the Bank is in compliance with this borrower's limit with all of its loans.

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 30 September 2021, the Bank's ten largest individual borrowers accounted for 13.4% of the Bank's total outstanding loan portfolio. As of 30 September 2021, the Bank's ten largest borrower groups in the aggregate accounted for 27.6% of its outstanding loan portfolio. There are no NPLs in the top ten loan accounts.

Secured and Unsecured Loans

The following table sets forth the Bank's secured and unsecured loans, and the type of collateral as of the dates indicated:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Secured	447,821	32.7%	483,521	32.4%	512,761	35.5%	511,483	35.7%
Real estate mortgage	220,587	49.3%	278,099	57.5%	257,311	50.2%	261,086	51.0%
Chattel mortgage	54,731	12.2%	57,037	11.8%	51,821	10.1%	50,868	9.9%
Others	172,503	38.5%	148,385	30.7%	203,629	39.7%	199,529	39.0%
Unsecured	921,523	67.3%	1,008,129	67.6%	932,434	64.5%	921,489	64.3%
Total	**1,369,344**	**100.0%**	**1,491,650**	**100.0%**	**1,445,195**	**100.0%**	**1,432,972**	**100.0%**

As of 30 September 2021, 64.3% of the Bank's total loans are unsecured.

(a) ***Loans to Directors, Officers, Shareholders and their Related Interests***

The Bank extends loans to its directors, officers, shareholders and their related interests (collectively referred to as **DOSRI**) in the normal course of business and on equal terms with those offered to unrelated third parties. The BSP imposes an aggregate ceiling of 15% of the bank's loan portfolio for these types of loans or 100% of net worth, whichever is lower with the unsecured portion limited to 30% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. As of 30 September 2021, DOSRI loans amounted to 1.36% of the Bank's total loans and advances.

Loan Classification and Loan Loss Provisioning

In measuring credit risk of loans and advances at a counterparty level, the Bank considers three components: (i) the probability of default by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development; and (iii) the likely recovery ratio on the defaulted obligations. In the evaluation process, the Bank also considers the conditions of the industry and sector to which the counterparty is exposed, other existing exposures to the industry/sector to which the counterparty may be related as well as the client and the Bank's fallback position assuming the worst-case scenario. Outstanding and potential credit exposures are reviewed to likewise ensure that they conform to existing internal credit policies.

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various counterparty categories. The Bank has internal credit risk rating systems that are designed for corporate, SMEs and retail accounts, that measure the borrower's credit risk based on quantitative and qualitative factors. The ratings of individual borrowers may subsequently fluctuate between classes as the assessment of the borrower's probability of default changes. For retail, the consumer credit scoring system is a formula-based model for evaluating each credit application against a set of characteristics that are considered relevant and reliable in predicting repayment. The Bank regularly validates the performance of the rating systems and their predictive power with regard to default events and enhances them if necessary.

The Bank's internal ratings are created in line with general BSP guidelines in administering and classifying loans and are classified as follows:

- Unclassified Loans – these are loans that do not have a greater-than-normal risk and do not possess the characteristics of loans classified below. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated;
- Loans especially mentioned – these are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase the credit risk of the Bank;
- Substandard Loans – these are loans which appear to involve a substantial degree of risk to the Bank because of unfavourable records or unsatisfactory characteristics. Further, these are loans with well-defined weaknesses which may include adverse trends or development of a financial, managerial, economic or political nature, or a significant deterioration in collateral;
- Doubtful Loans – these are loans which have weaknesses similar to those of the substandard classification with additional facts, conditions and values that make collection or liquidation in full highly improbable and substantial loss is probable; and
- Loss Loans – these are loans which are considered uncollectible and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

The table below sets forth a summary of the risk classification of the Bank's aggregate loan portfolio as a percentage of outstanding loans as of the dates indicated:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Classified	22,224	1.61%	25,376	1.69%	61,706	4.24%	62,253	4.32%
Especially mentioned	7,779	0.56%	8,721	0.58%	15,468	1.06%	21,128	1.47%
Substandard secured	2,558	0.19%	2,145	0.14%	21,812	1.50%	12,356	0.86%
Substandard unsecured	5,399	0.39%	6,811	0.45%	14,019	0.96%	14,497	1.01%
Doubtful	2,542	0.18%	3,124	0.21%	4,605	0.32%	10,086	0.70%
Loss	3,946	0.29%	4,575	0.30%	5,802	0.40%	4,186	0.29%
Unclassified	1,355,574	98.39%	1,475,934	98.31%	1,392,465	95.76%	1,378,204	95.68%
Total	**1,377,798**	**100.00%**	**1,501,310**	**100.00%**	**1,454,171**	**100.0%**	**1,440,457**	**100.0%**

(a) ***Non-Performing Assets***

The table below sets forth details of the NPAs (as defined in the table below), non-accruing loans, Real and Other Properties Acquired (**ROPA**) (as defined in the table below), restructured loans and write-offs for loan losses as of the dates indicated:

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(₱ millions, except percentages)			
Total Loans (gross)	1,369,344	1,491,650	1,444,195	1,432,972
Non-performing loans (NPLs), gross(1)	25,391	24,835	38,753	39,097
Non-performing loans (NPLs), net(1)	12,794	9,531	24,270	12,905
ROPA, Gross	6,617	6,010	5,788	6,080
ROPA, Net	3,363	3,155	2,971	3,154
Total non-performing assets (NPAs), net	16,157	12,686	27,241	16,059
Total assets	2,085,228	2,205,030	2,233,443	2,260,387
NPAs to total assets	0.77%	0.58%	1.22%	0.71%
Allowance for impairment and credit losses (total)	25,684	28,220	47,465	54,035
Allowance for credit losses (loans)	22,430	25,366	44,648	51,109
Allowance for impairment losses (ROPA)	3,254	2,854	2,817	2,926
Allowance for credit losses (loans) to total non-performing loans, gross	88.3%	102.1%	115.2%	130.7%
Allowance for impairment and credit losses (total) to total non-performing assets	80.2%	91.5%	106.6%	119.6%
Total restructured loans	217.3	440.2	15,875	28,338
Restructured loans to total loans (gross)	0.02%	0.03%	1.10%	1.98%
Loans – written off	2,276	2,645	5,243	3,045

Note:
(1) NPLs for December 2018, December 2019 and September 2021 are based on BSP circular 941.

(b) *Sectoral analysis of non-performing loans*

The following table sets forth, as at the dates indicated, the Bank's gross NPLs by the respective borrowers' industry or economic activity and as a percentage of the Bank's gross NPLs as of the dates indicated:

	As of 31 December						As of 30 September	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Consumer	5,793	22.8%	6,361	25.6%	9,905	25.6%	9,524	24.4%
Manufacturing (various)	1,285	5.1%	2,876	11.6%	3,040	7.8%	3,432	8.8%
Real estate, renting and other related activities	7,760	30.6%	6,894	27.8%	12,823	33.1%	11,398	29.2%
Wholesale and retail	3,448	13.6%	2,619	10.5%	3,632	9.4%	3,950	10.1%
Agriculture, fishing and Forestry	747	2.9%	746	3.0%	939	2.4%	836	2.1%
Electricity, gas and water	335	1.3%	349	1.4%	341	0.9%	310	0.8%
Transport and storage	392	1.5%	336	1.4%	258	0.7%	608	1.6%
Information and communication	724	2.9%	609	2.5%	666	1.7%	471	1.2%
Construction	769	3.0%	918	3.7%	1,038	2.7%	3,894	10.0%
Financial intermediaries	276	1.1%	329	1.3%	300	0.8%	258	0.7%
Others	3,862	15.2%	2,798	11.2%	5,811	15.0%	4,416	11.1%
Total	**25,391**	**100.0%**	**24,835**	**100.0%**	**38,753**	**100.0%**	**39,097**	**100.0%**

Changes in Directors and Management

Newly appointed Directors

1. **Cesar V. Purisima**

   On 20 January 2021, Mr. Cesar V. Purisima was elected as an Independent Director replacing Mr. Xavier P. Loinaz.

   Mr. Cesar V. Purisima, Filipino, 61, was first elected as Independent Director of the Bank of the Philippine Islands during its Board meeting held on 20 January 2021. Mr. Purisima was also re-elected as Independent Director for the term 2021-2022. He is also an Independent Director of BPI Capital Corporation, a BPI subsidiary.

   Mr. Purisima currently holds the following directorships in publicly-listed companies: Independent Director of Ayala Land, Inc.; Independent Director of Universal Robina Corporation; and Independent Director of Jollibee Foods Corporation.

   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. 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.

Mr. Purisima is a Certified Public Accountant and has extensive experience in public accounting both in the Philippines and abroad. Apart from his private sector experience, he also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the 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. 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.

He is also a founding partner of lkhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the Board of AlA Group Limited, and a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation.

He is a member of Singapore Management University's lnternational Advisory Council in the Philippines. 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 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.

2. Janet Guat Har Ang

On 19 May 2021, Ms. Janet Guat Har Ang was elected as an Independent Director replacing Ms. Mercedita S. Nolledo

Ms. Janet Guat Har Ang, Singaporean, 61, was elected as Independent Director of the Bank of the Philippine Islands during its Board meeting held on 19 May 2021.

Ms. Janet Guat Har Ang is currently the Chairperson of SISTIC.com and non-Executive Director at Singapore Press Holdings Limited.

Ms. Ang spent 32 years with IBM Singapore and was IBM Vice President, Head of Industry Solutions and Smarter Cities & Industry Solutions for Asia Pacific from 2015 to 2019 and prior to that, IBM Singapore Managing Director from 2001 to 2003 and again from 2011 to 2015. She is a veteran in the techology industry and has lived and worked in Japan and China for over a decade. Janet has a diverse background having managed IBM Services in Greater China, IBM Sales Operations across Asia Pacific and Lenovo Desktop Operations globally.

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

She is the Deputy Chairman of the Singapore Business Federation Foundation, and Member of the Board of the Esplanade Company Ltd, and the Home Team Science & Technology Agency (HTX), chairing its Finance & Risk Committee.

She serves as Chairman of the NUS Institute of Systems Science, the Caritas Singapore Agape Fund Board of Trustees, SISTIC.com and the Singapore Polytechnic Board of Governors.

Janet serves on the NUS Alumni Advisory Board and the Council for Board Diversity as well as the Singapore Business Federation chairing its Digitalisation Committee. She is a Fellow of the Singapore Computer Society, is a Member of the International Women's Forum (Singapore), and an alumnus of the IBM Industry Academy. She has been appointed as Singapore's Non-Resident Ambassador (Designate) to the Holy See and Nominated MP of the Parliament of Singapore.

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

3. René G. Bañez

On 18 August 2021, Atty. René G. Bañez was elected as a Non-Executive Director replacing Ms. Rebecca G. Fernando.

Atty. René G. Bañez, Filipino, 66, was elected as Non-Executive Director of the Bank of the Philippine Islands during its Board meeting held on 18 August 2021. Atty. Bañez is also a member of the Board of Directors of BPI subsidiaries including BPI Capital Corporation, BPI Family Savings Bank, Inc., and BPI Asset Management and Trust Corporation.

Atty. Bañez served in the government 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. Apart from serving the government, Atty. Bañez also served in the private sector and held senior level positions in Isla Lipana & Co./PwC Philippines (formerly Joaquin Cunanan & Co.), Metro Pacific Investment Corporation and PLDT. He was a faculty member at the Ateneo de Manila University College of Law, handling Taxation, from 1990 to 2007.

Atty. Bañez 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. Until his retirement from PLDT 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.

He is also 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. He is also 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).

Atty. Bañez graduated with a Bachelor of Laws degree in 1981 and his Bachelor of Arts degree in 1976 both from Ateneo de Manila University.

4. Ramon R. Del Rosario, Jr.

In its meeting on 20 January 2021, the Board elected Ramon R. Del Rosario, Jr. as a Non-Executive Director, reclassifying him from Independent Director to Non-Executive Director.

Newly appointed Officers

1. Jose Teodoro K. Limcaoco

On 22 April 2021, Mr. Jose Teodoro K. Limcaoco was elected as President, replacing Mr. Cezar P. Consing.

Mr. Jose Teodoro K. Limcaoco, Filipino, 59, was elected as Executive Director of the Bank of the Philippine Islands for the term 2021-2022. Mr. Limcaoco also serves as Chairman of BPI's thrift bank, investment bank, asset management, and property and casualty insurance, and vice chairman of its leasing and rental, foundation; and is also a board director of BPI's life insurance and UK bank subsidiaries.

Before coming to BPI, he was the Chief Finance Officer, Chief Risk Officer, and Chief Sustainability Officer of Ayala Corporation, a PSE-listed company. He was the President and CEO of AC Ventures Holding Corp. He was also a Director of several Ayala companies, including publicly listed Globe Telecom and Integrated Micro-electronics Inc., and the energy, infrastructure, industrials and healthcare companies of Ayala. He was also a director of the company that operates Zalora Philippines. He remains a director of Mynt, operator of GCash.

Previously, he served as President of BPI Family Savings Bank from 2010-2015 and President of BPI Capital Corporation from 2007-2010. He has also served as Officer-in-Charge for Ayala Life Assurance, Inc. and as Director and Chairman of Ayala Plans, Inc.

Mr. Limcaoco joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including 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. in Singapore and New York and with BZW Asia.

He is the President of FTL Holdings Corporation and a Director of AC Energy International, Inc. (formerly Presage Corporation), Olimpia Condo Corporation, Gym & Sports Pte Ltd., Globe Fintech Innovations Inc. and Just For Kids, Inc., a family business. He is a Trustee of Ayala Group Club, Inc. and a Past President of the Rotary Club of Makati West.

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

Debt Capital Markets

Medium-Term Note (MTN) Program

On 21 June 2018, the Board of Directors of BPI has approved the establishment of the Medium-Term Note Program in the aggregate amount of up to US$2,000 million with drawdowns as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face Amount (in ₱ millions)
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572
CHF 100 million, 2-year senior unsecured Green Bonds	September 24, 2019	0.00%	September 24, 2021	5,250

The CHF-denominated bonds are designated as hedged items in a cash flow hedge initiated by BPI in 2019. These bonds matured on 24 September 2021, resulting in a cash settlement of CHF100 million or ₱5,493 million.

Peso Bond and Commercial Paper Program

On 24 January 2020, BPI issued ₱15.3 billion worth of First Tranche Bonds under the ₱100 billion Bond Program at an interest rate of 4.2423% per annum payable quarterly, with a tenor of two years.

On 27 March 2020, BPI issued ₱33.9 billion worth of Second Tranche Bonds under the ₱100 billion Bond Program at an interest rate of 4.0500% per annum payable quarterly, with a tenor of one and a half years. This bond matured on 27 September 2021.

On 07 August 2020, BPI issued ₱21.5 billion worth of Third Tranche Bonds under the ₱100 billion Bond Program at an interest rate of 3.0500% per annum payable quarterly, with a tenor of 1.75 years.

These debt capital market issuances provided the BPI Group with more diversified sources of funding while offering clients attractive fixed income investment opportunities and are complementary to the bank's deposit-taking operations.

Total unissued amount under its ₱100 billion Bond Program is ₱29.3 billion as of the date of this Pricing Supplement.

Merger with BPI Family Savings Bank Inc.

The proposed merger between BPI and BFSBI, with BPI as the surviving entity (**Merger**), has been approved by the: (a) Board of Directors and stockholders of BPI at their respective meetings held on 24 February 2021 and 22 April 2021; and (b) Board of Directors and stockholders of BFSBI at their respective meetings held on 24 February 2021 and 21 April 2021. BPI and BFBSI have secured the consent of the Philippine Deposit Insurance Corporation on the proposed merger on 30 June 2021 and the approval of the Monetary Board in its Resolution dated 30 September 2021 as reflected in the letter of the Bangko Sentral ng Pilipinas dated 4 October 2021. On 21 December 2021, the SEC issued a Certificate of Filing of the Articles and Plan of Merger. Following the Plan of Merger, the merger took effect on 1 January 2022. While BPI expects the Merger to unlock value through enhanced synergy and scale of the surviving entity, there is no assurance that these will be fully realized or that the Merger will have the anticipated effects. The expected synergies may not materialize due to difficulties, delays or unexpected costs in implementing the integration of BPI and BFSBI.

Dividends

On 19 May 2021, the Board of BPI declared a regular cash dividend of ₱0.90 per share, for the first semester of 2021 on the total outstanding common shares of the capital stock of BPI, payable to all common stockholders of record as of 02 June 2021 and payable/distributable on 23 June 2021. Total dividends declared in June amounted to ₱4.1 billion.

On 17 November 2021, the Board of BPI declared a regular cash dividend of ₱0.90 per share, for the second semester of 2021 on the total outstanding common shares of the capital stock of BPI, payable to all common stockholders of record as of 02 December 2021 and payable/distributable on 24 December 2021.

Increase in Authorized Capital Stock

On 24 February 2021, the Board approved the increase in BPI's authorized capital stock from ₱49,600,000,000 divided into 4,900,000,000 common shares and 60,000,000 Preferred "A" shares, both classes of shares with a par value of ₱10 per share, to ₱50,600,000,000 divided into: 5,000,000,000 common shares with a par value of ₱10 per share and 60,000,000 Preferred "A" shares with a par value of ₱10 per share and the corresponding amendment to the Articles of Incorporation (**Amendment**). The Amendment was likewise approved by the stockholders representing at least two-thirds of the total outstanding shares of the Bank on 22 April 2021. On 08 June 2021, the BSP approved the Amendment. On 21 December 2021, the SEC approved the Amendment..

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Pricing Supplement. The selected financial information presented below as of and for the years ended 31 December 2018, 2019, and 2020 were derived from the audited consolidated financial statements prepared in accordance with accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks, and audited by Isla Lipana & Co., in accordance with PSA. The selected financial information presented below as of and for the three months ended 30 September 2021 and 2020 were derived from the reviewed condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks and reviewed by Isla Lipana & Co. in accordance with PSRE. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

SELECTED CONSOLIDATED STATEMENTS OF INCOME[1]

	For the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	(₱ millions, except for earnings per share) (audited)			(₱ millions, except for earnings per share) (reviewed)	
Interest income on					
Loans and advances	68,683	86,056	82,312	63,271	53,836
Investment securities	9,615	12,709	12,052	9,021	7,505
Deposits with BSP and other banks	1,173	1,722	1,944	1,456	1,262
	79,471	100,487	96,308	73,748	62,603
Interest and finance charges					
Deposits	21,255	28,874	18,986	15,833	7,494
Bills payable and other borrowed funds	2,599	6,038	5,058	3,699	3,941
	23,854	34,912	24,044	19,532	11,435
Net interest income	55,617	65,575	72,264	54,216	51,168
Impairment losses	4,719	5,562	28,000	20,472	10,251
Net interest income after impairment losses	50,898	60,013	44,264	33,744	40,917
Other income					
Fees and commissions	7,828	9,068	8,899	11,023	13,800
Income from foreign exchange trading	2,128	2,111	2,155	1,715	1,565
Income attributable to insurance operations	1,223	1,223	1,506	1,199	1,299
Trading gain on securities	719	3,882	3,310	2,594	257
Net gains (losses) on disposals of investment securities at amortized cost	-	128	4,647	4,209	1,499
Other operating income	9,105	10,275	9,142	1,251	2,034
	21,003	26,687	29,659	21,991	20,454
Other expenses					
Compensation and fringe benefits	15,201	17,369	18,005	13,572	13,785
Occupancy and equipment-related expenses	11,837	14,736	14,606	10,463	11,522
Other operating expenses	15,047	16,239	15,543	11,211	11,183
	42,085	48,344	48,154	35,246	36,490
Income before income tax	29,816	38,356	25,769	20,489	24,881
Provision for income tax					
Current	7,300	9,975	10,751	8,502	5,881
Deferred	(687)	(620)	(6,845)	(5,393)	1,357
	6,613	9,355	3,906	3,109	7,238
Net income from continuing operations	23,203	29,001	21,863	17,380	17,643
Net (loss) income from discontinued operations	126	82	(211)	(79)	-
Net income after tax	23,329	29,083	21,652	17,301	17,643
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from:					
Continuing operations	5.33	6.38	4.79	3.81	3.87
Discontinued operations	0.01	0.01	(0.05)	(0.01)	-
Income (loss) attributable to equity holders of BPI arising from:					
Continuing operations	23,014	28,761	21,620	17,212	17,475
Discontinued operations	64	42	(211)	(40)	-
	23,078	28,803	21,409	17,172	17,475
Income attributable to the non-controlling interests arising from:					
Continuing operations	189	240	243	168	168

	For the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	(₱ millions, except for earnings per share) (audited)			(₱ millions, except for earnings per share) (reviewed)	
Discontinued operations…………………………	62	40	-	(39)	-
	251	280	243	129	168
Income Attributable to:					
Equity holders of the Bank	23,078	28,803	21,409	17,172	17,475
Non-controlling Interest	251	280	243	129	168
Net income	23,329	29,083	21,652	17,301	17,643

Note:

(1) 2018, 2019, 2021 and September 2020 restated with impact of discontinued operation arising from BPICTL transaction.

STATEMENTS OF CONDITION

	As of 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	(₱ millions) (audited)			(₱ millions) (reviewed)	
Resources					
Cash and other cash items	43,536	47,256	37,176	26,904	28,549
Due from BSP	225,907	207,845	223,989	238,695	257,305
Due from other banks	12,477	22,356	40,155	22,016	55,381
Interbank loans receivable and securities purchased under agreements to resell	34,323	22,570	30,251	33,190	39,725
Financial assets at fair value through profit or loss	16,721	24,105	37,210	33,218	51,298
Financial assets at fair value through other comprehensive income	37,206	53,905	130,186	171,056	127,056
Investment securities at amortized cost, net	287,571	275,105	244,653	207,975	230,231
Loans and advances, net	1,354,896	1,475,336	1,407,413	1,383,539	1,387,194
Assets held for sale, net	3,363	3,155	2,971	3,042	3,154
Bank premises, furniture, fixtures and equipment, net	16,252	23,748	18,832	22,887	16,995
Investments in subsidiaries and associates, net	5,659	6,746	7,510	5,858	6,733
Assets attributable to insurance operations	16,582	17,790	18,726	18,014	18,005
Deferred income tax assets, net	8,536	9,706	17,525	15,418	15,927
Other assets, net	22,199	15,407	16,846	21,191	22,834
Total resources	2,085,228	2,205,030	2,233,443	2,203,003	2,260,387
Liabilities and Capital Funds					
Liabilities					
Deposit liabilities	1,585,746	1,695,343	1,716,177	1,684,738	1,796,966
Derivative liabilities	3,891	2,877	5,657	5,643	4,383
Bills payable and other borrowed funds	166,901	150,837	151,947	154,506	93,740
Due to BSP and other banks	3,988	2,946	1,491	1,818	1,319
Manager's checks and demand drafts outstanding	6,931	8,299	7,108	5,945	7,077
Accrued taxes, interest and other expenses	9,057	9,865	8,902	9,074	7,766
Liabilities attributable to insurance operations	14,056	14,061	14,347	13,278	13,112
Deferred credits and other liabilities	43,120	47,768	45,857	40,910	42,149
Total liabilities	1,833,690	1,931,996	1,951,486	1,915,912	1,966,512
Capital funds attributable to the equity holders of the Bank					
Capital stock	44,961	44,999	45,045	45,033	45,131
Paid-in-surplus	74,181	74,449	74,764	74,679	74,870
Reserves	4,096	5,108	416	5,143	534
Surplus	127,459	147,460	165,509	160,594	178,838
Accumulated other comprehensive loss	(2,176)	(2,439)	(5,899)	(2,011)	(7,566)
	248,521	**269,577**	**279,835**	**283,438**	**291,807**
Non-controlling interest	**3,017**	**3,457**	**2,122**	**3,653**	**2,068**
Total capital funds	251,538	273,034	281,957	287,092	293,875
Total liabilities and capital funds	**2,085,228**	**2,205,030**	**2,233,443**	**2,203,003**	**2,260,387**

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	(₱ millions) (audited)			(₱ millions) (reviewed)	
Net cash provided by (used in) operating activities	(104,550)	33,352	89,254	76,856	99,755
Net cash provided by (used in) investing activities	(30,130)	(18,158)	(49,625)	(53,357)	14,209
Net cash provided by (used in) financing activities	125,821	(29,396)	(8,111)	(1,067)	(63,305)
Cash and cash equivalents at beginning of the year	322,129	313,270	299,068	299,068	330,586
Cash and cash equivalents at end of the period	313,270	299,068	330,586	321,500	381,245

SELECTED CONSOLIDATED FINANCIAL RATIOS AND PER SHARE DATA

	As of and for the years ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
Return on average assets[(1)]	1.2%	1.4%	1.0%	1.1%	1.1%
Return on average equity[(2)]	10.2%	11.0%	7.7%	8.3%	8.3%
Net interest margin[(3)]	3.1%	3.4%	3.5%	3.5%	3.3%
Cost-to-income ratio[(4)]	55.5%	52.4%	47.2%	46.3%	50.9%
Gross loans to deposits[(5)]	86.4%	88.0%	84.2%	84.3%	79.7%
Tier 1 capital adequacy ratio[(6)]	15.2%	15.2%	16.2%	17.7%	16.8%
Total capital adequacy ratio[(7)]	16.1%	16.1%	17.1%	16.8%	17.6%
Total tangible capital funds to total tangible assets[(8)]	11.8%	12.3%	12.5%	12.9%	12.9%
Total gross non-performing loans (90-day) to total gross loans[(9)]	1.9%	1.7%	2.7%	3.0%	2.7%
Allowances for credit losses to total gross loans[(10)]	1.7%	1.7%	3.1%	3.0%	3.6%
Allowances for credit losses to total gross non-performing loans (90-day)[(11)]	88.3%	102.1%	115.2%	100.4%	130.7%
Specific provisions to gross loans	1.7%	1.7%	3.2%	3.1%	3.7%
Dividend payout ratio[(12)]	36.2%	35.2%	28.2%	10.5%	14.2%
Dividend per Share (₱)	₱1.80	₱1.80	₱1.80	₱0.90	₱0.90
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from[(13)]					
Continuing operations (₱)	₱5.33	₱6.38	₱4.79	₱3.81	₱3.87
Discontinued operations (₱)	₱0.01	₱0.01	₱(0.05)	₱(0.01)	-

Notes:

(1) Net income divided by average total assets for the period indicated. Average total assets is based on the monthly average balance of total assets for the years ended 31 December 2018, 2019 and 2020, and for the nine months ended 30 September 2021 and 2020.

(2) Net income divided by average total equity for the period indicated. Average total equity is based on the monthly average balance of equity for the years ended 31 December 2018, 2019 and 2020, and for the nine months ended 30 September 2021 and 2020

(3) Net interest income divided by average interest-earning assets.

(4) Total operating expenses (net of provision for credit and impairment losses) divided by net interest and other income.

(5) Total receivable from customers divided by total deposit liabilities.

(6) Net Tier 1 capital divided by total risk weighted assets (under Basel III).

(7) Total qualifying capital less deductions divided by total risk weighted assets (under Basel III).

(8) Total Equity, net of deferred charges divided by total assets, net of deferred charges.

(9) Total gross non-performing loans (90-day NPLs) divided by total receivable from customers net of unearned interest and discount. Data as of 31 December 2019 is based on BSP Circular No. 941.

(10) Total allowance for credit losses on receivable from customers divided by receivable from customers.

(11) Total allowance for credit losses on receivable from customers divided by total gross 90-day NPLs.

(12) The ratios were computed as total dividend declared during the year divided by prior year's net income.

(13) Net income divided by total weighted average number of shares outstanding.

INVESTMENT CONSIDERATIONS

This section updates and discusses additional risks to those stated in the Offering Circular. The following section is qualified in its entirety by, and should be read in conjunction with, the more detailed information found in the Offering Circular.

Risks Relating to the Bank and its Business

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

As part of its strategy, BPI aims to lead in digital banking by leveraging its early investments in digitalizing its systems. As clients adopt digitalization, BPI expects to rationalize its branches through re-location, consolidation or co-location. The remaining branches will undergo physical transformation and will be segmented depending on the client preferences in the area. At the same time, BPI aims to become the main operating bank of its corporate clients, capitalizing on its robust transaction platforms and optimizing funding cost. BPI will also continue to reposition its loan book by increasing exposure to SME and consumer loans. As part of its thrust for sustainable banking, BPI launched its sustainability agenda and made significant commitments i.e. become the most financially inclusive bank through BPI Direct BanKo, no additional commitments to finance greenfield coal power generation projects and support the Task Force on Climate-related Financial Disclosures.

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

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

In addition, new business endeavors may require knowledge and expertise which differ from those used in the current business operations of BPI, including different management skills, risk management procedures, guidelines and systems, credit risk evaluation, monitoring and recovery procedures. BPI may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant managerial and operational resources, which BPI may not be able to procure on a timely basis or at all. Finally, BPI may not be successful in its aim to diversify its coal and non-renewable energy projects due to the Philippines' deficit in energy supply versus demand. BPI's inability to implement its business strategy and adequately manage the related risks could have a material adverse effect on the business, financial condition and results of operations of BPI.

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

The prevalence of smart phones and other connectivity devices, and mobile data applications has increased the number of platforms providing online payment solutions, electronic money and wallets, and other similar services and products. The emergence of such web- and app-based products and services has significantly increased competition with those traditionally provided by banks, such as BPI. The quarantine and other movement restrictions imposed in connection with the COVID-19 pandemic also serve to increase demand for such digital and online solutions.

Banks compete with expanding financial technology (**fintech**) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others. Moreover, to date, the BSP has granted six (6) digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, and (vi) Maya Bank. These are in addition to banks offering no-branch banking services through their respective mobile apps such as CIMB Bank Philippines and ING Bank N.V. Manila which both provide all-online retail banking services despite having existing commercial and universal banking licenses, respectively.

Any inability on the part of BPI to recognize and quickly respond to changes in customer preferences by upgrading its existing infrastructure and systems may impact its competitiveness in the marketplace, which would in turn negatively impact its business, results of operations and financial condition. While BPI invests substantially in technological upgrades and aims to remain up to date with banking technology in the Philippines, there are no significant barriers that prevent its competitors from adopting more advanced technology for their products and services. Accordingly, there can be no assurance that it will be able to maintain its technological competitiveness with its competitors. Furthermore, BPI may need to incur a significant amount of research and development and/or capital expenditures to maintain its technological competitiveness. Failure to maintain its technological competitiveness or its brand image may have a material adverse impact on its fee-based revenue and its ability to attract new deposits from affluent retail and corporate customers, which in turn may lead to an increase in costs of funding and loss of business and result in a material adverse effect on its business, financial condition and results of operations.

BPI has some concentration of loans to certain customers and to certain industries and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of 30 September 2021, BPI's total exposure to borrowers was ₱1.4 trillion. The Bank monitors its large exposures to individual borrowers and borrower groups as the BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth. BPI is committed to ensure strict compliance with laws, regulations and reporting requirements relating to single borrower limits. Although BPI continues to adopt risk controls and diversification strategies to minimize risk concentrations, financial difficulties in these industries could increase the level of non-performing assets and restructured assets, and adversely affect BPI's business, its financial condition and results of operations.

BPI may face increasing levels of NPLs, provisions for impairment losses and delinquencies in its loan portfolio, which may adversely affect BPI's business, financial condition, results of operations, and capital adequacy.

BPI's results of operations have, and continue to be, affected by the level of its NPLs. BPI's total gross NPLs remained manageable and below the industry average. BPI plans to continue to expand its microfinance, **SME** and consumer loan operations, including credit card services. Such expansion plans will increase BPI's exposure to microfinance, SME and consumer debt, and volatile economic conditions in the Philippines may adversely affect the future ability of BPI's borrowers, including microfinance, SME borrowers and credit card holders, to meet their obligations under their indebtedness and, as a result, BPI may continue to experience increasing levels of NPLs and provisions for impairment losses in the future.

Volatile economic conditions in the Philippines and overseas, including volatile exchange and interest rates, may adversely affect many of BPI's customers, causing uncertainty regarding their ability to fulfill obligations under BPI's loans and significantly increasing BPI's exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in BPI's credit card portfolio in the future. Any significant increase in BPI's NPLs or delinquencies in BPI's credit card portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

As a result of the COVID-19 pandemic, BPI has seen an increase in the level of NPL attributable to the temporary and/or permanent closure of certain businesses, suspended business operations and limited travel and exchange of goods. The actual delinquency status or effect on the NPL levels across different segments and products became evident this year and may be on a steady increase up to early to mid-2022.

BPI may be unable to recover the assessed value of its collateral when its borrowers default on their obligations, which may expose BPI to significant losses.

A portion of BPI's loans are secured and the collateral on these secured loans include real property. There can be no assurance that the collateral securing any particular loan will protect BPI from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of BPI's collateral may not accurately reflect its liquidation value, which is the maximum amount BPI is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover BPI's loans.

In addition, some of the valuations in respect of BPI's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing BPI's loans, including with respect to any future collateral taken by BPI, would mean that its provisions for credit losses may be inadequate and BPI may need to increase such provisions. Any increase in BPI's provisions for credit losses could adversely affect its business, its financial condition, results of operations and capital adequacy ratio (**CAR**).

In addition, BPI may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, BPI to legal liability while in possession of the collateral. These difficulties may significantly reduce BPI's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. BPI initially carries the value of the foreclosed properties at the lower of loan exposure or fair value of the properties at the time of foreclosure. Subsequently, the foreclosed properties are carried at the lower of amount initially recognized or fair value less cost to sell. While BPI, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and to prevent their deterioration. In realizing cash value for such properties, BPI may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that BPI will be able to realize the full value, or any value, of any collateral on its loans.

BPI's provisioning policies with respect to NPLs require significant subjective determinations which may increase the variation of application of such policies.

BSP regulations require that Philippine banks classify NPLs based on four different categories corresponding to levels of risk: loans especially mentioned, substandard, doubtful and loss. Generally, classification depends on a combination of a number of qualitative as well as quantitative factors such as the number of months payment is in arrear, the type of loan, the terms of the loan, and the level of collateral coverage. These requirements have in the past, and may in the future, be subject to change by the BSP. Periodic examination by the BSP of these classifications may also result in changes being made by BPI to such classifications and to the factors relevant thereto.

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

In addition, the level of loan loss provisions which BPI recognizes may increase significantly in the future due to the introduction of new accounting standards or a turn in the credit cycle.

BPI's failure to manage risks associated with its information and technology systems could adversely affect its business.

BPI is subject to risks relating to its information and technology systems and processes. The hardware and software used by BPI in its information technology is vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses or the interruption or loss of support services from third parties such as internet service providers and telephone companies. For example, in June 2017, an error by one of BPI's system programmers resulted in double-posting of transactions, which affected some 1.5 million of its customers. In addition, due to system upgrade, BPI's systems were unavailable or limited from 07 April 2019 to 10 April 2019. The WFH arrangements necessitated by the quarantine measures imposed in response to the COVID pandemic heightened the cybersecurity risk faced by BPI.

Although the incidents above did not result in material loss or expense to BPI, there can be no assurance that future similar incidents will not result in material adverse losses or expenses to BPI. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in customer suits, loss of income, regulatory investigations, penalties and fines and decreased consumer confidence in BPI. These may, in turn, adversely affect BPI's business, financial condition and results of operations.

BPI also seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by BPI's increased use of the internet. Computer break-ins and security breaches could affect the security of information stored in and transmitted through these computer systems and network infrastructure. BPI employs security systems, including firewalls and password encryption, designed to minimize the risk of security breaches and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and security problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on BPI's business, reputation, financial condition and results of operations.

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

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

Increased enforcement by the BSP related to priority lending for the agrarian reform and agricultural sectors, as well as lending to micro-, small-and-medium-sized enterprises, could adversely affect BPI's business, financial condition and results of operations.

In support of government initiatives to strengthen rural development, Philippine banks, under Republic Act No. 10000 or the Agri-Agra Credit Act of 2009, are required to extend certain loan amounts, equivalent to a certain percentage of its total loan portfolio to agrarian beneficiaries and the agricultural sectors of the Philippines. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank. These fines are calculated based on the relevant rate multiplied by the prescribed Agri-Agra loan amount shortfall. Because BPI is unable to generate sufficient exposure to the Agri-Agra sectors that meet its credit and risk management standards, BPI has paid fines in the past and may continue to do so in the future. There can be no assurance that the Government will not increase its penalties for non-compliance or force banks to lend in accordance with the policy in the future. If the Government substantially increases the penalty for non-compliance or BPI is forced to extend loans to the Agri-Agra sector~~s~~ that are inconsistent with BPI's credit and risk management policies, its business, financial condition and results of operations could be adversely affected.

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

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

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

As of 30 September 2021, BPI has a local long-term bank deposit rating of "Baa2" from Moody's, a long-term local currency issuer default rating of "BBB-" from Fitch, a long-term issuer credit rating of "BBB+" from S&P and "BBB" rating from Capital Intelligence. In the event of a downgrade of BPI by one or more credit rating agencies, BPI may have to accept terms that are not as favourable in its transactions with counterparties or may be unable to enter into certain transactions. This could have a negative impact on BPI's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to downgrade the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a downgrade of ratings. Any downgrade in BPI's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce BPI's liquidity and negatively impact its operating results and financial condition.

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

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

BPI is involved in litigation, which could result in financial losses or harm its business.

BPI is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, BPI and/or subject BPI to significant liabilities to third parties. Due to the robust legal risks management policies and practices, we see no possibility that by the type and nature of the litigation items may results to material harm on BPI's business, reputation or standing in the market place despite the fact that in some cases, there is no assurance that BPI will be able to recover any losses incurred from third parties, regardless of whether BPI is at fault. Furthermore, while there can be no assurance that losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of BPI's insurance, there is strong indications that that any such losses would not have a material adverse effect on the results of BPI's business, financial condition or results of operation. As of this date provisions made for litigation related losses will be sufficient to cover BPI's ultimate loss or expenditure based on the existing and projected value of claims by prospective adverse parties.

BPI may not realize the anticipated synergies from the merger with BFSBI.

On 20 January 2021, the respective boards of directors of BPI and BPI Family Savings Bank approved the Merger, where BPI will be the surviving corporation. The Merger was subsequently approved by stockholders of BPI on 22 April 2021 and of BPI Family Savings Bank on 21 April 2021.

Subsequently, the Philippine Competition Commission (**PCC**), in its letter dated 25 May 2021, indicated that the BPI and BFSBI merger is exempt from compulsory notification. Moreover, the Philippine Deposit Insurance Corporation, in its letter dated 06 July 2021, has also granted its consent to the proposed merger of BPI and BFSBI, subject to certain conditions. The BSP, in its letter to BPI dated 04 October 2021, indicated that the Monetary Board of BSP approved the proposed merger on 30 September 2021. On 21 December 2021, the SEC approved the merger and issues a Certificate of Filing of the Articles and Plan of Merger, effective 1 January 2022.

While BPI expects the Merger to unlock value through enhanced synergy and scale of the surviving entity, there is no assurance that these will be fully realized or that the Merger will have the anticipated effects. The expected synergies may not materialize due to difficulties, delays or unexpected costs in implementing the integration of BPI and BFSBI.

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

The Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank margins, low loan growth and potential or actual under-capitalization of the banking system. Disruptions in the Philippine financial sector, or general economic conditions in the Philippines may cause the Philippine banking industry in general, and BPI in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

In 2020, the Philippine banking industry faced a substantial increase in non-performing loans as the COVID-19 pandemic disrupted business activities and increased the numbers of unemployed. Industry NPL ratio has increased from 2.08% in 31 December 2019 to 4.58% in 30 September 2021. Meanwhile, Philippine banks' NPL coverage ratio decreased from 92.59% in 31 December 2019 to 92.98% in 31 December 2020. NPL coverage ratio decreased to 84.36% as of 30 September 2021.

Banks were forced to increase loan loss provisions and allowances to cover for potential credit losses, which negatively affected net income. Delays in the resumption of economic activities due to recurring mobility restrictions increases the prospects of more deterioration in the banking system's asset quality. Nonetheless, the Philippine Banking industry may withstand the risks posed by COVID-19 due to low interest rates, strong capital position, and adequate liquidity buffers.

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

BPI's banking interests are regulated and supervised principally by the BSP, to which BPI has reporting obligations. BPI is also subject to banking, corporate, taxation, data privacy laws and other relevant laws and regulations in effect in the Philippines, administered by agencies such as the BIR, the PSEC, The Philippine Stock Exchange, Inc. (the **PSE**), the National Privacy Commission (the **NPC**) and the Anti-Money Laundering Council (**AMLC**). BPI is also subject to recommendations and pronouncements of international bodies such as the Financial Action Task Force (**FATF**) which have been adopted, incorporated, or referred to by the BSP in its regulatory issuances.

In recent years, existing BSP and BIR rules have been modified, new regulations and rules have been enacted and reforms have been implemented by the BSP and the BIR which are intended to provide tighter control and added transparency in the Philippine banking sector. Rules governing banks' capital adequacy and reserve requirements, ceilings on loans to subsidiaries and affiliates, as well as limits on the amount of loans, credit accommodations and guarantees to a single borrower have also evolved over the years. Guidelines on the monitoring and reporting of suspected money laundering activities were incorporated into the BSP Manual. Institutions that are subject to the Anti-Money Laundering Act, as amended (**AMLA**) are required to establish and record the identities of their clients based on official documents. In addition, under the AMLA regulations, all records of customer identification and transaction documents are required to be maintained and stored for a minimum of five years from the date of a transaction. Records of closed accounts must also be kept for at least five years after their closure. The AMLA regulations also require covered institutions to report covered and suspicious transactions as defined under the relevant law.

The BSP has also ordered universal, commercial and thrift banks to conduct real estate stress tests to determine whether their capital is sufficient to absorb a severe shock. The Real Estate Stress Test Limit (**REST Limit**) combines a macro-prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. If the explanation is deemed insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame. If a bank fails to submit an action plan or persistently breaches the REST Limits due to non-compliance with the commitments in its submitted action plan, it may be considered to be engaging in unsafe or unsound banking which may subject it to appropriate sanctions.

In June 2016, the BSP implemented the interest rate corridor (**IRC**) which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the "special deposit account" prior to the implementation of the IRC, was replaced by the "overnight deposit facility" with a current rate of 4.25%, and forms the lower bound of the IRC. Meanwhile, the rate for the "overnight lending facility", which replaced the previous repurchase facility, and forms the upper bound of the IRC, is currently at 5.25%. The BSP likewise introduced the "term deposit facility" to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

Additionally, the BSP reduced the rates of required reserves against deposit and deposit substitute liabilities for universal and commercial banks commencing on reserve week 3 April 2020, (and reiterated in Circular No. 1092 for reserve week 31 July 2020), as follows: (a) 12% against demand deposits, savings deposits (excluding basic deposit accounts), time deposits and deposit substitutes, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank), negotiable order of withdrawal (**NOW**) accounts; (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 3% against Fourth Tranche Bonds; and (e) 0% against basic deposit accounts as defined under Section X222 of the Manuel of Regulations for Banks and for interbank call loan transactions (**IBCL**) (Sec. 315).

The BIR has also promulgated rules on the submission of an alphabetical list of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit such list of payees on income payments subject to creditable and withholding taxes and prohibit the lumping into a single amount and account of various income payments and taxes withheld. The Supreme Court, however, issued a temporary restraining order against the said BIR rule on 9 September 2014 insofar as they prohibit the naming of an entity called the Philippine Central Depository (**PCD**) Nominee, or any other securities intermediaries representing the beneficial owner, as the payee for dividend payments made by listed companies.

BPI's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines or significant compliance and monitoring costs resulting from current or future regulations and guidelines could have a material adverse effect on BPI's business, financial condition and results of operations. In addition, as a result of a failure to comply with any current or future regulations and guidelines, BPI may become subject to sanctions, warning or reprimand and incur monetary penalties.

The implementation of Basel III in the Philippines may impose certain restrictions and stricter capital requirements affecting BPI.

On 04 August 2006, the BSP issued Circular No. 538, which contained the implementing guidelines on the revised risk-based capital adequacy framework for the Philippine banking system, in conformity with the recommendations of the International Convergence of Capital Measurement and Capital Standards (Basel II) set by the Basel Committee on Banking Supervision (Basel Committee). The circular, which took effect on 01 July 2007, maintained the minimum CAR at 10.0% and provided the approaches that may be used in computing the regulatory capital requirements for credit, market, and operational risks.

In December 2010, the Basel Committee issued an update to the Basel Accords, known as Basel III that modified the structure of regulatory capital. The Basel III regulations included tighter definitions of qualifying capital, and introduced frameworks for capital conservation buffer, countercyclical buffer, systemically important financial institutions, leverage ratio, and short-term and medium-term quantitative liquidity ratios.

On 15 January 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which took effect in January 2014. Its highlights include:

- Adopting a new categorization of the capital base;
- Keeping minimum CAR at 10.0% and prescribing:
    - A minimum Common Equity Tier 1 (**CET1**) ratio of 6.0%;
    - A minimum Tier 1 ratio of 7.5%; and
    - A capital conservation buffer of 2.5%
- Rendering ineligible existing capital instruments that do not meet eligibility criteria for capital instruments under the revised capital framework; and

- Subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital

On 29 October 2014, the BSP issued Circular No. 856, *Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (**D-SIB**s) under Basel III*, with an amendment issued via Circular No. 1051 on 27 September 2019, to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the Philippine banking industry. Banks identified as D-SIBs, will be required to have higher loss absorbency capabilities, in addition to minimum CET1 capital and capital conservation buffer requirements. Identified D-SIBs will need to put up an additional 1.5% to 2.5% of common equity Tier 1 capital, depending on their classification.

On 09 June 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III leverage Ratio Framework*, requiring covered institutions to maintain a leverage ratio not lower than 5.0%. The leverage ratio, expressed as the proportion of Tier 1 capital against exposure measure, serves as a backstop to the CAR.

On 10 March 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio and Disclosure Standards*, requiring banks to hold a sufficient level of high-quality liquid assets (HQLA) to enable them to withstand a 30-day liquidity stress scenario. On 06 June 2018, the BSP issued Circular No. 1007, *Implementation of Basel III Framework on Liquidity Standards – Net Stable Funding Ratio*, requiring that banks' assets and activities be structurally funded with long-term and more stable funding sources. Although these measures are aimed at strengthening the ability of banks to withstand liquidity stress and promote resilience of the banking sector, compliance with these ratios may also further competition among banks for deposits as well as high quality liquid assets.

On 06 December 2018, the BSP issued Circular No. 1024, *Philippine Adoption of the Basel III Countercyclical Buffer*, imposing a countercyclical buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately.

On 04 May 2020, BSP issued Memorandum No. M-2020-039 allowing universal and commercial banks, and their subsidiary banks and quasi-banks which have built their capital conservation buffer and LCR buffer to utilize such during the state of health emergency. A covered bank which draws down its 2.5% minimum capital conservation buffer will not be considered in breach of the capital adequacy framework. A covered bank which utilizes its capital conservation buffer is restricted from making distributions in the form of dividends, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. A covered bank may draw on its stock of liquid assets to meet liquidity demand even if may cause to maintain an LCR that is below the 100% minimum requirement. However, a covered bank that has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two-week rolling calendar period, causing it to fall below the 100% must notify the BSP on the banking day immediately following the occurrence of the third liquidity shortfall.

They will be given a reasonable time to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic.

As of 30 September 2021, BPI had CAR of 17.64% and Tier 1 ratio of 16.76%. Compliance with these ratios may further increase competition among banks for deposits as well as high quality liquid assets.

Although intended to strengthen banks' capital positions and avoid potential asset bubbles, the foregoing BSP and Monetary Board regulations will add pressure to local banks to meet the additional capital requirements, which may effectively create greater competition among local banks for deposits and temper bank lending. Stricter lending and prudential regulations may reduce the lending appetite of BPI or cause BPI to alter its credit risk management systems, which may adversely affect BPI's business, financial condition, and results of operations.

Compliance to regulatory requirements may impact BPI's ability to grow its business and may even require BPI to withdraw from or to curtail some of its current business operations, which could materially and adversely affect BPI's business, financial condition, and results of operations. Unless BPI is able to access the necessary amount of additional capital, any incremental increase in the capital or liquidity requirement due to the implementation of Basel III may result in BSP-imposed monetary and non-monetary sanctions, including prohibition on the declaration of dividends. While BPI has in place measures to ensure compliance to the requirements of Basel III as implemented by the BSP, there can also be no assurance that BPI will be able to raise adequate additional capital in the future at all or on terms favourable to it.

Developing regulations in relation to climate risk and other environmental and social factors may restrict BPI's growth and impose additional obligations on the Bank's operations

The Bank is subject to environmental and social risks (e.g., physical and transition risks) which may have adverse financial and/or non-financial consequences impacting the Bank's business model and overall financial condition.

In April 2020, the BSP issued Circular 1085 - Sustainable Finance Framework to implement the sustainable finance policy framework, integrating sustainability principles, including those covering environmental and social risk areas, into the corporate governance and risk management frameworks and strategic objectives and operations of banks such as BPI in the Philippines. Under these regulations, banks are required, among others, to institutionalize the adoption of sustainability principles into the bank's risk management framework, consider sustainability implications of the bank's activities and adopt an environmental and social risk management system (**ESRMS**) commensurate to the bank's size, nature and complexity of operations, aligned with internationally recognized principles, standards and global practices. The BSP requires banks to specifically adopt an ESRMS that meets their established criteria and is subject to audit and compliance review and to disclose information on sustainable finance in their annual report. Banks are required to be fully compliant with these regulations within three years of the Circular 1085's effective date.

SUMMARY OF THE OFFER

Issuer	:	Bank of the Philippine Islands (**BPI**).
Issue	:	Peso-denominated bonds under the ₱100 Billion Bond Program
Joint Lead Arrangers	:	BPI Capital Corporation (**BPI Capital**). The Hongkong and Shanghai Banking Corporation Limited (**HSBC**).
Sole Selling Agent	:	BPI Capital.
Participating Selling Agent	:	HSBC.
Trustee	:	Development Bank of the Philippines – Trust Banking Group (**DBP**).
Registrar, Depository and Paying Agent	:	Philippine Depository & Trust Corp. (**PDTC**).
Market Maker	:	Rizal Commercial Banking Corporation (**RCBC**).
Instrument	:	Fixed rate bonds, constituting the direct, unconditional, unsecured and unsubordinated obligations of BPI.
Issue Size	:	Up to ₱5 Billion with option to upsize.
Use of Proceeds	:	For general corporate purposes including refinancing
Issue Price	:	At par (or 100% of face value)
Manner of Distribution	:	Public offering in the domestic market.
Procedure for Distribution, Sale and Registration of the Fourth Tranche Bonds	:	The Issuer shall avail itself of the e-Securities Issue Portal of the Philippine Dealing System Holdings Corp. (**e-SIP**) and register the issuance of the Fourth Tranche Bonds, and the arrangers, underwriters, selling agents, and other stakeholders (**Users**), to the e-SIP facility, in order to allow access and submission of documents and other requirements for the Offer through the e-SIP facility, in lieu of the physical submission thereof to PDTC, Philippine Dealing & Exchange Corp. (**PDEx**) and other operating subsidiaries of the Philippine Dealing System and Holdings Corp. The Users (which may include the Joint Lead Arrangers, Selling Agents, and their clients) agree to accede to the Terms of Use in a manner and form prescribed by PDTC.
Offer Period	:	06 January 2022 to 21 January 2022, or such other date/s as may be agreed upon by the Issuer and the Joint Lead Arrangers.
Issue Date	:	31 January 2022, or such other date as may be agreed upon by the Issuer and the Joint Lead Arrangers.
Maturity Date	:	31 January 2024, or 2 years from Issue Date
Interest Rate	:	2.8068% p.a.
Interest Rate Setting Date	:	05 January 2022, or such other date as may be agreed upon by the Issuer and the Joint Lead Arrangers.
Interest Period and Interest Payment Date	:	Interest shall be payable every quarter in arrear on 31 January, 30 April, 31 July, 31 October, computed based on the outstanding balance of the Fourth Tranche Bonds. Interest on the Fourth Tranche Bonds shall be calculated on a 30/360 basis. If any Interest Payment Date would otherwise fall on a day that is not a Business Day, payments will be made on the subsequent Business Day without adjustment of the amount due.
Manner of Payment of Interest and Principal	:	On each Interest Payment Date and Maturity Date (as applicable), the Issuer shall make available cleared funds to the Paying Agent for payment

		to the relevant Bondholder as shown in the Register of Bondholders to be maintained by the Registrar. The Payment Account shall be opened in the following names, "***PDTC as Paying Agent of BPI BONDS DUE 2024 FAO Bondholders***". All the disbursements for interest and principal payments to be effected out of the said Payment Account shall be signed by the duly designated authorized signatories of the Paying Agent.
Form and Denomination	:	The Fourth Tranche Bonds shall be issued in scripless form. Legal title to the Fourth Tranche Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Fourth Tranche Bonds. A Master Certificate of Indebtedness representing the Fourth Tranche Bonds shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders. The Fourth Tranche Bonds will be offered and sold in minimum principal amounts of ₱1,000,000.00 and in integral multiples of ₱100,000.00 in excess thereof.
Prohibited Holder	:	Means persons and entities which are prohibited from purchasing and/or holding the Fourth Tranche Bonds of BPI pursuant to regulations governing the Bank, specifically: (a) the Issuer, including its related parties such as its subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Issuer exerts direct/indirect control over; the Issuer's DOSRI (as defined under the MORB) and their close family members, and corresponding persons in affiliated companies; and such other person or entity whose interests may pose potential conflict with the Issuer's interest or who are identified as related parties pursuant to Section 131 of the MORB in relation with BSP Circular No. 1062, except (i) the Issuer's trust department or related trust entities, or (ii) an underwriter or arranger that is an Issuer's related party, provided that the holding of the Fourth Tranche Bonds is part of the underwriting agreement, and such underwriter or arranger has complied with the requirements of Governing Regulations; or (b) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding or transfer of the Fourth Tranche Bonds would violate any applicable law or regulation, including but not limited to the rules of the PDEx, BSP, AMLC, or other government regulation in any relevant jurisdiction; or (c) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time, which include: (a) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship); (b) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. ("substantial presence" is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year); (c) a U.S. partnership, U.S. corporation, or U.S. entity; (d) a U.S. estate; (e) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons have the authority to control all substantial decisions of the trust; or (f) any other person that is not a non-US person; or (d) Persons classified as a Restricted Parties.

For purposes of the definition of Prohibited Holders, a "**Subsidiary**" means, a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held, with power to vote, by the Bank. An "**Affiliate**" means, at any particular time, an entity linked directly or indirectly to the Bank by means of: (1) ownership, control, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (2) interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity; (3) common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (4) management contract or any arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or (5) permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa. For a company to be "controlled" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has power over more than one-half of the voting rights by virtue of an agreement with other stockholders, power to govern the financial and operating policies of the enterprise under a statute or an agreement, the power to appoint or remove the majority of the members of the board of directors or other equivalent governing body of that company, power to cast the majority votes at meetings of the board of directors or equivalent governing body, or otherwise controls or has the power to control the company through similar arrangements.

Specific Related Parties : The term "Prohibited Holders" includes BPI's related parties who are in possession or have access to material and non-public information which can affect the pricing and marketability of upcoming and outstanding BPI bond issuances, such as:

1. With respect to any issuance of BPI's bonds:
   - i. BPI Subsidiaries;
   - ii. BPI Affiliates;
   - iii. Directors of BPI;
   - iv. BPI officers holding positions of senior vice president or higher;
   - v. Officers and staff of BPI in the following departments/ divisions/ segments:
     - a. Global Markets;
     - b. Risk Management Office;
     - c. Compliance Office;
     - d. Office of the Corporate Secretary;
     - e. Unibank Centralized Accounting Division;
     - f. Corporate Planning;
     - g. Legal; and
     - h. All Assets and Liabilities Committee attendees;
   - vi. Spouses, children, and parents of all individuals covered by items (iii) to (v) above.

2. With respect to any issuance of BPI's bonds, the following persons for the duration that they are engaged for a proposed issuance of any tranche/ series of BPI's bonds:
   i. Select officers and staff of Arrangers and Selling Agents;
   ii. Select officers and staff of Bond Booking Vehicle;
   iii. Select officers and staff of Legal Counsels;
   iv. Select officers and staff of Auditors;

Tax Exempt/Treaty Documents	:	Bondholders who are exempt from or not subject to final withholding tax, or who are entitled to preferential tax rate may avail of such exemption or preferential tax rate by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Bank, to the Registrar or to the relevant Selling Agent (together with their completed Application to Purchase) who shall then forward the same to the Registrar:

(a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates

(i) For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

(ii) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;

(iii) For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;

(iv) For entities claiming tax treaty relief pursuant to RMO 14-2021 – prior to the payment of interest due:

(a) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries,

(b) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws,

(c) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer,
(d) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and
e) an original or certified true copy of the Certificate of Entitlement (**COE**) issued by the BIR International Tax Affairs Division (**ITAD**) certifying the Bondholder's entitlement to tax treaty relief in connection with the Fourth Tranche Bonds.

The Bondholder shall be responsible for filing a tax treaty relief application (**TTRA**) with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate (**TRC**), together with their Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline.

(v) Any other document that the Bank or PDTC may require from time to time.

Only the originals should be submitted to the Joint Lead Arrangers, the relevant Selling Agent, the Bank or the Registrar.

(b) A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges, acknowledging the Bank's discretion to determine the sufficiency of the tax-exemption documents submitted and the applicable withholding tax, and agreeing to indemnify and hold the Bank and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

(c) Such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Following the submission by the Bondholder of the above-mentioned documents in support of the tax benefits or of tax-exempt status claimed by such Bondholder, the Issuer shall make its own determination in each case as to whether, in its sole, prudent and reasonable discretion, such documents sufficiently establish such tax benefit and/or exemption available for any specific payment on the Fourth Tranche Bonds. Unless the Issuer makes such a determination, the Registrar and Paying Agent will be instructed to proceed on the basis that the relevant tax is due on and withhold such tax on payments under the Fourth Tranche Bonds. Any question on such determination shall be referred to the Issuer.

Early Redemption Option	:	The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) the outstanding Fourth Tranche Bonds starting on the first (1st) anniversary date of said Fourth Tranche Bonds, and every Interest Payment Date (such date, the Early Redemption Date) hereafter, at the amount equal to the Issue Price, plus accrued and unpaid interest thereon as of the Early Redemption Date (the Early Redemption Amount), provided, that if the relevant Early Redemption Date falls on a day that is not a Business Day, then the Early Redemption Amount shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Fourth Tranche Bonds pursuant to this Early Redemption Option. In exercising the Early Redemption Option, the Issuer shall give not less than 30 but not more than 60 days' prior notice (the Early Redemption Notice) to the Bondholders, through the Trustee, PDEx and PDTC. After the issuance of the Early Redemption Notice, the Issuer shall be obliged to repay all of the Fourth Tranche Bonds to be redeemed at the Early Redemption Amount on the Early Redemption Date and, upon confirmation by the Paying Agent that the Early Redemption Amount has been paid, the outstanding Fourth Tranche Bonds shall then be deemed fully redeemed and cancelled.
Final Redemption	:	All Fourth Tranche Bonds outstanding on Maturity Date will be redeemed at par or 100% of face value.
Redemption for Taxation Reasons or Increase in Regulatory Reserves	:	If (a) payments under the Fourth Tranche Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date, or (b) the Issuer becomes subject to increased reserve requirements against Peso denominated obligations that include the Fourth Tranche Bonds, as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax or reserve requirement by Law or by regulation of the BSP cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Fourth Tranche Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.
Issuer Rating	:	Baa2 (Moody's) / BBB+ (S&P) / BBB- (Fitch) / BBB (Capital Intelligence).
Ranking	:	The Fourth Tranche Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will at all times rank *pari passu* and rateably without any preference or priority among themselves and with all other present and future unsecured and

		unsubordinated obligations of the Issuer, other than obligations preferred by the law.
Listing	:	The Issuer intends to list the Fourth Tranche Bonds for electronic trading and settlement on PDEx. Trading, transfer, and/or settlement of the Fourth Tranche Bonds shall be performed in accordance with the procedures set by PDEx and PDTC.
Governing Law	:	Philippine law.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as at 31 December 2020. This table should be read in conjunction with the Bank's audited consolidated financial statements as of 31 December 2020 and the notes presented elsewhere herein.

	As of 31 December 2020 Actual (₱ millions)
Short-term liabilities	
Deposit liabilities	731,596
Derivative liabilities	1,612
Bills payable	57,955
Due to BSP and other banks	1,491
Manager's checks and demand drafts outstanding	7,108
Accrued taxes, interest and other expenses	8,902
Liabilities attributable to insurance operations	11,841
Deferred credits and other liabilities	32,332
Total short-term liabilities	852,837
Long-term liabilities	
Deposit liabilities	984,581
Derivative liabilities	4,045
Bills payable	93,992
Liabilities attributable to insurance operations	2,506
Deferred credits and other liabilities	13,525
Total long-term liabilities	1,098,649
Total liabilities	**1,951,486**
Capitalisation	
Capital stock/Paid-in surplus	119,809
Reserves	416
Surplus	165,509
Accumulated other comprehensive loss	(5,899)
Non-controlling interest	2,122
Total capital funds	281,957
Total capitalisation and indebtedness	**2,233,443**
Capital Ratios[(1)]	
Common Equity Tier 1 ratio	16.17%
Tier 1 capital ratio	16.17%
Total capital ratio	17.06%

Note:

(1) Calculated based on BSP Circular No. 781—Basel III Implementing Guidelines on Minimum Capital Requirements.

SELECTED STATISTICAL DATA

The following unaudited information should be read together with the Bank's consolidated financial statements included in this Pricing Supplement as well as "Risk Management." All amounts presented in this section except for Average Daily Balance and Average Yield/Cost have been prepared in accordance with PFRS/PAS.

Average Statements of Condition and Related Interest[1]

The tables below present the average statements of condition together with the related interest revenue and expense amounts for interest-bearing assets and interest-bearing liabilities, resulting in the presentation of the average yields and costs for each period. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	For the years ended 31 December								
	2018			2019			2020		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₱ millions, except percentages)								
Due from other banks	237,398	404	0.17	225,001	544	0.24	258,057	450	0.17
Interbank loans receivables and securities purchased under agreements to resell	23,913	769	3.22	29,057	1,178	4.05	28,600	1,494	5.22
Financial investments	310,620	9,615	3.10	369,862	12,709	3.44	386,489	12,052	3.12
Loans and advances	1,222,136	68,683	5.62	1,333,541	86,056	6.45	1,397,170	82,312	5.89
Total interest-earning assets......	**1,794,067**	**79,471**	**4.43**	**1,957,461**	**100,487**	**5.13**	**2,070,316**	**96,308**	**4.65**
Deposit liabilities	1,533,114	21,255	1.39	1,608,167	28,874	1.80	1,696,994	18,986	1.12
Derivative instruments:									
Subordinated debt, bills payable, and other borrowings ..	73,460	2,599	3.54	125,590	6,038	4.81	132,398	5,058	3.82
Total interest-bearing liabilities	**1,606,575**	**23,854**	**1.48**	**1,733,756**	**34,912**	**2.01**	**1,829,392**	**24,044**	**1.31**

	For the nine months ended 30 September[1]					
	2020			2021		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₱ millions, except percentages)					
Due from other banks...	256,944	1,114	0.58	253,352	984	0.52
Interbank loans receivables and securities purchased under agreements to resell.......................................	27,541	342	1.66	37,183	278	1.00
Financial investments...	367,865	9,021	3.28	419,624	7,505	2.39
Loans and advances	1,410,029	63,271	5.99	1,359,509	53,836	5.29
Total interest-earning assets	**2,062,379**	**73,748**	**4.78**	**2,069,668**	**62,603**	**4.04**
Deposit liabilities	1,695,041	15,833	1.25	1,686,781	7,494	0.59
Derivative instruments:						
Subordinated debt, bills payable, and other borrowings	127,039	3,699	3.89	131,744	3,941	4.00
Total interest-bearing liabilities................................	**1,822,080**	**19,532**	**1.43**	**1,818,525**	**11,435**	**0.84**

Note:

(1) 2018, 2019, 2021 and September 2020 restated with impact of discontinued operation arising from BPICTL transaction.

Analysis of Changes in Interest Income and Interest Expense – Volume and Rate Analysis[1]

The following tables provide an analysis of changes in interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the year ended for the year ended 31 December 2018 compared to the year ended 31 December 2019 and for the year ended 31 December 2019 compared to the year ended 31 December 2020 and for the nine months ended 30 September 2021 compared to the nine months ended 30 September 2020. Volume and rate variances have been calculated on the movement in average daily balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended 31 December 2018 compared to the year ended 31 December 2019			For the year ended 31 December 2019 compared to the year ended 31 December 2020		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	(₱ millions)					
Interest income on:						
Financial investments	3,094	59,242	0.34	(657)	16,627	(0.32)
Loans and advances	17,373	111,405	0.83	(3,744)	63,629	(0.56)
Deposits with BSP and other banks	549	(7,252)	0.91	222	32,598	1.10
Interest expense on:						
Deposits	7,619	75,052	0.41	(9,888)	88,827	(0.68)
Bills payable and other borrowings	3,439	52,129	1.27	(980)	6,808	(0.99)
Net interest income	**9,958**	**36,213**	**0.17**	**6,689**	**17,219**	**0.22**

	For the nine months ended 30 September 2021 compared to the nine months ended 30 September 2020		
	Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate
	(₱ millions)		
Interest income on:			
Financial investments	(1,516)	51,759	(0.88)
Loans and advances	(9,435)	(50,520)	(0.70)
Deposits with BSP and other banks	(194)	6,050	(0.72)
Interest expense on:			
Deposits	(8,339)	(8,260)	(0.65)
1Bills payable and other borrowings	242	4,705	0.11
Net interest income	(3,048)	10,844	(0.14)

Note:

(1) 2018, 2019, 2021 and September 2020 restated with impact of discontinued operation arising from BPICTL transaction.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with a subsidiary and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risk.

For further information on the Bank's related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 25 to the Bank's audited financial statements as of and for the years ended 31 December 2018, 2019 and 2020 and Note 14 to the Bank's reviewed condensed financial statements as of and for the nine months ended 30 September 2021.

The Bank has not included the volume of transactions and maturity dates in the audited financial statements since these loans do not have a material effect on the total loan portfolio and are short term in nature.

DOSRI Loans and Deposits

The following table sets out certain information relating to the Bank's DOSRI loans as of the dates indicated:

	As of 31 December			As of 30 September
	2018	2019	2020	2021
	(₱ millions, except percentages)			
Total outstanding DOSRI loans	8,248	10,026	15,675	19,442
Percentage of DOSRI loans to total loans	0.60%	0.67%	1.08%	1.36%
Percentage of unsecured DOSRI loans to total DOSRI loans	21.51%	17.30%	3.20%	2.51%

Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loan transactions with a subsidiary, and with certain DOSRI. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

On 31 January 2007, BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the Bank's subsidiaries and affiliates shall not exceed 10.0% of bank's net worth, and the unsecured portion shall not exceed 5.0% of such net worth. Further, the total outstanding exposures shall not exceed 20.0% of the net worth of the lending bank. The Bank is in compliance with such regulations.

The following table shows information relating to DOSRI accounts of the Bank:

	As of 31 December			As of 30 September
	2018	2019	2020	2021
Total outstanding DOSRI accounts (in ₱ millions)	8,248	10,026	15,675	19,442
Percent of DOSRI accounts to total loans	0.6%	0.7%	1.1%	1.4%
Percent of DOSRI accounts to total capital	3.3%	3.7%	5.6%	6.7%
Percent of unsecured DOSRI accounts to total DOSRI loans	21.5%	17.3%	3.2	2.5%
Percent of past due DOSRI accounts to total DOSRI loans	-	0.01%	0.0%	0.0%
Percent of nonperforming DOSRI accounts to total DOSRI loans	-	-	0.0%	0.0%

The year-end balances as of 31 December 2018, 2019, and 2020 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	As of 31 December		
	2018	2019	2020
Loans and receivables	53	58	189
Deposit liabilities	8,722	9,746	7,942

The income and expenses for the years ended 31 December 2018, 2019, and 2020 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	For the year ended 31 December		
	2018	2019	2020
Interest income	84	99	21
Interest expense	84	99	21

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

The significant inter-company transactions and outstanding balances of the Bank with its subsidiaries were eliminated in consolidation. The Bank is not a subsidiary of any corporation and had no transactions with promoters.

BANKING REGULATION AND SUPERVISION

The following is a summary of new laws and regulations in the Philippines applicable to the Bank, since the date of the Offering Circular. For further discussion on banking regulation and supervision considerations applicable to the Bank, please see Banking Regulation and Supervision on page 136 of the Offering Circular. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Regulatory Relief for BSP-supervised financial institutions (BSFIs) Affected by COVID-19

The BSP issued Memorandum No. M-2020-008 dated 14 March 2020 granting BSFIs the option to avail of a regulatory relief package within one year from 8 March 2020. The package gives BSFIs the following reliefs:

1. BSFIs may provide financial assistance under Sec. 135 of the MORB to officers affected, whether or not it is within the scope of BSP-approved purposes;

2. Upon grant by BSFIs of a temporary grace period or upon approval of the restructuring, but subject to reporting to BSP, exclusion from the past due and non-performing classification, the loans of borrowers in affected areas which should have been reclassified as past due, as of 8 March 2020, the date of declaration of the President of the state of public health emergency, including those loans becoming past due or non-performing six months thereafter, shall be excluded from the past due and non-performing classifications from 8 March 2020 to 31 December 2021. BSP documentary requirements for restricting of loans may be waived, provided the BSFI adopts appropriate and prudent operational control measures (as amended by BSP Memorandum No. M-2020-032 dated 27 April 2020).

3. No monetary penalties for delays incurred in the submission of supervisory reports shall be imposed from 8 March 2020 and up to six months thereafter;

4. Subject to BSP's prior approval, staggered booking of allowance of credit losses computed under Sec. 143 of the MORB may be allowed over a maximum period of five years for all types of credits extended to individuals and businesses directly affected by COVID-19 as of 8 March 2020;

5. A moratorium, without penalty, on monthly payments due to the BSP, for a period of six months from 8 March 2020 is extended to BSFIs with ongoing rehabilitation upon filing of application of extension/rescheduling with the Department of Loans and Credit; and

6. Subject to prior approval of the BSP, no penalties shall be imposed on legal reserve deficiencies from reserve week following 8 March 2020 up to six months thereafter.

In addition, all rediscounting banks are given the following reliefs:

1. Grant of 60-day grace period to settle outstanding rediscounting obligations with the BSP as of 8 March 2020. This shall be made upon application and shall not apply to banks with serious violations or findings as may be determined by the BSP. Interest shall be charged but no penalty shall be imposed;

2. Rediscounting banks are allowed to restructure with the BSP, on a case-to-case basis, the outstanding rediscounting loans as of 8 March 2020; and

3. Eligibility requirements are relaxed by excluding the criteria on reserve requirement for the renewal of rediscounting line and for the availment of rediscounting loans from 8 March 2020 up to six months thereafter.

On 19 March 2020, the BSP issued Memorandum No. M-2020-011 granting the following additional operational relief measures for BSFIs affected by COVID-19:

1. Increase in the single borrower's limit from 25% to 30% until 31 December 2021, pursuant to national interest (as amended by BSP Memorandum No. M-2021-026 dated 26 April 2021);

2. Relaxation in the maximum penalty imposable for reserve deficiencies which shall be the Overnight Lending Facility rate plus 10 basis point– for the duration of the ECQ plus 15 days thereafter: provided, that the maximum reserve deficiency of the BSFI shall be 200 basis points, and the excess above that shall be subject to regular penalties (as amended by BSP Memorandum No. M-2020-025 dated 13 April 22);

3. Relaxation of the notification requirements related to changes in banking hours where a bank need not inform the BSP of changes in its banking hours, as required under Section 108 of the MORB, during the ECQ;

4. Relaxation of the notification requirements on the temporary closure of bank branch/branch-lite units and BSFI offices/service units;

5. Relaxation in the regulations governing the submission of reports and other documents to the BSP-Financial Supervision Sector (FSS); and

6. Extension in the period of compliance with BSP supervisory requirements.

On 3 August 2020, the BSP issued Memorandum No. M-2020-061 which provides for the supervisory expectations on the measurement of expected credit losses (ECL) and the treatment of regulatory relief measures granted amid the COVID-19 pandemic. The supervisory expectations provide, among others, that BSFIs that will avail of the regulatory relief measures to exclude eligible loans from past due and non-performing classifications and to stagger the booking of allowance for credit losses shall continue to report actual past due and NPL and allowance for credit losses in the Financial Reporting Package (FRP) and the Capital Adequacy Ratio (CAR) reports. This is to facilitate the generation of industry statistics and provide the BSP with information on the true health of the banking system.

On 26 April 2021, the BSP issued Memorandum No. M-2021-026 approving amendments to BSP regulations on the credit-related regulatory relief measures for BSFIs affected by COVID-19 as an interim measure pending the full operationalization of the Financial Institutions Strategic Transfer (FIST) Act in 2021. Under the said memorandum, the following loans of affected borrowers granted a temporary grace period or restructured by the BSFI, in view of the COVID-19 may be excluded from the past due and NPL classification until 31 December 2021: (a) loans which should have been reclassified as past due as of 8 March 2020, and (b) loans that have become past due or non-performing, six months from 8 March 2020 up to 31 March 2021.

Bayahinan 1

On 24 March 2020, Congress passed Republic Act No. 11469 or the Bayanihan to Heal as One Act (**Bayanihan 1**), which confers emergency powers on the President of the Philippines. Section 4(aa) of Bayanihan 1 directed all banks to implement a grace period for the payment of all loans falling due within the ECQ for a minimum of 30 days, without interests, penalties, and other charges. Under the Bayanihan 1, persons with multiple loans were granted a minimum grace period of 30 days for each and every loan. The BSP likewise issued several circulars and memoranda to address the issue.

On 1 April 2020, the BSP issued Memorandum No. M-2020-017 containing the implementing rules and regulations of Section 4(aa) of Bayanihan 1. The IRR required banks to implement the 30-day grace period for all loans with principal and/or interest falling due within the ECQ Period, without incurring interest on interest, penalties, fees, or other charges. This 30-day grace period shall automatically be extended if the ECQ is extended by the President. In addition, banks are prohibited from requiring their clients to waive the application of the provisions of the Bayanihan Act, including the mandatory 30-day grace period. However, this does not preclude the borrowers from paying their obligations as they fall due during the ECQ.

The grace period provided under the Bayanihan Act ceased to be effective on 1 June 2020, as clarified under BSP Memorandum No. M-2020-45. On 24 June 2020, Bayanihan 1 expired.

Bayanihan 2

On 11 September 2020, Congress passed Republic Act No. 11494 or the Bayanihan to Recover as One Act (**Bayanihan 2**) to extend the President's emergency powers. Section 4(uu) of Bayanihan 2 directed all banks to implement a non-extendible, mandatory one-time 60-day grace period for all existing, current, and outstanding loans with principal and/or interest, including amortizations, falling due on or before December 31, 2020 without incurring interest on interests, penalties, fees, or other charges. Parties were not precluded from mutually agreeing to a grace period longer than 60 days.

Section 4(ccc) of the same law encouraged the BSP to allow private banks to (1) reallocate any unutilized loanable fund to housing loans, and (2) grant subsidy to the home loan borrowers at the rate equivalent to the gross receipt tax imposed on banks on their interest income. Finally, Section 4(ddd) of the same law encouraged the BSP and the SEC to adopt measures, including the relaxation of regulatory and statutory restrictions and requirements for a period of not more than one year from the date of their effectivity, to encourage the banking industry to extend loans and other forms of financial accommodation to help businesses recover from the economic effects of the COVID-19 crisis. The BSP and the SEC were likewise authorized to grant reporting relief to it supervised entities by allowing staggered booking of allowance for credit losses for all types of credit accommodations extended to individuals and business entities affected by COVID-19.

On 18 September 2020, the BSP issued Memorandum No. M-2020-068 containing the implementing rules and regulations of Section 4(uu) of Bayanihan 2. The IRR required banks to implement a mandatory, one-time 60-day grace period for all loans with principal and/or interest falling due on or before 31 December 2021, without incurring interest on interest, penalties, fees, or other charges.

Bayanihan 2 expired on 30 June 2021.

Reserve Requirements

Commencing on reserve week 3 April 2020, the BSP pursuant to BSP Circular No. 1082 (Series of 2020) reduced the rates of required reserves against deposit and deposit substitute liabilities in local currency for universal and commercial banks to 12% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank).

The BSP maintained such reserve requirements for universal banks under Circular No. 1092 (Series of 2020), compliance with which begun commencing on reserve week 31 July 2020.

Alternative Compliance with Reserve Requirements

On 22 April 2020, the BSP issued BSP Circular No. 1083 to recognize loans granted to MSMEs after 15 March 2020 as allowable alternative compliance with the required reserves against deposit and deposit substitute from 24 April 2020 to 30 December 2021. To be considered as compliant, the MSME loan should be granted after 15 March 2020 and should not be hypothecated or encumbered in any way, rediscounted with the BSP, or earmarked for any other purpose. The willful making of a false or misleading statement in relation to the reporting of MSME loans for compliance shall subject the bank and the directors/officers responsible for violation of Sections 35 and 37 of Republic Act No. 7653 or the New Central Bank Act, as amended by Republic Act No. 11211.

Pursuant to BSP Memorandum No. M 2020-029, issued on 23 April 2020, MSME loans that are utilized as alternative compliance with reserve requirements shall be temporarily reported by Universal Banks under Investments in bonds and Other Debt Instruments.

On 27 May 2020, the BSP, pursuant to BSP Circular No. 1087, provided more alternative modes of compliance with the reserve requirement such as: (a) Peso-denominated loans that are granted to MSMEs, and (b) Peso-denominated loans that are granted to large enterprises, subject to conditions set out in the circular.

Exclusion of Debt Securities Held by Market Makers from the Single Borrowers Limit (SBL)

On 22 July 2020, the BSP issued BSP Circular No. 1091 excluding the debt securities held by market makers from the credit limit to a single borrower for a period not exceeding 90 days if acquired from 1 August 2020 to 31 July 2021 and for a period of 60 days if acquired from 1 August 2021 onwards, provided that:

1. the market-making positions shall be taken up in the trading book in accordance with Section 614/614-Q on investment activities of BSFI;

2. the market-making positions shall be properly identified and segregated from the BSFI's proprietary positions; and

3. the BSFI shall periodically monitor the market value of the subject debt securities and the number of days the securities have been outstanding from date of acquisition.

Amendment to the Real Estate Limits of Banks

On 13 August 2020, the Monetary Board increased the total real estate loan limit from 20% to 25% of the total loan portfolio, net of interbank loans, of universal and commercial banks. A stress test will be undertaken on a universal and commercial bank's real estate exposure under an assumed write-off of 25%. Further, the amendments removed residential real estate loans to individual households for occupancy for socialized, low-cost, mid-end, and high-end housing segments from the coverage of real estate exposures.

SMS-Based Attacks Targeting Customers of Financial Institutions

On 19 August 2020, BSP issued Memorandum No. M-2020-066 reminding BSFIs to further intensify information security awareness and education campaigns for their employees, clients, and other relevant stakeholders against SMS-based attacks such as SMiShing and SMS spoofing. Likewise, BSFIs are suggested to review multi-factor authentication controls implementation to address inherent vulnerabilities and weakness arising from SMS-based sending of OTPs. Given the fast-evolving nature of these attacks, BSFIs are encouraged to adopt multi-layer controls such as calibration of fraud management system rules and parameters and conduct of threat hunting exercises to detect unusual activities and takedown phishing sites, among others. Lastly, as part of the BSFI's consumer protection program, customers' verification requests and complaints in relation to SMiShing and SMSS spoofing incidents should be acted upon immediately to minimize financial losses.

Ceiling on Interest or Finance Charges for Credit Card Receivables

On 24 September 2020, the BSP issued BSP Circular No. 1098 amended the ceiling on interest or finance charges for credit card receivables of banks and non-bank financial institutions so as not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the forgoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of Php200.00 per transaction. Such maximum processing fee and interest rates or finance charges shall be subject to review by BSP every six months.

Banks and non-banks financial institutions shall also notify the cardholder at least 90 days prior to any change in the manner of computation of the outstanding balance and the amount of fees to be imposed on the cardholder.

For both bank and non-bank financial institutions, the rate of interest, including commissions, premiums, fees and other charges, on any loan, or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured, shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and installment purchases and for the maximum processing fee credit card cash advances.

Phishing and Other Similar Social Engineering Attacks

On 12 December 2020, BSP issued Memorandum No. M-2020-090 recognizing that phishing attacks remain to be one of the top cyber risks in the digital financial services landscape, especially in this time of the COVID-19 pandemic where the use of digital payments and financial services has significantly increased. ln view thereof, BSFIs are encouraged to review the recommended controls and measures in previous BSP Memoranda on Guidance on Management of Risks associated with Fraudulent E-mails or Websites, SMS-Based Attacks Targeting Customers of Financial Institutions, and other similar BSP issuances. BSFIs are also encouraged to intensify information security awareness and education campaigns as a first line of defense against these phishing and social engineering attacks. Further, BSFIs should minimize risk exposure through employing defense-in-depth security strategies such as calibration of fraud management system rules and parameters, conduct of threat hunting exercises to detect unusual activities and takedown of phishing sites, among others. Likewise, BSFIs should ensure that timely and appropriate consumer protection and redress mechanisms are in place. To preserve the banking public's trust and confidence in digital financial services, BSFIs were advised to implement the following:

1. consumer assistance helpdesk or hotline available 24 hours a day and 7 days a week (24x7);

2. increased surveillance on online banking systems/activities during holidays or long weekends;

3. facility to timely block/suspend accounts reported by clients/concerned parties or those tagged as fraudulent or suspicious; and

4. procedures to resolve disputes arising from the use of the digital financial services within the established turn-around-time.

Financial fraud resulting from phishing and other types of cyber-related crimes should also be promptly reported to the BSP.

Non-extension of Term Limit for Independent Directors

On 23 April 2021, BSP issued Memorandum No. M-2021-025 advising BSFIs that the BSP shall not approve requests for exemption from the term limits of independent directors. Under Manual on Regulations of Banks, an independent director of a BSFI may only serve as such for a maximum cumulative term of nine years to be reckoned from 2012. After which, the independent director shall be perpetually barred from serving as independent director in the same BSFI but may continue to serve as its regular director.

Discriminatory Practices Toward Persons with Disability (PWD)

On 16 July 2021, BSP issued Memorandum No. M-2021-040 reminding BSFIs to take into account the needs of PWDs, and adhere to laws and regulations against discriminatory practices toward PWDs, including but not limited to, the following:

- non-acceptance of government-issued PWD identification cards for the opening of accounts and other financial transactions;
- turning away visually impaired persons from opening bank accounts; and
- requiring the visually impaired customers to open only joint (“and/or”) accounts.

Apart from mobility ramps and Braille system in bank premises and ATMs, all BSFIs are also reminded to provide express lanes for PWDs similar to those express lanes reserved for senior citizens and pregnant women within their premises.

Data Breach Prevention and Control

On 5 August 2021, BSP issued Memorandum No. M- 2021-043 advising BSFIs to further strengthen their data breach prevention and control mechanisms through the following:

1. regular conduct of information security education and awareness campaigns incorporating data protection standards and procedures.

2. adequate security policies, procedures, and standards on: (i) data classification and control, (ii) identity and access management following the principles on least privilege and segregation of duties/functions (iii) remote work arrangements and bring your own device (BYOD), vulnerability and patch management; (iv) outsourcing and vendor management; (v) enhanced screening and hiring practices for officers and employees handling sensitive information; (vi) secure destruction and disposal of data and media; and (vii) activity monitoring, auditing, and logging.

3. implementation of security technologies and solutions such as: (i) encryption for both data-at-rest and data-in-transit; (ii) automated data discovery and classification; (iii) data loss prevention; (iv) database activity monitoring; and (v) endpoint security.

4. proper identification of systems and processes involving sensitive information and commensurate implementation of controls.

5. adoption of a defense in depth approach in managing cybersecurity.

BSFIs are likewise reminded that significant data loss or massive data breach and other cyber-related incidents should be promptly reported to the BSP in accordance with Sections 148 of the MORB and Sections 147-Q/145-S/142-P/126-N of the MORNBFI. BSFIs should likewise notify the National Privacy Commission and their customers for data breaches involving sensitive personal information pursuant to applicable data privacy laws and regulation.

Modus Operandi of Organized Crime Groups through Auto Loans

On 26 August 2021, BSP issued Memorandum No. M-2021-047 advising all BSFIs about the modus operandi of organized crime groups through auto loans. Carnapping syndicates acquire high-end motor vehicles (**MV**) through auto loans under fictitious identities. The mortgaged MVs are subsequently sold to the public using fake conduction stickers and plate numbers. These may be prevented by reinforcing the conduct of, among others, customer identification and verification procedures as part of the customer due diligence. BSFIs are cautioned to strictly observe and strengthen the implementation of the requirements pursuant to the AMLA Regulations, particularly on customer identification and verification procedures, ongoing monitoring of customers and their transactions, suspicious transaction reporting, and continuing AMLA training program, including controls relating to partner/accredited car dealers.

Temporary Regulatory Relief on the Capital Treatment of Provisioning Requirements under the Philippine Financial Reporting Standard (PFRS) 9

On 19 October 2021, BSP issued Memorandum No. M-2021-055, granting temporary regulatory relief on the capital treatment of provisioning requirements under Philippine Financial Reporting Standard (PFRS) 9, by allowing an “add-back” factor until 2023.Under said measure, covered BSP-supervised Financial Institutions (**BSFIs**), will be allowed to “add-back” increase in the Stage 1 and Stage 2 provisioning requirements booked under the allowance for credit losses from the end of December 2019 to CET 1 capital, over a period of two (2) years commencing 01 January 2022, subject to a declining add-back factor.

For the 01 January 2022 to 31 December 2022 period of availment, the add-back factor is 100%, while for the 01 January 2023 to 31 December 2023 period of availment, the add-back factor is 50%.

To determine the amount which will be added back to the CET1 capital, a BSFI shall compare the sum of its Stage 1 and Stage 2 provisioning booked under the allowance for credit losses as of the current reporting period, with the sum of its Stage 1 and Stage 2 provisioning booked under the allowance for credit losses as of the end of December 2019. If the former is higher than the latter, the add-back factor corresponding to the period of availment shall be applied to the difference to determine the amount that may be added back to the CET 1 capital. If the latter is higher than or equal to the former, no amount shall be added back to the CET 1 capital.

The amount of general provisions (GP) (Stage 1 provisions) and Retained Earnings GP (RE-GP) that will be considered as the Tier 2 capital, shall be reduced by the amount of Stage 1 provisions added back to CET 1 capital. The amount that will be added to Tier 2 capital will continue to be subject to the maximum limit of 1.0 percent of credit risk-weighted assets.

Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses

On 21 October 2021, BSP issued Memorandum No. M-2021-056, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses (**ECL**), effective until 31 December 2022.

The classification of loans whose terms are modified due to the COVID-19 pandemic under Stage 1, 2, or 3, for purposes of determining ECL shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms. Loans that have been restructured to support borrowers that are experiencing financial difficulties due to the COVID-19 pandemic should not automatically be considered as credit-impaired that will warrant the classification of the accounts as non-performing.

Financial Institutions Strategic Transfer Act

Pursuant to Republic Act No. 11523 or the Financial Institutions Strategic Transfer (**FIST Act**), a FISTC is a corporation organized under the laws of the Philippines that is authorized to invest in the NPAs of credit-granting institutions, such as banks, financing companies, investment houses, lending companies, insurance companies, accredited microfinance nongovernmental organizations, government financial institutions, government-owned or controlled corporations, other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities, and engage in other related activities (**FISTC**). Pursuant to the FIST Act, NPAs of financial institutions may be transferred to a FISTC after notice to but without the consent of the borrower. Such transfers from financial institutions to FISTCs and those from a FISTC to a third party, dation in payment by a borrower, a third party in favor of a financial institution or in favor of a FISTC are exempt from the following taxes:

(a) Documentary stamp tax on such transfer of NPAs and dation in payment under the Tax Code;
(b) Capital gains tax imposed on the transfer of lands and/or other assets treated as capital assets as defined under Section 39(A)(1) of the Tax Code;
(c) Creditable withholding income taxes imposed on the transfer of land and/or buildings treated as ordinary assets pursuant to Revenue Regulations No. 2-98, as amended;
(d) Value-added tax on the transfer of NPAs, or gross receipts tax the Tax Code, whichever is applicable.

All sales or transfers of NPAs from a financial institution to a FISTC or transfers by way of dation in payment by the borrower or by a third party to a financial institution shall be entitled to the privileges enumerated herein for a period of not more than two years from the effectivity of the FIST Law.

Transfers from a FISTC to a third party of NPAs acquired by the FISTC within such two-year period, or within such extended period, or transfers by way of dation in payment by a borrower to a FISTC shall enjoy the privileges enumerated above for a period of not more than five years from the date of acquisition by the FISTC. Properties acquired by a FISTC from government financial institution or government operated and controlled corporations which are devoted to socialized or low-cost housing shall not be converted to other uses.

The provisions of these Rules shall be applicable to assets that have become non-performing on or before December 31, 2022.

Philippine Competition Act ("PCA")

R.A. 10667 or the PCA authorizes the Philippine Competition Commission or the PCC to review mergers and acquisitions to ensure compliance with the PCA. The PCA, its Implementing Rules and Regulations, as amended, and the Rules on Merger Procedure (collectively, the "Merger Rules") provides for mandatory notification to the PCC of any merger or acquisition within 30 days of signing any definitive agreement relating to the transaction, where the transaction value exceeds ₱2.2 billion; and where the size of the ultimate parent entity of either party exceeds ₱5.6 billion. Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules. A merger or acquisition that meets the thresholds under the Merger Rules but was not notified to the PCC, or notified but consummated, in whole or in part, prior to the expiration of the waiting period, is considered void and will subject the parties to a fine ranging from 1% to 5% of the value of the transaction. Anti-competitive agreements, as defined under the law, are subject to penalties that include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for 2 to 7 years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities that engage in anti-competitive agreements, abuse their dominant position and conclude prohibited mergers and acquisitions. Treble damages may be imposed where the violation involves the trade or movement of basic necessities and prime commodities.

Pursuant to the Bayanihan 2 Act, which was signed into law on 11 September 2020, all mergers and acquisitions with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA if entered into within a period of two (2) years from the effectivity of Bayanihan 2 Act. Further, such mergers and acquisitions shall also be exempt from the PCC's power to review mergers and acquisitions motu proprio for a period of one (1) year from the effectivity of the Bayanihan 2 Act. However, transactions entered into prior to the effectivity of the Bayanihan 2 Act which has not yet been reviewed by the PCC; and transactions pending review by the PCC prior to the effectivity of the Bayanihan 2 Act shall not be covered by the exemption from the PCC's power to review transactions motu proprio. Further, mergers and acquisitions entered into during the effectivity of the Bayanihan 2 Act may still be reviewed by the PCC motu proprio after one year from the effectivity of the law.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Fourth Tranche Bonds. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Pricing Supplement are to be regarded as advice on the tax position of any holder of the Fourth Tranche Bonds or of any person acquiring, selling or otherwise dealing with the Fourth Tranche Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Fourth Tranche Bonds. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Fourth Tranche Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Fourth Tranche Bonds are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Fourth Tranche Bonds, including the effect of any national or local taxes, under the tax laws or regulations relevant thereto, such as but not limited to Revenue Memorandum Circular No. 7-2015 and related issuances of the Bureau of Internal Revenue, applicable in the Philippines and any other country of which they may be nationals or residents.

The following is a general description of certain Philippine tax aspects of the Fourth Tranche Bonds. It is based on the National Internal Revenue Code of 1997, as amended, including by Republic Acts No. 10963 and 11534 (the **Tax Code**), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of the Offering Circular dated 13 January 2020, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Fourth Tranche Bonds. Each prospective Bondholder should consult with his own tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding and disposing of the Fourth Tranche Bonds.

As used herein, the term “resident alien” refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a “non-resident alien” is an individual who is neither a citizen nor a resident of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines,” otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not doing business in the Philippines.” A “domestic corporation” is a corporation created or organized in the Philippines of under its laws while a “foreign corporation” is a corporation that is not domestic. A “resident foreign corporation” is a foreign corporation engaged in trade or business in the Philippines; and a “non-resident foreign corporation” is a foreign corporation not engaged in trade or business in the Philippines.

Documentary Stamp Taxes

Under Republic Act No. 10963, which amended certain provisions of the Tax Code, a documentary stamp tax is imposed upon every original issue of debt instruments such as bonds and notes, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines.

No documentary stamp tax is imposed on a subsequent sale or disposition of the Fourth Tranche Bonds if there is no change in the maturity date or remaining term of the Fourth Tranche Bonds.

Interest on the Fourth Tranche Bonds

The Tax Code defines “deposit substitutes” as an alternative form of obtaining funds from the public, other deposits, through the issuance endorsement, or acceptance of debt instruments for the borrower’s own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. Obtaining funds from the “public” in this instance means borrowing from twenty (20) or more individual or corporate lenders at any one time.

The Fourth Tranche Bonds may be considered as deposit substitutes issued by Philippine residents with a maturity period of less than five (5) years. As such, interest income arising from the Fourth Tranche Bonds are considered as Philippine sourced income subject to final withholding tax at the following rates:

Philippine citizens and resident alien individuals	20%

Non-Resident aliens doing business in the Philippines	20%
Non-resident aliens not doing business in the Philippines	25%
Domestic corporations	20%
Resident foreign corporations	20%
Non-resident foreign corporation	25%

The aforementioned final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Bondholder. Most tax treaties to which the Philippines is a party provide for a preferential reduced tax rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties would also normally qualify that the preferential reduced tax rates will not apply if the recipient of the interest income, even if considered a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

Revenue Memorandum Order No. 14-2021 (**RMO**), issued on March 31, 2021 streamlines the procedure and documents for the availment of treaty benefits. The RMO covers all items of income derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty.

The withholding agent or income payor may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), Tax Residency Certificate (TRC) duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a non-resident taxpayer from all sources within the Philippines. Therefore, it is imperative for non-resident taxpayers intending to avail of treaty benefits to always submit said documents to each withholding agent or income payor prior to the payment of income for the first time.

Failure to provide the said documents when requested may lead to withholding using the regular rates prescribed under the Tax Code, as amended, for non-resident foreign corporations or non-resident aliens not engaged in trade or business, as the case may be, and not the treaty rate.

When the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with International Tax Affairs Division (ITAD) a request for confirmation on the propriety of the Withholding Tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a Tax Treaty Relief Application (TTRA) with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements specified in the Order.

The request for confirmation shall be filed by the withholding agent at any time after the close of the taxable year but shall in no case be later than the last day of the fourth (4th) month following the close of such taxable year when the income is paid or becomes payable, or when the expense/asset is accrued or recorded in the books, whichever comes first.

If the BIR determines that the Withholding Tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties.

On the contrary, if the Withholding Tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non- resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess Withholding Tax.

Generally, one TTRA or request for confirmation shall be filed for each transaction except for long-term contracts (e.g. contracts for services or loan agreements, license agreements, etc.) i.e., those which are effective for more than a year, where an annual updating shall be made until the termination of the contract.

To ensure that the proper rate is applied until the end of the contract, the non-resident taxpayer must submit the COE issued by the BIR and the updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier to the Selling Agents.

If the income of the non-resident taxpayer has been subjected to regular rates, he/she/it may subsequently file a claim for refund of the difference between the amount of Withholding Tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate confirming his/her/its entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter-request.

All claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the Tax Code, as amended.

In any case, all Bondholders are required to submit to the Bank, through the Paying Agent, their respective BIR-issued Taxpayer Identification Numbers (TIN).

Tax Exempt Status

Bondholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Bank, to the Registrar or the Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar:

(i) (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR confirming its exemption or preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto. For this purpose, a tax exemption certificate or ruling shall be deemed "valid, current and subsisting" if it has not been more than 3 years since the date of issuance thereof;

(b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;

(c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;

(d) With respect to tax treaty relief, as required under RMO No. 14-2021, prior to the payment of the interest due, (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries; (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; (4) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; 5) an original or certified true copy of the Certificate of

Entitlement (**COE**) issued by the BIR International Tax Affairs Division (**ITAD**) certifying the Bondholder's entitlement to tax treaty relief in connection with the Fourth Tranche Bonds;[1] and

(6) Any other document that the Bank or PDTC may require from time to time;

(ii) a duly notarized declaration and undertaking, (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges, acknowledging the Bank's discretion to determine the sufficiency of the tax-exemption documents submitted and the applicable withholding tax, and agreeing to indemnify and hold the Bank and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities, or any tax or charge arising from the non- withholding or reduced withholding of the required tax; and

(iii) Such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Following the submission by the Bondholder of the above-mentioned documents in support of the tax benefits or of tax-exempt status claimed by such Bondholder, the Issuer shall make its own determination in each case as to whether, in its sole, prudent and reasonable discretion, such documents sufficiently establish such tax benefit and/or exemption available for any specific payment on the Fourth Tranche Bonds. Unless the Issuer makes such a determination, the Registrar and Paying Agent will be instructed to proceed on the basis that the relevant tax is due on and withhold such tax on payments under the Fourth Tranche Bonds. Any question on such determination shall be referred to the Issuer. Any question on such determination shall be referred to the Issuer.

Transfers taking place in the Register of Bondholders after the Fourth Tranche Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Registrar, together with the supporting documents specified under the Master Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar: (i) a written notification of the sale or purchase, including the tax status of the transferor or transferee, as appropriate; and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Bank for any tax that may later on be assessed on the Bank on account of such transfer.

Value-Added Tax

Gross receipts derived by dealers in securities from the sale of the Fourth Tranche Bonds in the Philippines, equivalent to the gross selling price less the acquisition cost of the Fourth Tranche Bonds sold, shall be subject to value-added tax of 12%.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who as a merchant buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

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[1] The Bondholder shall be responsible for filing a TTRA with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the TRC, together with the Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline.

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Net trading gains realized within the taxable year on the sale or disposition of the Fourth Tranche Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Sale or other Disposition of the Fourth Tranche Bonds

Income Tax

Bonds that have a maturity period of less than five (5) years, gains realized from the sale, exchange, or retirement of the bonds are subject to income tax.

If the Fourth Tranche Bonds are considered ordinary assets of individual Bondholders, gains from the sale or disposition of such Fourth Tranche Bonds are included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective 1 January 2018 until December 31, 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective 2 January 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

Capital Gains Tax

If the Fourth Tranche Bonds are considered as capital assets of individual Bondholders, gains from the sale or disposition of such Fourth Tranche Bonds shall be subject to the same rates of income tax as if the Fourth Tranche Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Fourth Tranche Bonds for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Fourth Tranche Bonds were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Fourth Tranche Bonds are included in the computation of taxable income which is subject to 20% or 25% regular corporate income tax or 1% or 2% MCIT, as the case may be. Gains derived by non-resident foreign corporations on the sale or other disposition of the Fourth Tranche Bonds shall form part of their gross income which is subject to a 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief. Any gains realized by non-residents on the sale of the Fourth Tranche Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Estate and Gift Tax

The Fourth Tranche Bonds will be considered as intangible personal property situated in the Philippines and will form part of the gross estate of any individual holder. As such, the transfer of the Fourth Tranche Bonds upon the death of an individual holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a fixed rate of 6% of the net estate. Estate taxation is governed by the statute in force at the time of the death of the decedent and so the tax rate may vary in the future. Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer the Fourth Tranche Bonds by way of gift or donation are liable to pay Philippine donors' tax at the fixed rate of 6% based on the total gifts in excess of ₱250,000 exempt gifts made during the calendar year, whether the donor is a stranger or not.

Estate and gift taxes will not be collected in respect of intangible personal property such as the Fourth Tranche Bonds (i) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (ii) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

The tax treatment of a non-resident holder of any of the Fourth Tranche Bonds by jurisdiction outside the Philippines will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. Each holder of any of the Fourth Tranche Bonds should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Fourth Tranche Bonds, including the applicability and effect of any state, local and national laws.

INDEX TO THE FINANCIAL STATEMENTS

The following pages set forth the BPI's reviewed condensed consolidated financial statements as at 30 September 2021 and for each of the nine months in the periods ended 30 September 2021 and 2020, and its audited consolidated financial statements as at 31 December 2020 and for each of the years in the periods ended 31 December 2020 and 2019.