Important notice

You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular following this page and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular dated 25 April 2025 (the **Offering Circular**). In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Bank of the Philippine Islands (the **Bank** or the **Issuer**) as a result of such access.

The offering circular is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or juridical entities organized and existing under Philippine law, and is not intended for distribution in other jurisdictions. The information contained in the offering circular may not be published or distributed outside the Philippines.

THE OFFERING CIRCULAR AND OFFER RELATED MATERIALS ARE TO BE USED EXCLUSIVELY FOR THE DOMESTIC OFFER AND ARE NOT INTENDED TO BE VIEWED BY NON-PHILIPPINE RESIDENTS.

You acknowledge that the attached Offering Circular and the information contained therein are strictly confidential and intended for you only. You are not authorized to and you may not forward or deliver the attached Offering Circular, electronically or otherwise, to any other person or reproduce such offering circular in any manner whatsoever, nor may you disclose the information contained in the attached offering circular to any third-party or use it for any other purpose. **Any forwarding, distribution, publication or reproduction of the attached Offering Circular in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorized.** Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions. Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so, and access has been limited to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED OFFERING CIRCULAR, INVESTORS MUST COMPLY WITH THE PROVISIONS PROVIDED HEREIN. YOU HAVE ACCESS TO THE ATTACHED OFFERING CIRCULAR ON THE BASIS THAT YOU HAVE CONFIRMED THAT YOU ARE WITHIN THE PHILIPPINES.

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

This Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, and the Joint Lead Arrangers and Selling Agents, or any of their directors, officers, employees, agents, representatives or advisors accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular provided to you in electronic format and the hard copy version. You are reminded that the attached Offering Circular has been provided to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this offering circular, electronically or otherwise, to any other person.

You are responsible for protecting the Offering Circular against viruses and other destructive items. Your access of the offering circular in electronic form is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

₱200.0 Billion Bond and Commercial Paper Program of the Bank of the Philippine Islands

Under this ₱200,000,000,000 Bond and Commercial Paper Program (the **Program**), the Bank of the Philippine Islands (the **Issuer** or the **Bank**), subject to compliance with all relevant laws, regulations, and directives, may from time to time issue bonds and commercial papers (each a **Note**, and collectively, the **Notes**) denominated in Philippine Pesos (as defined below) with each issuance constituting a tranche (**Tranche**) in one or more Series, pursuant to *Bangko Sentral ng Pilipinas* (**BSP**) Circular No. 1010 and Circular No. 1062, Republic Act No. 8791 otherwise known as the General Banking Law of 2000 (**General Banking Law**), and Section 246 of the Manual of Regulations for Banks (the **MORB**), and will be subject to the terms of the Master Registry and Paying Agency Agreement, the Master Trust Agreement, the Program Agreement, and the Master Certificate of Indebtedness.

THE NOTES BEING OFFERED OR SOLD UNDER THIS OFFERING CIRCULAR HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE **SEC**) AS THE ISSUANCE IS AN EXEMPT SECURITY UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE **SRC**).

The Notes, being exempt securities issued by a bank registered as such under the laws of the Republic of the Philippines, constitute exempt securities within the meaning of Section 9.1(e) of the SRC and as such are not required to be registered under the provisions thereof before they can be sold or offered for sale or distribution in the Philippines. Any sale or offer of the Notes in the Philippines, however, can only be made in accordance with the applicable regulations of the BSP and the SEC.

Upon issuance, the Notes shall be simultaneously enrolled as debt instruments that may be traded at the Philippine Dealing & Exchange Corp. (the **PDEx**) in accordance with the procedures and requirements set forth in this Offering Circular, and the relevant PDEx rules, operating framework, and trading conventions. The Notes shall be issued in scripless form. Legal title to the Notes shall be shown in the Register of Holders to be maintained by the designated registrar for the Notes. A Master Certificate of Indebtedness representing the Notes shall be issued to and registered in the name of the Trustee, on behalf of the holder of the Notes (the **Holder**).

The Notes shall constitute the direct, unconditional, and unsecured obligations of the Bank and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank, other than obligations preferred by law. The Notes shall effectively be subordinated in right of payment to, among others, all of the Bank's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14)(a) of the Civil Code of the Philippines without a waiver of preference or priority.

The specific terms of the Notes for each Tranche will be determined by the Bank considering prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (**Pricing Supplement**).

See "*Investment* Considerations" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Joint Lead Arrangers and Selling Agents

BPI Capital Corporation

standard chartered

The date of this Offering Circular is 25 April 2025.

The Bank accepts responsibility for the information contained in this Offering Circular. 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 Offering Circular 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 and to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), confirms that this Offering Circular contains or incorporates all information which is material in the context of the Program and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Bank, the Program and the Notes the omission of which would in the context of the issue of the Notes make any statement in this Offering Circular misleading in any material respect, that the opinions, intentions, beliefs or expectations expressed in this Offering Circular are honestly made or held, have been reached after considering all relevant circumstances and have been based on reasonable assumptions, and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Bank accepts responsibility accordingly.

To the fullest extent permitted by law, neither of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Arrangers and Selling Agents, 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, the Program, or the issue and offering of the Notes. Each of the Joint Lead Arrangers and 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 Offering Circular 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 Offering Circular or any other information supplied in connection with the Program or the Notes 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 Selling Agents (and their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers).

Neither of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) has 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 and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Bank in connection with the Program. By receiving the Offering Circular, investors acknowledge that they have not relied solely on any of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, and each of their respective directors, officers, employees, representatives, agents and advisers) in connection with investigating the accuracy of such information or their investment decision. Nothing contained in the Offering Circular is, or shall be relied upon, as a promise or representation, from any of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), whether as to the past or the future.

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

The contents of this Offering Circular are not to be considered as legal, business or tax advice. Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank or either of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers), that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any of the Note. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Offering Circular, nor any other information supplied in connection with the Program or the issue of any Notes, constitutes an offer or invitation by or on behalf of the Bank or either of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) to any person to subscribe for or to purchase any Note. None of the Bank or any of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) is making any representation to any purchase of Notes regarding the legality of an investment by such purchaser under applicable laws. Each investor should be aware that it may be required to bear the financial risks of an investment in the Notes for an indefinite period. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of a purchase of Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note 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 Program is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and 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 Program or to advise any investor in the Notes of any information coming to their attention. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes 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 Offering Circular 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 Offering Circular has been most recently amended or supplemented. Each prospective investor should consult its own adviser as to legal, business, financial and tax and related matters relevant to an investment in the Notes.

This Offering Circular does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Bank nor the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution of offering. No Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. Each investor in the Notes must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases or offers to purchase such Notes, and must obtain the necessary consent, approval, or permission for its purchase, or offer to purchase such Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase or offer, and neither the Bank nor the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) shall have any responsibility thereof. Interested investors should inform themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile and as to any relevant tax or foreign exchange control laws and regulations that may affect them. See "Summary of Offer Procedure".

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 2022, 2023, and 2024 included in this Offering Circular have been prepared in accordance with accounting principles generally accepted in the Philippines for banks or Philippine GAAP for banks and Philippine Financial Reporting Standards (**PFRS**), respectively. PFRS is substantially based on International Financial Reporting Standards. The Bank's financial statements as of and for the years ended 31 December 2022, 2023, and 2024 were audited by Isla Lipana & Co., independent auditors, in accordance with Philippine Standards on Auditing (**PSA**).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(1) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Bank; and

(2) all supplements or amendments to this Offering Circular prepared by the Bank from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited and/or unreviewed interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or reviewed, as the case may be, by the auditors of the Bank. Accordingly, investors should not place undue reliance upon them (see "*Investment Considerations—Risks Related to the Information in this Offering Circular—Undue reliance cannot be placed on any unaudited and/or unreviewed interim financial statements deemed incorporated by reference to this Offering Circular*"). The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular.

IF THE TERMS OF THE PROGRAM ARE MODIFIED OR AMENDED IN A MANNER WHICH WOULD MAKE THIS OFFERING CIRCULAR, AS SO MODIFIED OR AMENDED, INACCURATE OR MISLEADING, TO AN EXTENT WHICH IS MATERIAL IN THE CONTEXT OF THE PROGRAM, A NEW OFFERING CIRCULAR WILL BE PREPARED.

CERTAIN DEFINITIONS

Unless the context clearly indicates otherwise, any reference to the **Bank** refers to Bank of the Philippine Islands and its subsidiaries on a consolidated basis, while **Parent Company**, **BPI** or the **Issuer** refers to Bank of the Philippine Islands on a standalone basis. The information contained in this Offering Circular 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 Offering Circular, the information contained in this Offering Circular 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 Offering Circular misleading in any material respect and that the Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Offering Circular with respect to the same. Unless otherwise indicated, all information in this Offering Circular is as of the date of this Offering Circular. Neither the delivery of this Offering Circular nor any sale made pursuant to this Offering Circular 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 and Selling Agents assume any liability for information supplied by the Bank in relation to this Offering Circular.

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

Figures in this Offering Circular 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 Offering Circular 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 Offering Circular 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 this Offering Circular.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Program, a new offering circular will be prepared.

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OFFERING CIRCULAR SUMMARY

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. You are recommended to read this entire Offering Circular and the relevant Pricing Supplement carefully, including the Bank's consolidated financial statements and related notes (the "Financial Statements") and "Investment Considerations".

Description of the Bank

Bank of the Philippine Islands (**BPI**) is a universal bank with an expanded commercial banking license. Together with its subsidiaries, the Bank offers a wide range of financial services that include institutional banking, consumer banking, consumer lending, investment banking, asset management, securities distribution, insurance services, and leasing. Such services are offered to a wide range of customers, including multinationals, government entities, large corporates, small-and-medium sized enterprises (**SMEs**) and individuals.

According to data available from the *Bangko Sentral ng Pilipinas* (**BSP**, the central bank of the Philippines), BPI is the third largest universal bank in the country in terms of total assets which stood at ₱3.32 trillion as of 31 December 2024. The Bank also holds a significant market share in the deposit, lending, and asset management markets. According to industry data on Philippine publicly listed banks, the BPI is the Philippines' second largest in terms of gross customer loans and deposits, with market shares of 15.9% and 12.8%, respectively, as of 31 December 2024. BPI also enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution and foreign exchange business. It is also a market leader in electronic banking where it has been a first mover and innovator in the use of automated teller machines (**ATMs**), cash acceptance machines (**CAMs**), point-of-sale debit systems, kiosk banking, phone banking, internet banking and mobile banking.

As of 31 December 2022, 2023, and 2024, the Bank had a network of 1,189, 1,189, and 1,254 branches (which include full-service branches and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,254 branches, as of 31 December 2024, 1,252 branches were located in the Philippines, of which 857 were BPI branches and 395 were BPI Direct BanKo branches and branch-lite units. In terms of geographic distribution (excluding BPI Direct BanKo), 415 of the branches were located in Metro Manila, 256 were in Luzon (excluding Metro Manila), 111 were in Visayas, and 75 were in Mindanao. As of 31 December 2024, the Bank has the second largest network owned by a single bank in the Philippines. The Bank also provides 24-hour banking services through its call centre and network of 2,209 ATMs and 372 CAMs, with such ATMs and CAMs being located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's overseas network includes one banking location in Hong Kong and one in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. The Bank maintains correspondent relationships with 32 global financial institutions in 19 different currencies. In addition, the Bank has 120 remittance tie-ups in 27 countries, serving our overseas Filipino workers who send money to their loved ones back home.

The Bank enjoys recognition from various award giving bodies, and in 2024 its institutional awards include "Best Bank in the Philippines", "Best Investment Bank", and "Best Corporate Bank – Large Corporate and MNC" from FinanceAsia Awards 2024, "Best SME Bank in the Philippines" in the Alpha Southeast Asia's 18th Best Financial Institutions Awards, "Best Domestic Investment Bank in the Philippines" in the Euromoney Security Houses Awards, as well as multiple awards from The Asset Triple A Sustainable Finance Awards 2024.

The Bank's consolidated common equity tier 1 (**CET1**) ratio stood at 13.86% while capital adequacy ratio (**CAR**) stood at 14.63%, as of 31 December 2024. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 31 December 2024, the Bank had a market capitalisation on the Philippine Stock Exchange (**PSE**) of ₱643.20 billion (based on the closing price on the PSE of ₱122.00 per share on 27 December 2024). The Bank's significant shareholders include Ayala Corporation (**Ayala**), one of the Philippines' oldest and largest conglomerates, Liontide Holdings, Inc., Roman Catholic Archbishop of Manila, and Robinsons Retail Holdings, Inc.

Competitive Strengths

Over the course of its long history, BPI believes it has established a preeminent franchise that embodies financial strength and prudent risk management. The Bank believes that it is one of the best-equipped banks to deal with any downturn, be it in the financial sector or in the domestic or global economies. The Bank's well-established reputation is anchored on the following key strengths:

Preeminent banking brand in the Philippines

With over 170 years of operations, the Bank has a deep-rooted history and has succeeded to be one of the Philippines' most trusted and widely recognized brands in the financial services industry. Established on 1 August 1851 as "El Banco Español Filipino de Isabel II", the Bank is the oldest operating Bank in the Philippines. The Bank's shareholder base includes some of the most prominent companies domestically and internationally such as the Ayala Group, one of the oldest and largest conglomerates in the Philippines, Liontide Holdings, Inc., the Roman Catholic Archbishop of Manila, and Robinsons Retail Holdings, Inc.

Through the years, the Bank has maintained long-standing relationships with the largest domestic and multinational corporates in the country, providing comprehensive financial services from traditional lending, payroll services, cash management, and foreign exchange, to financial advisory, capital markets, and insurance.

The strength of the Bank's brand is validated by its growing client base, which grew 46% from 10.98 million as of 31 December 2023 to 15.98 million as of 31 December 2024. As further testament to the Bank's brand, various Industry agencies have awarded and affirmed the Bank's best-in-class financial and operating metrics. The Bank has maintained industry-leading profitability and price-to-book that is the highest among listed banks.

In 2024, all three major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In April 2024, Fitch affirmed its Long-term Issuer Default Rating of "BBB-" . In May 2024, Moody's affirmed its Long Term Deposit and Unsecured Debt rating of "Baa2" while in December 2024, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" (same as the agency's rating for the Philippine sovereign. With the Bank's collective commitment to sustainability, BPI has won a record of 18 ESG-focused awards in 2024, surpassing the previous record-high of 14 ESG-focused awards the Bank has garnered in 2023. Consistent with its commitment to integrating sustainability into its operations, BPI earned green building certification for 11 new certified branches in 2024, bringing the total to 22 IFC EDGE-certified bank branches 2024 all achieving at least 20% savings in electricity, water, and embodied energy in materials.

Strong track record of profitability and cost management

Historically, the Bank has been known as one of the most cost-efficient banks in the Philippines. As of 31 December 2024, its cost-to-income ratio stood at 49.3% and its cost-to-assets ratio at 2.7%, one of the lowest among Philippine banks based on publicly available financial data. The Bank's cost discipline coupled with its investments in its digital platforms have allowed it to maintain its cost leadership, remain resilient through downturns, and continuously improve productivity and cost-efficiency through the years.

Coupled with its strong income generating capabilities and deposit franchise, the Bank's cost-leadership has allowed it to produce industry leading returns for its equity holders. As of 31 December 2024, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 15.1% and 2.0% respectively, one of the highest in the Philippine Banking industry according to BSP data.

Moreover, the Bank has maintained a strong track record of profitability and has consistently created shareholder value by consistently generating earnings for its shareholders, annually, for the past 20 years.

Well-capitalised with sufficient liquidity

As of 31 December 2024, the Bank's Common Equity Tier 1 Ratio (**CET1**) of 13.86% and Capital Adequacy Ratio (**CAR**) of 14.63%, were both well above regulatory requirements. The Bank believes these ratios are ahead of most banks in the Philippines and comfortably above the BSP's minimum CET1 ratio and CAR of 6% and 10%, respectively.

The Bank believes that its strong capital base, which primarily consists of common equity, provides sufficient protection to the Bank's current and prospective creditors. The Bank's strong capital base, coupled with its deposit franchise, have also allowed it to limit reliance on debt funding and to maintain comparatively low leverage levels as compared to other banks with its debt/total liabilities, as of 31 December 2024, at 5.65% (calculated as bonds issuances and bills payable over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 159.07% and leverage ratio at 10.75% as of 31 December 2024, which are well above the minimum prescribed ratios of 100% and 5%, respectively, set by the BSP.

Through the years, the Bank has proven its ability to weather economic downturns and benefit from investors' flight to quality.

High quality and diversified asset base driven by prudent risk management

As of 31 December 2024, 72.3% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From ₱1.94 trillion as of 31 December 2023 to ₱2.29 trillion as of 31 December 2024, the Bank's loan growth has primarily been driven by consumer, microfinance and business banking/SME loans, which collectively grew at 36.8% year-on-year as compared to the Bank's corporate loans, which grew by 11.9% over the same period. The Bank likewise registered a loan growth of 18.2% year-on-year as of 31 December 2024.

The Bank's strong risk management framework was able to withstand even the challenging economic environment brought about by the COVID-19 pandemic and registering non-performing loan (**NPL**) ratios better than the Philippine Banking System. Prior to the pandemic, the Bank's NPL ratio stood at 1.66% with NPL coverage of 102.1% as of end-2019. However, during the start of the pandemic in 2020, the Bank's NPL ratio significantly increased ending at 2.68%, all the while keeping the NPL coverage at adequate levels of 115.2%. Alongside the country's gradual recovery, the Bank's asset quality metrics also improved showing NPL ratio of 2.49% and NPL cover of 136.1% as of end-2021. The NPL ratio continued to slowdown in the succeeding years, settling at 1.76% NPL ratio with 180.1% NPL coverage in end-2022, and 1.84% NPL ratio with 156.1% NPL coverage in end-2023. In 2024, NPL ratio increased to 2.13%, primarily driven by the Bank's acquisition of Robinsons Bank, and borrower-specific credit risk, coupled by the expansion of the consumer loan portfolio. Albeit the increase, the NPL ratio continues to perform better than the Philippine Banking System, and with adequate NPL coverage of 106.2%.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, wholesale and retail, utilities and financial intermediaries, among others. BPI extends loans to several sectors in the Philippines. As of 31 December 2024, (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) transportation, storage and communications and (v) wholesale and retail trade were the largest sectors in the Bank's loan portfolio, representing 22.7%, 14.2%, 13.3%, 11.1% and 10.8%, respectively.

As of 31 December 2024, the Bank's top 20 clients comprised 19.3% of the Bank's loan book. Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3.8% of the Bank's loan book as of 31 December 2024.

Stable and diversified revenue sources

The Bank's net interest income (**NIC**) grew 22.3% to ₱127.59 billion in 2024 from ₱104.35 billion in 2023, driven by growth in average assets and high interest rate environment. In 2023, the Bank's NIC increased 22.7% from ₱85.07 billion in 2022. The Bank's net interest margin (**NIM**) expanded by 22 basis points (**bps**) to 4.31% in 2024 from 4.09% in 2023. This was a continuation of the 50 bps NIM expansion seen in 2023 from 3.59% in 2022.

Over and above its core lending business, the Bank generates (i) trading income from securities and foreign exchange and (ii) fees and commission income from diversified businesses.

Over the years, the Bank's fee-based income, has remained as a stable source of income for the Bank. The Bank's fee generation is backed by strong performance of its largest businesses, namely (i) the Bank's card business, with 2.957 million cards in circulation as of 31 December 2024 and market position of 19.3% based on the data from the Credit Card Association of the Philippines; (ii) BPI Wealth, which has assets under management at ₱1.53 trillion as of 31 December 2024; and (iii) insurance joint ventures with Mitsumi Sumitomo Insurance Group for non-life insurance (BPI MS Insurance Corporation), and BPI AIA Life Assurance Corporation (formerly BPI Philam Life Assurance, Corporation) for life insurance.

The Bank believes its sources of fee income are diversified and these sources will continue to provide a stable source of income that will complement income from its core deposit taking and lending businesses.

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

The Bank's primary source of funding has been and is expected to always be its depositors. Deposits' share on the Bank's funding base averaged above 90% over the past five years.

The Bank has been successful in maintaining long-term relationships with its client base, with customer retention rate of 95.6% as of 31 December 2024.

While the cost of deposits is largely driven by interest rate movements, the Bank has kept its average cost of deposits relatively low by improving its CASA (i.e., demand and savings accounts) to deposits ratio over the past five years. As of 31 December 2024, the Bank's CASA ratio stood at 63.2%, 3.8 percentage points lower from its 31 December 2022 level of 67.0%. The Bank also believes that its CASA to deposit ratio is one of the highest in the Philippines, and was mainly driven by the Bank's extensive omnichannel distribution network, providing easy access and high quality services to depositors. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity, due to the Bank's best-in-class value propositions offered through its physical and digital distribution network.

In 2020, the Bank tapped the debt capital markets three times, aggregating to ₱70.7 billion. All three issuances have been oversubscribed, reflecting investors' confidence in the Bank's credit strength. This includes the Bank's successful issuance of the BPI COVID-19 Action Response Bonds (**BPI CARE Bonds**) due 2022, the country's first peso-denominated bonds to be issued as a direct response to the COVID-19 pandemic. The proceeds of the CARE Bonds were used to finance and refinance eligible micro, small and medium enterprises under the Bank's Sustainable Finance Framework. The Philippine Securities and Exchange Commission has confirmed that the CARE Bonds qualify as Social Bonds under the ASEAN Social Bonds Standards of the country. In the third quarter of 2021, borrowings declined due to bond maturities (maturity of ₱34 billion BPI bonds), thus, improving the Bank's funding cost.

The evolving regulatory landscape has also presented alternative funding opportunities. With lower reserve requirements on bond issuances vis-à-vis peso deposits, the Bank continues to explore issuances in the domestic and foreign debt markets as opportunities arise. This allows for funding cost efficiencies while offering clients attractive investment opportunities. In 2023 and 2024, there was strong demand from the debt capital markets, which led to the successful completion of the following transactions:

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

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

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

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

- On 9 August 2024, BPI issued ₱33.7 billion fixed rate Sustainable, Environmental, and Equitable Development Bonds (**BPI SEED Bonds**) due 2026 under its ₱100 Billion Bond Program. The BPI Seed Bonds have a term of 1.5 years and bear an interest payable on a quarterly basis. The net proceeds from the BPI SEED Bonds will be used for the financing or refinancing of new or existing Eligible Green and/or Social Projects as defined under, and consistent with, BPI's Sustainable Funding Framework. In no case shall the unallocated proceeds from the BPI SEED Bonds be used to repay existing borrowings under general credit facilities of the Bank.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,252 branch licences (which include full-service branches and branch-lite units (**BLUs**), as of 31 December 2024. In terms of geographic distribution (excluding BanKo, which is the Bank's microfinance arm that serves self-employed micro-entrepreneurs (**SEMEs**)), 355 of the branches were located in Metro Manila, 210 were in Luzon (excluding Metro Manila), 85 were in Visayas and 64 were in Mindanao.

The Bank's overseas network includes one banking location in Hong Kong and one in London, one representative office and two remittance centres in Hong Kong. The Bank maintains correspondent relationships with 32 global financial institutions in 19 different currencies. In addition, the Bank has 120 remittance tie-ups in 27 countries, serving our overseas Filipino workers who send money to their loved ones back home.

Increased digitalization and strong digital adoption of the Bank's customers expanded the Bank's client base to 15.98 million, with a record of 5 million new clients onboarded in 2024, 52% of which were acquired through digital channels. BPI's head count as of 31 December 2024 stood at 22,062 (excluding BPI CTL and BPI MS), a 15.21% increase from a pre-pandemic manpower count of 19,150 as of beginning-2019. The headcount increased as of 31 December 2024, largely due to additional headcount from the Bank and Robinsons Bank Corporation (**RBC**) merger, with the Bank as the surviving entity, (**BPI-RBC Merger**) effective 1 January 2024.

The Bank's branch network is supported by a network of 2,209 ATMs (including 705 ATMs provided by Euronet Technology Services, Inc. (**ETSI**) in the Philippines) and 372 CAMs as of 31 December 2024, which together provide cash-related banking services to customers 24/7. The Bank's interconnection with Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 2,000 ATMs across the Philippines as of 31 December 2024. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

Accelerated digital transformation

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

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

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

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

Each of these platforms is designed with a particular customer segment in mind. For the individuals – the affluent; the broad market; and SEMEs– these platforms will allow customers to manage their finances from their smartphone or other online channels – from payments, loans, insurance, investment products and investment advisory for retail clients, to payroll management, collection and invoicing, and link to business communities for small/medium enterprises and corporate accounts.

The Bank's digital platforms that serve as robust support systems include **BizLink**, the Bank's one-stop shop for the digital needs of its business and corporate clients, and **BizKo**, the Bank's all-in-one, subscription-based platform available via app and web that enables MSMEs to manage their business finances while also providing an integrated online system for invoicing and collection.

The Bank continues to lead in Philippine open banking, and is among the Philippine banks with the most number of brands and services, and successful monetization. By creating and launching a diverse range of Application Programming Interfaces (**APIs**), the Bank has been actively forming various fintech partnerships, ranging across e-wallets, utility providers, remittance centers, e-commerce platforms and even government agencies. The Bank also has an integrated fraud management solution to reduce the risk of fraud in open banking transactions.

BPI's early investments in technology paved the way for it to be the most API-ready Bank. As of 31 December 2024, the Bank has a growing list of over 100 API-partners, which includes various e-wallets, utility providers, remittance centers, e-commerce platforms, and even government agencies.

GCash remains the Bank's top partner in open banking and the Bank continuously collaborates with GCash in providing various financial products and services such as:

- Mutual funds managed by BPI Investment Management Inc with the GInvest platform
- Auto Insurance of BPI MS with the GInsure platform
- Partnership on client acquisition for BPI's credit card and personal loan products
- Deposits products
- Loan products to be launched soon

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

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

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

Experienced Management and Strong Performance Culture

The qualification, diversity and independence of the Bank's Board of Directors is one of the important factors accounting for BPI's long-term growth and success. The Bank underscores diversity at the Board level in terms of skills and experience, age, gender, and the Bank places value in ESG (environment, social, governance) experience as an essential element of sound corporate governance, risk management, sustainable and balanced development, and effective business strategy.

The Bank believes it has a highly qualified and experienced management team, with significant experience and proven track records in the banking industry. The Bank's senior management (comprising of officers from the vice-president level) have an average tenure with the Bank of over 19 years. In addition, the Bank's executives and officers have a broad range of experience in their respective areas of banking and finance, with certain executives and officers acquiring international banking experience with some of the leading global financial institutions. The Bank has a succession plan to avoid significant disruptions caused by the loss of any members of senior management.

The Bank fosters a strong performance culture by providing performance-based variable pay programs such as short-and long-term incentives, alongside competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programs and activities from which employees benefit throughout the course of their careers with the Bank. These programs range from workshops for new hires to advanced leadership programs for officers as well as courses on data literacy and agile methodology.

STRATEGIES

Establish BPI as the undisputed leader in digital banking

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

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

- VYBE by BPI – the Bank's e-wallet and rewards app in one, where anyone can be a customer – ended 2024 with 1.7 million sign ups since its inception in October 2022.

- The new BPI mobile app, which features an improved user experience and where clients can start banking instantly with its new-to-bank and new-to-product features, is the first banking app in the Philippines to feature AI-powered tracking and insights. The app offers financial advice, payment reminders and actionable advice on financial wellness. This new BPI app is key to the Bank's "phygital" approach to make the Bank more accessible to Filipinos through a combination of physical branches, as well as digital channels and platforms. There are about 7.8 million enrollees in BPI online and mobile as of 31 December 2024.

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

- BanKo Mobile continues the mission to be the digital arm for the Bank's microfinance segment, with over 580,000 registered users for the year, a 97% surge of new registered users versus the previous year.

- BizKo enjoyed 63% annual growth in customer enrollment year-on-year, with said customers enjoying free access to the various digital solutions catered to small businesses.

- Bizlink, for large corporations, multi-national companies, and conglomerates, has a 45% penetration rate on an expanding client base, and 46% increase year-on-year on number of transactions.

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

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

To-date, the Bank, through open banking, has expanded its reach to and engagement with clients through 117 partners covering a vast category of brands and services totaling almost 17,000. Major partners include GCash, Maya, Lazada, Shopee, Grab, and aggregators like ECPay, Bayad, DragonPay, Paynamics, and Xendit.

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

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

Increased digitalisation and strong digital adoption of the Bank's customers expanded the Bank's client base to 15.98 million, with a record of 5 million new clients onboarded in 2024, 52% of which were acquired through digital channels. BPI's head count as of 31 December 2024 stood at 22,062 (excluding BPI CTL and BPI MS), a 15.21% increase from a pre-pandemic manpower count of 19,150 as of beginning-2019. The headcount increased as of 31 December 2024, largely due to additional headcount from BPI-RBC merger effective 1 January 2024.

Grow the share of consumer and business banking loans

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

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

As of 31 December 2024, consumer loans grew 38.0% year on year: 78% in personal loans, 62.3% in microfinance, 30.4% in SME loans, 36.5% in auto, 31.1% in credit cards, and 37.7% in mortgage.

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

The Bank's recent merger with RBC will also expand its reach to the network of the Gokongwei group of companies, especially in the SME market segment. The Bank's integration with RBC is expected to increase shareholder value by opening opportunities for the Bank to collaborate across the Gokongwei group's ecosystem, which includes market-leading businesses in food manufacturing, air transportation, real estate and property development and multi-format retail companies. The addition of RBC's loan book, which is 45% consumer, and the strong growth expected from motorcycle loans and teacher's loans, boost confidence that the loan mix will continue to shift in favor of consumer over time.

Close the gap in funding leadership

As of 31 December 2023, total deposits stood at ₱2.3 trillion, an increase of 9.5% from end-2022. Growth has been predominantly from time deposits, which has increased by 41%, as clients shift to higher yielding products following the increases in interest rates.

As of 31 December 2024, total deposits stood at ₱2.61 trillion, a 13.9% increase from same period last year. Time deposits grew 27.1%, while CASA grew 7.5% as customers shift to higher yielding products with rates remaining elevated.

Becoming the main operating bank of corporate clients is a key imperative to achieving funding leadership. The Bank engages its corporate clients through the BizLink digital platform designed to help them manage their accounts with BPI. Positive progress in client engagements via BizLink was noted in 2024, taking into stock that transaction count was double that of 2019, as well as seeing record count and volume in financial transactions, payroll, and automatic debit facilities.

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

Redefine the new role of branches

The Bank continues to believe in the value of physical branches, opening branches where needed and where there has not been branch presence before, even while consolidating and co-locating existing branches in oversaturated areas, keeping a constant eye to not losing territory coverage. From 31 December 2019 to 31 December 2024, the

Bank has co-located 14 branches, bringing total physical branches to 857 including branches acquired from RBC as a result of the BPI-RBC Merger. Moreover, the BPI-RBC Merger was approved by the regulators and took effect on 1 January 2024, providing the Bank with another avenue to expand its physical presence.

Select branches have also been redesigned to incorporate the best of physical and digital customer service elements, unlocking the power of "Phygital" banking. As of 31 December 2024, 44 branches have been transformed to Phygital branches – with a concierge and a quick transact area that will ensure enrollment of more customers in the Bank's digital platforms, educating them on how to use the various mobile and online applications to further enhance their banking experience. There will be meeting pods and meeting rooms equipped with virtual conferencing capabilities for customers to be able to access product specialists who provide expert advice. The Bank intends to ramp up the number of branches for phygital transformation moving forward.

As of 31 December 2024, BanKo, the Bank's microfinance arm, has 368 branches and branch-lite units, 68 of which were opened since 2019. Legazpi Savings Bank (**LSB**) has 27 branches as of 31 December 2024.

In 2022, the Bank introduced partnerships with convenient stores, department stores, supermarkets, gas stations, and pharmacies, among others, to make the Bank's products available to the customers served by our partners. The Bank's partner agencies instantly expanded the Bank's physical network from 1,252 branches to over 6,400 locations with 1,781 new partner outlets as of 31 December 2024.

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

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

The Bank's partner agencies group matches the right technology enablers, such as APIs, digital linkages and the Bank's own platform, to its partner agencies' business requirements. Currently, a BPI tent card with the unique QR codes of available BPI products is displayed by its partner agencies. A customer only needs to scan to apply for the product and he will then be directed to a BPI product landing page where he will complete his application. The Bank's partner agencies currently offer loans, credit cards and insurance products and eventually will effectively operate like a branch which can process deposits, withdrawals, cash-in, cash-out transactions and bills payment.

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

Champion sustainable banking

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

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

The Bank's Responsible Banking initiatives are centered on the integration of ESG principles to its products and services, including but not limited to the Bank's Sustainable Development Finance (**SDF**) Program. As part of the SDF Program, the Bank offers free technical advisory services on sustainable financing solutions from consultants trained and accredited by the International Finance Corporation (**IFC**). Being the first and only bank to do so, the

Bank has accumulated 458 SME and corporate sustainability projects financing renewable energy, energy efficiency, green buildings, sustainable agriculture, sustainable water, and pollution control projects.

In 2024, highlights of the Bank's financing portfolio for sustainability include:

- ₱958 billion of the Bank's outstanding corporate and SME portfolio is in support of the UN Sustainable Development Goals (**SDGs**), representing 54.6% of the Bank's total corporate and SME portfolio as of 31 December 2024;

- ₱8.80 billion of sustainable agriculture cumulative loans disbursed by end 2024;

- ₱1.08 billion of new sustainable water loans disbursed in 2024, with 31 million cubic meters of water per year were treated, benefitting 85,000 residents/households; and

- ₱14.54 billion of new microfinance loans disbursed under BPI BanKo in 2024, serving approximately 839,990 SEMEs.

In 2024, the Bank also pursued various inclusive, innovative and pioneering banking solutions that champion sustainability such as:

- raising ESG-focused funding, including the ₱ 33.7 billion BPI SEED Bonds – the Bank's largest thematic bond issuance to date (6x oversubscribed), the proceeds of the sustainability bond are allocated to eligible renewable energy, energy efficiency, green building, sustainable water, pollution control projects, and MSMEs

- introducing new products for retail clients, teachers, farmers, and salary workers including: (1) the BPI Green Solutions, the first collection of eco-friendly housing & auto financing options in the Philippines, (2) Agri Negosyoko Loan Program to help farmers strengthen their agricultural practices and improve their livelihoods, (3) Go Teacher's Loan providing financial assistance for public school teachers and admin personnel via the Auto Payroll Deduction System (**APDS**) loan program, (4) Salary On Demand, an earned wage access solution to provide financial flexibility among workers, (5) Wealth Builder an innovative investment product designed to make investing accessible and rewarding for every Filipino, (6) MyBahay Program designed to serve underserved and first-time homebuyers, (7) Motorcycle loans through its partnerships with Tricycle Operators and Drivers' Associations (**TODA**) and local cooperatives enabled on-the-ground financing support for motorcycle buyers, and (8) InstaCashKo Personal Loan designed to provide quick and convenient access to funds for low-salaried individuals;

- funding, arranging and underwriting ESG-focused deals in 2024, including: (1) ₱6 billion Sustainability-Linked Bonds of Ayala Land Inc. (**ALI**), (2) ₱15 billion blue bond issuance of Maynilad, (3) ₱10 billion Green Bonds of Energy Development Corporation (**EDC**), and (4) ₱4 billion term loan facility of Alternergy Tanay Wind Corp; and

- furthering its initiatives for Responsible Operations: (1) first Philippine bank to transition all its bank-owned high-rise buildings to use 100% renewable energy, and (2) having eleven new EDGE-certified bank branches in 2024, bringing the total to 22.

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

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

Finally, the Bank's corporate social responsibility is carried out through BPI Foundation, which implements financial wellness and sustainability programs that look after the unserved and underserved, and through the Bank's BPI Bayan programs where the Bank's employees volunteer to help local communities.

Focus on customers

The Bank's culture is anchored on its N.I.C.E. core values of being Nurturing, acting with Integrity, being Customer Obsessed, and pursuing Excellence. For the third year in a row, an internal summit involving hundreds of the Bank's senior officers was once again held to renew this commitment, followed by a nation-wide roll out to all its employees. Seizing the momentum from being appointed in 2022, the Bank's Customer Delight Officers delivered various customer delight projects that immediately addressed opportunities to improve internal and external customer experiences. To reinforce that customer obsession is a key result area of every employee's performance, "Delight-o-Meter" surveys were completed after internal meetings as a constant check that everything done across the organization should be in the best interest of customers. In a relentless pursuit of customer satisfaction, the Bank achieved top spot as a full-scale bank in net promoter score for the second consecutive year in 2024 and reached its highest historical customer count.

Since 2024, the Bank has embraced the theme "MORE with BPI", embodying the principles of "BE MORE," "DO MORE," "SHARE MORE," and "INSPIRE MORE." "BE MORE" focuses on nurturing the Bank's employees through people initiatives like wellness programs and learning opportunities which will empower them to reach their full potential. The C.H.A.N.G.E. leadership competencies were also launched to guide everyone to lead Customer Obsession, inspire High Performance, set Aspirations, lead with Nurturing Spirit, lead with a Growth Mindset, and lead with Excellence. "DO MORE" highlights the Bank's commitment to its customers, offering relevant digital solutions and excellent customer service. "SHARE MORE" embodies the Bank's dedication to giving back, supporting sustainable advocacies and charities, and fostering a culture of caring and equity..

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

RECENT DEVELOPMENTS

BPI issued US$800 million in US Dollar-denominated notes

On 27 March 2025, BPI successfully tapped the international capital markets with a public USD bond offering of US$500 million 5.00% 5-year and US$300 million 5.625% 10-year Reg S senior unsecured fixed rate notes offering. The notes were issued under BPI's US$3 billion Medium Term Note Program on 7 April 2025.

Secondment of Senior Officer to Ayala Corporation

On 22 January 2025, the Board of Directors of the Bank approved the secondment of Executive Vice President (**EVP**) Juan Carlos L. Syquia, Head of BPI Institutional Banking, to Ayala Corporation (**AC**) effective 1 May 2025 to assume a senior role at AC. On 23 January 2025, the Board of Directors of AC approved the hiring of Mr. Syquia as managing director and his nomination as AC's deputy chief finance officer to be elected as such during the organizational meeting of AC's Board of Directors immediately following AC's annual stockholders meeting on 25 April 2025, both effective on 1 May 2025.

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 Offering Circular and the section entitled "Description of the Bank" in this Offering Circular. The selected financial information presented below as of and for the years ended 31 December 2022, 2023, and 2024 were derived from the audited consolidated financial statements prepared in accordance with PFRS, and audited by Isla Lipana & Co., in accordance with PSA. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

SELECTED CONSOLIDATED STATEMENTS OF INCOME

	For the years ended 31 December		
	2022 (audited)	**2023 (audited)**	**2024 (audited)**
	(₱ millions, except for earnings per share)		
Interest income on			
Loans and advances	84,909	120,900	159,594
Investment securities	16,863	21,737	27,251
Deposits with BSP and other banks	1,496	2,935	3,109
	103,268	145,572	189,954
Interest and finance charges			
Deposits	14,821	36,027	53,181
Bills payable and other borrowed funds	3,381	5,195	9,187
	18,202	41,222	62,368
Net interest income	**85,066**	**104,350**	**127,586**
Impairment losses	**9,167**	**4,000**	**6,600**
Net interest income after impairment losses	**75,899**	**100,350**	**120,986**
Other income			
Fees and commissions	11,339	12,717	15,162
Income from foreign exchange trading	2,617	3,223	3,474
Income attributable to insurance operations	1,379	1,843	3,011
Trading gain on securities	857	1,919	3,293
Net gains (losses) on disposals of investment securities at amortized cost	214	2	4
Other operating income	17,053	14,267	17,609
	33,459	33,971	42,553
Other expenses			
Compensation and fringe benefits	19,528	23,221	28,939
Occupancy and equipment-related expenses	18,761	22,012	25,132
Other operating expenses	19,701	23,877	29,725
	57,990	69,110	83,796
Income before income tax	**51,368**	**65,211**	**79,743**
Provision for income tax			
Current	12,438	13,934	16,757
Deferred	(906)	(635)	746
	11,532	13,299	17,503
Net income after tax	**39,836**	**51,912**	**62,240**
Income Attributable to:			
Equity holders of the Bank	39,605	51,687	62,049
Non-controlling Interests	231	225	191
Net income	39,836	51,912	62,240

STATEMENTS OF CONDITION

	As of 31 December		
	2022 (audited)	2023 (audited)	2024 (audited)
		(₱ millions)	
Resources			
Cash and other cash items	39,613	34,843	49,762
Due from BSP	182,869	199,619	164,571
Due from other banks	45,190	36,292	72,060
Interbank loans receivable and securities purchased under agreements to resell....	12,382	20,643	16,715
Financial assets at fair value through profit or loss	22,133	23,654	47,308
Financial assets at fair value through other comprehensive income	95,267	218,654	268,202
Investment securities at amortized cost, net	420,533	382,711	343,108
Loans and advances, net	1,702,990	1,882,007	2,238,765
Assets held for sale, net	3,760	4,743	8,411
Bank premises, furniture, fixtures and equipment, net	19,355	19,751	21,209
Investments in subsidiaries and associates, net	7,227	8,287	10,904
Assets attributable to insurance operations	19,060	19,067	20,995
Deferred income tax assets, net	16,752	18,185	18,201
Other assets (excluding goodwill), net	16,830	19,916	29,084
Goodwill (under other assets in the AFS)	-	-	9,518
Total resources	2,603,961	2,888,372	3,318,813
Liabilities and Capital Funds			
Liabilities			
Deposit liabilities	2,096,001	2,295,106	2,614,802
Derivative liabilities	4,297	2,821	4,976
Bills payable and other borrowed funds	97,503	137,104	163,182
Due to BSP and other banks	2,887	1,881	3,135
Manager's checks and demand drafts outstanding	6,755	8,463	9,941
Accrued taxes, interest and other expenses	10,587	14,973	17,327
Liabilities attributable to insurance operations	14,919	15,202	16,541
Deferred credits and other liabilities	51,208	53,452	56,219
Total liabilities	**2,284,157**	**2,529,002**	**2,886,123**
Capital funds attributable to the equity holders of the Bank			
Capital stock	49,193	49,307	52,610
Paid-in-surplus	104,123	113,414	143,278
Treasury Shares	(33,043)	-	-
Reserves	644	643	10,889
Accumulated other comprehensive loss	(14,256)	(11,127)	(12,640)
Surplus	211,061	204,967	236,332
	317,722	**357,204**	**430,469**
Non-controlling interests	**2,082**	**2,166**	**2,221**
Total capital funds	319,804	359,370	432,690
Total liabilities and capital funds	**2,603,961**	**2,888,372**	**3,318,813**

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December		
	2022 (audited)	2023 (audited)	2024 (audited)
		(₱ millions)	
Net cash provided by (used in) operating activities……………………………	(43,418)	72,964	(22,253)
Net cash provided by (used in) investing activities……………………………	(40,718)	(79,269)	45,258
Net cash provided by (used in) financing activities……………………………	(8,697)	21,667	(11,400)
Cash and cash equivalents at beginning of the year………………………….	365,953	273,120	288,482
Cash and cash equivalents at end of the period………………………………	273,120	288,482	300,087

SELECTED CONSOLIDATED FINANCIAL RATIOS AND PER SHARE DATA

	As of and for the years ended 31 December		
	2022 (audited)	2023 (audited)	2024 (audited)
Return on average assets(1)	1.6%	1.9%	2.0%
Return on average equity(2)	13.1%	15.3%	15.1%
Net interest margin(3)	3.6%	4.1%	4.3%
Cost-to-income ratio(4)	48.9%	50.0%	49.3%
Gross loans to deposits(5)	83.5%	83.9%	87.0%
Tier 1 capital adequacy ratio(6)	15.1%	15.3%	13.9%
Total capital adequacy ratio(7)	16.0%	16.2%	14.6%
Total tangible capital funds to total tangible assets(8)	12.2%	12.4%	12.8%
Total gross non-performing loans (90-day) to total gross loans(9)	1.8%	1.8%	2.1%
Allowances for credit losses to total gross loans(10)	3.3%	3.0%	2.4%
Allowances for credit losses to total gross non-performing loans (90-day)(11)	180.1%	156.1%	106.2%
Specific provisions to gross loans	3.3%	3.0%	2.4%
Dividend payout ratio(12)	40.1%	40.2%	40.4%
Dividend per Share (₱)	₱2.12	₱3.36	₱3.96
Basic and diluted earnings per share attributable to the equity holders of BPI during the year (₱)(13)	₱8.78	₱10.90	₱11.78

Notes:

(1) Net income divided by average total assets for the period indicated. Average total assets are based on the monthly average balance of total assets for the years ended 31 December 2022, 2023, and 2024.

(2) Net income divided by average total equity for the period indicated. Average total equity is based on the monthly average balance of equity for the years ended 31 December 2022, 2023, and 2024.

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

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

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

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

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

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

(9) Total gross non-performing loans (90-day NPLs) divided by total receivable from customers, net of unearned interest and discount. Data as of 30 September 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) Total allowance for probable loss (including AIR) divided by gross loans.

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

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

INVESTMENT CONSIDERATIONS

An investment in the Notes involves a number of foreseeable and unforeseeable risks and other investment considerations. You should carefully consider all the information contained in this Offering Circular including the investment considerations described below, before any decision is made to invest in the Notes. The Bank's business, financial condition and results of operations could be materially adversely affected by any of these investment considerations. The market price of the Notes could decline due to any one of these risks, and all or part of an investment in the Notes could be lost.

The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to disclose all risks or other significant aspects of investing in the Notes. Prospective Holders are encouraged to make their own independent legal, financial, and business examination of the Bank and the market. Neither the Bank nor the Joint Lead Arrangers and Selling Agents make any warranty or representation on the marketability or price on any investment in the Notes.

Risks Relating to the Bank and its Business

The Bank is subject to interest rate risk.

The Bank realises income from the margin between interest-earning assets (due from BSP on balances above the minimum reserve requirement, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and senior/subordinated, and other forms of borrowings). Fluctuations in domestic market interest rates, which are neither predictable nor controllable, can have a significant impact on the Bank by affecting its interest income, cost of funding and general performance of its existing loan portfolio and other assets. In a period of rising domestic interest rates, the Bank may be required to compete aggressively to attract deposits by offering higher rates to depositors in order to increase the Bank's loanable funds, which may result in a decrease in the Bank's profitability.

As interest rates increase, the Bank's profitability may decrease as a result. Increased interest rates on the Bank's customers' floating rate loans can also potentially negatively affect the Bank's business by increasing default rates among the Bank's borrowers, which could in turn lead to increases in the Bank's NPL portfolio and its real and other properties acquired (**ROPA**). Likewise, rising interest rates may impact the value of the Bank's investment securities resulting in unrealised marked to market losses in its trading and fair value through other comprehensive income (**FVOCI**) investment portfolios. Furthermore, the Bank may suffer trading losses as a result of the decline in value of these securities.

The BSP has reduced its policy rate in 2024, bringing the Reverse Repurchase (**RRP**) rate from 6.5% to 5.75%. This reduction comes as inflation has slowed, partly due to the recent decline in rice prices. However, GDP growth has been slower than expected, as persistent inflation continues to affect consumer spending. Looking ahead, the BSP may cut its rates further this year, as inflation will likely remain within its target range. However, the central bank's room for further easing may be limited given the country's large current account deficit, which makes it more vulnerable to external shocks. In this context, interest rates could act as a key buffer against market volatility.

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

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

Customer deposits are the Bank's primary source of funding and the Bank intends to continue to expand its deposit base, particularly low-cost sources such as demand and savings deposits (**CASA deposits**) to help fund its future loan growth. However, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, retail customers may reduce their deposits and increase their investment in securities for a higher return or increase their deposits in trust accounts, while small, mid-market and large corporate customers may reduce their deposits in order to fund increased working capital requirements in a favourable economic environment or the Bank may need to increase the rates it offers to its customers to minimise deposit outflows, which would have an adverse impact on its cost of funding. If the Bank fails to maintain its desired level of deposits, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such an event, the Bank may need to seek more expensive sources of funding (including external sources). The Bank's ability to raise additional funds may be impaired by factors over which it has little or no control, such as deteriorating market conditions or severe disruptions in the financial markets, and it is uncertain whether the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. For the years ended 31 December 2022, 2023 and 2024, the Bank's average cost of funds was 1.3%, 2.2% and 2.5%, respectively.

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

As part of its strategy, the Bank intends to:

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

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

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

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

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

The prevalence of smartphones and other connectivity devices and mobile data applications has increased the number of platforms providing online payment solutions, electronic money and wallets, and other similar services and products. Banks compete with expanding financial technology (**fintech**) solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and Maya and (ii) peer-to-peer lending platforms, among others. To date, the BSP has granted six digital bank licenses: (i) Overseas Filipino Bank, (ii) Tonik Digital Bank, Inc., (iii) UNObank, (iv) UnionDigital Bank, (v) GoTyme Bank, and (vi) Maya Bank. These are in addition to banks, notably CIMB Bank Philippines, offering no-branch banking services through their respective mobile apps which provide all-online retail banking services despite having existing commercial and universal banking licenses.

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

The Bank is exposed to cyber and information security risk.

With the rise in the use of digital infrastructure globally, there is also an increased number of cybersecurity and information breaches which may affect the Bank's day-to-day operations and its consumers' use of the Bank's digital banking products. As the Bank continues to transition to more digital operations, risks associated with potential breaches in cybersecurity may be aggravated and can have catastrophic implications on the Bank's bottom-line and reputation.

The Bank's heavy use and reliance on information and technology systems could expose it to related risks that could adversely affect its business.

The Bank is subject to risks relating to its information and technology systems and processes since the hardware and software used in its operations can be subjected to damage due to human error, sabotage, malfunction, man-made and natural disasters, power loss, computer viruses, and interruption from third-party services. These damages to any of the information and technology systems can result in disruption and/or delays to the Bank's operations, which in turn would affect its capacity to generate income for the business and the consumer's confidence towards their security and service.

Due to the constant shift to digitalization, the Bank is expected to increasingly rely on software that would have highly technical and complex processes. Additionally, the ability to fully shift digitally would require a software that could effectively store, retrieve, process and manage large amounts of data, sufficient for the Bank's operations. With this reliance, the Bank remains at risk of the software containing undetected errors or bugs which would affect its capability to service the Bank.

Moreover, the Bank also accesses and analyses data from its customers with their authorization using their mobile apps and digital solutions, which makes the systems potentially vulnerable to cyberattacks, computer viruses, break-ins and other similar interruptions. The occurrence of such events may affect the confidence of the consumers in the Bank and integrity of the Bank's operations. While the Bank employs IT security solutions such as firewalls, data encryption and multi-factor authentication, the potential for fraud and security problems is likely to persist due to the continually evolving transformation of cybercrimes.

The Bank has incurred and will continue to incur expenses and costs related to such security measures, such as the engagement of external cyber security partners to conduct vulnerability testing and the hiring of skilled IT personnel to effectively protect internal systems since the failure of the Bank to successfully implement security measures or prevent any security breaches could have a material adverse effect on the Bank's business, financial condition and results of operations as well as the reputation of the Bank.

The Bank has some concentration of loans to certain customer segments or borrower-groups and to certain industries within acceptable credit and risk thresholds, and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of 31 December 2024, the Bank's total credit exposures to borrowers were at ₱2.27 trillion. The Bank extends loans to several industries and sectors in the Philippines. As of 31 December 2024, the Bank's loan exposures to the top five industries, namely (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) transportation, storage and communications and (v) wholesale and retail trade, accounted for 72.1% of its total loan portfolio. The Bank's largest loan exposure is to real estate, renting and other related activities, which accounted for 22.7% of its loan portfolio as of 31 December 2024. In addition, the Bank's top 20 borrowing relationships include the Ayala group of companies (which are related parties of the Bank) and other borrowing groups such as the JG group of companies and the RRHI group of companies. Although the Bank continues to adopt risk controls and diversification strategies to minimise any credit risk concentrations, financial difficulties in any of these industries and sectors, or any of the Bank's top borrowing relationships, could increase the level of non-performing loans and/or restructured assets, and adversely affect the Bank's business, its overall financial condition and results of operations.

The Bank may face increasing levels of non-performing loans (NPLs), provisions for impairment losses and delinquencies in its loan portfolio, which may adversely affect its business, financial condition, results of operations and capital adequacy.

The Bank's results of operations have been, and continue to be, affected by the level of its NPLs. The Bank's total gross NPLs were equal to ₱30.88 billion, ₱35.44 billion and ₱48.36 billion as of 31 December 2022, 2023, and 2024, respectively. For the years ended 31 December 2022, 2023 and 2024, the Bank's provisions for credit losses were ₱9.17 billion, ₱4.00 billion, and ₱6.60 billion, respectively, representing approximately 11%, 4% and 5% of the Bank's net interest income for these periods. The Bank plans to continue to expand its microfinance, SME and consumer loan operations, including credit card services. Such expansion plans will increase the Bank's loan exposures to these riskier segments which are more susceptible to the Philippine's volatile economic conditions. As a result, the Bank may continue to experience increasing levels of NPLs and provisions for impairment losses in the near future.

Volatile economic conditions and inflation risks in the Philippines and overseas, including volatile foreign exchange and interest rates, anticipated slowdown of global economic growth, and environmental and climate risks, may adversely affect many of the Bank's customers, causing uncertainty regarding their ability to fulfil obligations under the Bank's loan terms and agreements and significantly increasing the Bank's exposure to credit risk. These and other factors could result in an increased number of NPLs and delinquencies in the Bank's loan portfolio in the near future. Any significant increase in the Bank's NPLs or delinquencies in the Bank's loan portfolio would have a material adverse effect on its business, financial condition, results of operations and capital adequacy.

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

As of 31 December 2024, the Bank's secured loans represented 28.7% of the Bank's total loans, and 53.3% of the collateral on these secured loans consisted of real properties. Given that the recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale or liquidation, there can be no assurance that the realised value of the collateral would be adequate to cover the Bank's loans in case these become non-performing in status.

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

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

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

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

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

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

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

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

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

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

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

In support of government initiatives to strengthen rural development, Philippine banks are required under Republic Act No. 11901 (**RA 11901**), also known as the Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, to allocate 25% of their total loanable funds to borrowers in the agriculture, fisheries, and rural development sectors. Failure to meet the specified level of eligible credits may result in regulatory fines or penalties levied against the noncompliant bank. This fine is calculated as one-half of one percent per annum (0.5%) of the non-complied/under-complied amount, computed on a quarterly basis.

Prior to RA 11901, Philippine banks were mandated to set aside 10% of their lending portfolio for agrarian reform beneficiaries and 15% for agricultural activities. Given the greater flexibility in allocating the combined 25% mandatory credit quota to eligible borrowers, the Bank is deemed compliant with the prescribed percent of funds extended to eligible sectors and expanded type of financing aligned with the BSP regulations (BSP Circular 1159).

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

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

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

Based on the latest reports as of the date of this Offering Circular, the Bank has a baseline credit assessment of "Baa2" with a "stable" outlook from Moody's in May 2024; a long-term issuer credit rating of "BBB+" / "A-2" with a "stable" outlook from S&P Global Ratings in December 2024; and a long-term issuer default rating of "BBB-" with a "stable" outlook from Fitch Ratings in March 2025. In the event of a downgrade of the Bank's rating by one or more credit rating agencies, the Bank may have to accept terms that are not as favourable in its transactions with counterparties or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to downgrade the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a downgrade of ratings. Any downgrade in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and negatively impact its operating results and financial condition.

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

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

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

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

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

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

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

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

The Passive Income and Financial Intermediary Taxation Act (**PIFITA**), otherwise known as Package 4 of the Comprehensive Tax Reform Program (**CTRP**) initiated by Former President Duterte, proposes to improve taxes related to financial transactions, financial intermediaries, and passive income. The PIFITA, under House Bill (**HB**) No. 304, was approved in its third and final reading by the House of Representatives on 9 September 2019 but remains pending in the Philippine legislature. A similar version of the PIFITA under HB No. 4339 was likewise approved in its third and final reading by the House of Representatives on 14 November 2022, but to date, remains pending before the Senate Committee on Ways and Means.

Specifically, the PIFITA proposes (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) the gradual reduction of the stock transaction tax until it reaches 0.1%. In relation to debt instruments (including the Notes), the current proposals would introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20%-25%), unless a treaty rate applies. As a result, the Issuer may be required to pay Additional Amounts (as defined in the Conditions) and its option to redeem the affected series of Notes may be triggered. See "*Terms and Conditions of the Notes—28 Redemption for Changes in Tax.*"

Pending Senate concurrence on the PIFITA, Senate Bill (**SB**) No. 2865, or the Capital Markets Efficiency Promotion Act (**CMEPA**), was introduced to strengthen the country's capital markets, enhance investment competitiveness, and create a more balanced tax treatment between debt and equity securities. Among its proposed tax adjustments, the CMEPA seeks to (i) remove the tax exemption of income of non-residents transacting with FCDUs; (ii) lower the stock transaction tax from 0.6% to 0.1%, and (iii) reduce the dividend tax for non-resident aliens from 25% to 10% to align cash and property dividend rates, among others. In February 2025, the House of Representatives and the Senate have ratified the Bicameral Conference Committee Report on CMEPA.

No assurance can be given that PIFITA and/or CMEPA will be passed in their present form. Any increase in taxes on the Bank will reduce the net income of the Bank, which may have a material and adverse effect on the Bank's business, results of operations and financial condition. Further, the expiration, non-renewal, revocation or repeal of any tax exemptions or tax incentives, the enactment of any new laws or increase in taxes, could have an effect on the Bank's business, financial condition and results of operations.

The Bank faces risks and challenges associated with acquisitions and investments.

From time to time, the Bank acquires companies or businesses, enters into strategic alliances and joint ventures and makes investments, and will continue to seek opportunities to do so in the future as part of its expansion plan. In order to pursue this strategy successfully, the Bank must effectively identify suitable targets for, and negotiate and consummate, acquisition or investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees.

Risks associated with business combination and investment transactions include the following, any of which could adversely affect the Bank's revenue, gross margin and profitability:

- managing business combination and investment transactions often requires significant management resources, which may divert the Bank's attention from other business operations;

- the Bank may not fully realize all of the anticipated benefits of any business combination and investment transaction, and the timeframe for realizing benefits of a business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers or other third parties;

- business combination and investment transactions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans;

- the Bank's due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices or internal control deficiencies;

- the Bank may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect the Bank's liquidity and financial condition; and

- if disputes arise in connection with business combination and investment transactions, such disputes may lead to litigation, which can be costly and may divert the Bank's resources.

Risks Relating to the Philippine Banking Industry

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

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

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

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

The Philippines has also experienced other public health epidemics or outbreaks of diseases, such as avian influenza or bird flu, African Swine Fever, dengue and polio, among others, which have adversely affected the local economy. For example, on 23 July 2022, WHO Director-General Tedros Adhanom Ghebreyesus declared the ongoing monkeypox outbreak a Public Health Emergency of International Concern. Since early May 2022, cases of monkeypox were reported in several countries, including the Philippines, which reported 18 confirmed cases of monkeypox as of August 2024.

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

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

PFRS 17 Insurance Contracts, is a comprehensive standard for insurance contracts that aims to enhance the transparency and comparability of financial statements in the insurance industry. It introduces measurement model designed to provide a consistent and transparent approach for recognizing and measuring insurance liabilities. Implementation is subject to deferral for another two years, to be effective on 1 January 2027 instead of 1 January 2025.

PFRS 18 Presentation and Disclosure in Financial Statements replaces PAS 1, with a focus on updates to the statement of profit or loss such us the structure of the statement of profit or loss, presentation of expenses, required disclosures for certain performance measures (ex. management-defined performance measures), and principles on aggregation and disaggregation.

PFRS 19 Subsidiaries without Public Accountability: Disclosures works alongside PFRS Accounting Standards which details the reduced disclosure requirements for an eligible subsidiary (no public accountability and has an ultimate or intermediate parent with consolidated financial statements available for public use) to balance the information needs of the users with cost savings for preparers. This remains as a voluntary standard.

Amendments to PFRS 9 and PFRS 7 which are the amendments to the classification and measurement of financial statements. These amendments were made on 30 May 2024 to respond to recent questions arising in practice and include new requirements for financial institutions and corporate entities. These focus on the recognition of financial assets and liabilities, assessment for solely payments of principal and interest criterion, add new disclosures for instruments with contractual terms that can change cash flows, and update disclosures for equity instruments design.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2024 can be found in Note 30.2 of the Bank's audited financial statements as at 31 December 2023 and 2024 and for the three years ended 31 December 2024 included elsewhere in this Offering Circular.

The Bank believes that other amendments and improvement to PFRS issued effective after 31 December 2024 will not have material impact on the Bank's future financial statements.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after 1 January 2024 that are considered relevant or expected to have a material effect on the financial statement of the BPI Group.The Bank's principal businesses are in the highly competitive Philippine banking industry and increases in competition may result in declining margins in the Bank's principal businesses.

The Bank is subject to significant levels of competition from many other Philippine banks and local branches of international banks, including, in some instances, competitors that have greater financial and other capital resources, greater market share and greater brand name recognition than the Bank.

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

In the future, the Bank may also face increased competition from financial institutions offering a wider range of commercial banking services and products than the Bank and having larger lending limits, greater financial resources and stronger balance sheets than the Bank. Increased competition may arise from:

- other large Philippine banking and financial institutions with significant presence in Metro Manila and large country-wide branch networks;

- foreign banks, due to, among other things, relaxed foreign bank ownership standards permitting large foreign banks to set up their own branches in the Philippines or expand their branch network through acquiring domestic banks;

- ability of the Bank's competitors to establish new branches in Metro Manila;

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

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

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

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

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

The Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank margins, low loan growth and potential or actual under-capitalisation of the banking system. Disruptions in the Philippine financial sector, or general economic conditions in the Philippines, may cause the Philippine banking industry in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges. As an example, the adverse effects of the pandemic in the general economy drove up the monthly gross NPL ratios exclusive of interbank loans to 3.6% to 4.7% levels from September 2020 to August 2021. With the reopening and improvement of the economy, these figures gradually moved back down to the 3.6% level as of August 2022. As of 31 December 2024, the NPL ratio was at the 3.3% level.

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

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

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

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

In June 2016, the BSP implemented the interest rate corridor (**IRC**) which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the "special deposit account" prior to the implementation of the IRC, was replaced by the "overnight deposit facility" with a current rate of 5.25% (as of 13 February 2024), 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 6.25% (as of 13 February 2024). The BSP likewise introduced the "term deposit facility" to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

Universal and commercial banks are required to maintain reserves against deposits and deposit substitute liabilities are imposed at the following rates: (a) 5.0% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4.0% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 1.0% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market issued within one year from 6 January 2024; (e) 0% for bonds mentioned in (d) issued one year after 6 January 2024, effective for another 12 months; (f) 3.0% against bonds other than those in (d) and (e); and (g) 0% against basic deposit accounts as defined under Section 213 of the MORB and for interbank call loan transactions (**IBCL**).

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

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

On 4 August 2006, the BSP issued Circular No. 538, which contained the implementing guidelines on the revised risk-based capital adequacy framework for the Philippine banking system, in conformity with the recommendations of the International Convergence of Capital Measurement and Capital Standards (**Basel II**) set by the Basel Committee on Banking Supervision (**Basel Committee**). The circular, which took effect on 1 July 2007, maintained the minimum CAR at 10.0% and provided the approaches that may be used in computing the regulatory capital requirements for credit, market, and operational risks.

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

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

- adopting a new categorization of the capital base;
- keeping minimum CAR at 10.0% and prescribing:
    - a minimum CET1 ratio of 6.0%;
    - a minimum Tier 1 ratio of 7.5%; and
    - a capital conservation buffer of 2.5%;
- rendering ineligible existing capital instruments that do not meet eligibility criteria for capital instruments under the revised capital framework; and
- subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital.

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

On 9 June 2015, the BSP issued Circular No. 881, Implementing Guidelines on the Basel III Leverage Ratio Framework, requiring covered institutions to maintain a leverage ratio not lower than 5.0%. The leverage ratio, expressed as the proportion of Tier 1 capital against exposure measure, serves as a backstop to the CAR.

On 10 March 2016, the BSP issued Circular No. 905, Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (**LCR**) and Disclosure Standards, requiring banks to hold a sufficient level of high-quality liquid assets (**HQLA**) to enable them to withstand a 30-day liquidity stress scenario. On 6 June 2018, the BSP issued Circular No. 1007, Implementation of Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (**NSFR**), requiring that banks' assets and activities be structurally funded with long-term and more stable funding sources. Although these measures are aimed at strengthening the ability of banks to withstand liquidity stress and promote resilience of the banking sector, compliance with these ratios may also further competition among banks for deposits as well as high quality liquid assets.

On 6 December 2018, the BSP issued Circular No. 1024, Philippine Adoption of the Basel III Countercyclical Buffer, imposing a countercyclical buffer (**CCyB**) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately.

On 4 May 2020, BSP issued Memorandum No. M-2020-039 allowing universal and commercial banks, and their subsidiary banks and quasi-banks which have built their capital conservation buffer and LCR buffer to utilize such during the state of health emergency. A covered bank which draws down its 2.5% minimum capital conservation buffer will not be considered in breach of the capital adequacy framework. A covered bank which utilizes its capital conservation buffer is restricted from making distributions in the form of dividends, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. A covered bank may draw on its stock of liquid assets to meet liquidity demand even if it 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 (**HQLAs**) 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 31 December 2024, the Bank had a CAR of 14.63%, a CET1 ratio of 13.86% and CET1 capital of ₱366 billion. Compliance with these requirements may further increase competition among banks for deposits as well as high quality liquid assets.

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

Compliance with regulatory requirements may impact the Bank's ability to grow its business and may even require the Bank to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Bank's business, financial condition, and results of operations. Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital or liquidity requirement due to the implementation of Basel III may result in BSP-imposed monetary and non-monetary sanctions, including prohibition on the declaration of dividends.

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

Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan and credit card portfolios.

The Bank plans to continue to expand its consumer loan operations. Such expansion plans will increase the Bank's exposure to consumer debt and vulnerability with respect to changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer loan and credit card portfolios. A rise in unemployment or substantial increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults, NPLs and reduce demand for consumer loans.

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

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

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

- Fitch Ratings – BBB (stable), which was affirmed on 7 June 2024;
- Moody's Investors Service – Baa2 (stable), which was affirmed on 23 August 2024; and
- Standard & Poor's – BBB+/A-2 (positive), which was affirmed on 26 November 2024.

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of, or the outlook for, the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Government and Philippine companies, including the Bank, to raise additional financing, and will increase borrowing and other costs.

The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than those of more developed countries.

Philippine banks are subject to the credit risks that Philippine borrowers may not make timely payment of principal and interest on loans and, in particular that, upon such failure to pay, Philippine banks may not be able to enforce the security interest they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in developed countries due to:

- the greater uncertainty associated with the Philippine regulatory, political, legal and economic environment;

- the vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries, and OFW remittances;

- the large foreign debt of the Government and the corporate sector, relative to the gross domestic product (**GDP**) of the Philippines; and

- volatility of interest rates and U.S. dollar/Peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data from the BSP, the average NPL ratios exclusive of interbank loans in the Philippine banking industry were 3.25%, 3.32%, and 3.34% as at 31 December 2022, 2023 and 2024, respectively.

The ability of Philippine banks to assess, monitor and manage risks inherent in their business differs from the standards of their counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

If the Bank were not to comply with FATCA, this may cause material and adverse impact on the Bank's business, financial condition and results of operations.

The Foreign Account Tax Compliance Act (**FATCA**) was enacted into law in the U.S. on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It is a new regime for finding income overseas as a response to a landmark court case in which a large international bank agreed to pay US$780 million in fines for their role in assisting U.S. citizens in evading income taxes.

The FATCA impacts a number of organisations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions (**FFIs**) that invest in U.S. markets will be impacted, as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

An FFI will have to set up a process to identify U.S. accounts as part of its on boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

After the identification of impacted accounts, an FFI will have to collect documentation on each of these accounts to prove whether or not they are a U.S. person. If they are not a U.S. person and the FFI has the appropriate documentation, the FFI's obligations have been fulfilled. If they are a U.S. person, the FFI's next move will depend on the country that has jurisdiction over the FFI. By default, the Participating Foreign Financial Institutions (**PFFIs**) in countries without an intergovernmental agreement will directly report to the US Internal Revenue Service (**IRS**).

There is a requirement for PFFIs to withhold 30% of income from recalcitrant account holders in order to comply with the FATCA. A recalcitrant account holder is one who fails to comply with reasonable requests pursuant to IRS mandated verification and due diligence procedures to identify U.S. accounts, to provide a name, address and TIN or fails to provide a bank secrecy waiver upon request.

Specific to the Bank's compliance with the FATCA, the Bank and its subsidiaries registered on 30 June 2014 as an Expanded Affiliate Group i.e., Bank of the Philippine Islands (lead financial institution) and subsidiaries. The Bank subsequently updated its FATCA status and registered as a Reporting Financial Institution under a Model 1 Intergovernmental Agreement (**IGA**). The Bank's FATCA ID and Global Intermediary Identification Number is CUC041.00000.LE.608.

Under the IGA, the Secretary of Finance or Commissioner of Internal Revenue is the competent authority to receive FATCA information for reporting to the U.S. Internal Revenue Service. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

Heightened volatility and uncertainties in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. While pockets of strength, such as the U.S. economy, provided optimism, the story was notably different in other regions, with the Eurozone, for instance, stagnating amid muted consumer confidence. In addition, persistent structural challenges and geopolitical uncertainties underscored the vulnerabilities in the global economic system. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines.

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

The ongoing Ukraine-Russia war has sparked energy and food price shocks globally, particularly in European countries as they were heavily dependent on oil and gas from Russia and in some African and Asian countries that were dependent on staples such as wheat and sunflower oil from Ukraine. The war has increased concerns relating to energy security and climate change, geopolitical tensions between Russia-NATO and China-Taiwan, and shifts in global structures and relationships, particularly among major superpowers such as the US, Europe, China. Following accumulated shocks from the pandemic and the war, most economies have seen rising sovereign debt levels and declining credit quality, and the number of sovereigns in default has increased. Exports also fell as the trend towards regionalization and global fragmentation continued.

In March 2023, as a result of elevated interest rates and a sluggish economy, regional banks in the US namely Silicon Valley Bank, Signature Bank, and First Republic Bank collapsed, declaring insolvency. This series of bank runs, coined the Banking Crisis of 2023, may continue to have long-term effects on consumers' confidence level in the banking system. Also, in the middle of March 2023, Credit Suisse, the second-largest bank in Switzerland and one of the leading financial institutions globally, collapsed following numerous scandals in the recent years. The collapse led to the bank being bought by rival UBS Group AG for about US$3.3 billion to prevent bigger devastation in the global financial system. The full impact of these bank runs remains uncertain, considering both the U.S. and Switzerland carry reputations as leading countries for banks and financial institutions.

The assumption into office of President Donald Trump in 2025 may have profound implications for the global economy and financial markets, with potential shifts in trade policies, tax regulations, and geopolitical stability.

Economic policy changes will influence global supply chains and investment patterns, while adjustments in US monetary and regulatory frameworks will affect global capital flows and market stability.

The Bank expects 2025 to unfold as a critical juncture for the global economy, marked by continuous divergent recovery paths, geopolitical realignments, and evolving economic policy landscapes, especially following Trump's second presidency. Renewed "America First" policies may heighten trade tensions, shift the global balance of power and introduce fresh uncertainty into international markets. Consequently, policymakers worldwide will be compelled to navigate an increasingly complex economic environment, balancing domestic pressures with the imperatives of global cooperation and resilience. Escalating geopolitical tensions, particularly between the United States and China and other global trade partners, may aggravate disruption in global trade flows and dampen investor confidence. More severe tariffs and tighter controls on tech exports have compounded these challenges. Even though some supply chain issues have eased, persistent vulnerabilities in critical sectors like semiconductors continue to expose the inherent fragility of global manufacturing networks. As a result, the recovery has been uneven—with high-tech industries displaying some robustness, while traditional sectors such as automotive and heavy machinery still grapple with ongoing disruptions and higher input costs.

In a study prepared by the Philippine Institute for Development Studies dated 22 April 2025, its assessment using the Tariff Exposure Composite Index (**TECI**) reveals that the Philippines falls within the moderate-to-low risk tier, owing to relatively low reciprocal tariff rates and strong exemption coverage, particularly for high-value electronics. However, the study notes that "absent a coordinated and forward-looking policy response, the Philippines and its ASEAN neighbors risk becoming passive bystanders in an increasingly fragmented trade landscape."

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and have a ripple effect across sovereign states and the private sector in Europe and the rest of the world and possibly lead to a global economic crisis. These uncertainties and other future events related to this conflict could continue to adversely impact the political and monetary policies of major economies, which in turn could have a negative impact on the Philippine market. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services.

Risks Relating to the Philippines

Political instability in the Philippines may have a negative effect on the general economic conditions in the Philippines which could have a material adverse impact on the results of operations and financial condition of the Bank.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and a chief justice of the Supreme Court of the Philippines, a nullification of the appointment of another chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy.

The Philippine general elections for national and local officials took place on 9 May 2022 with Ferdinand Marcos, Jr. being proclaimed president and Sara Duterte being proclaimed vice-president. Since the 2022 Philippine general elections, there have been public disagreements between the incumbent president, Ferdinand Marcos, Jr. and the vice president, Sara Duterte. Duterte resigned as Secretary of Education in June of 2024, a post she held following her appointment by President Marcos. The Vice President has since alleged that threats have been made against her life, attributing them to the present government.

On 11 March 2025, the Philippine National Police (**PNP**) implemented the arrest warrant issued by the International Criminal Court (**ICC**) and arrested Former President Rodrigo Duterte in connection with the ICC charge against him for crimes against humanity in relation to killings in the "war on drugs". After his arrest, the Philippine Government turned over custody of Duterte to the ICC in the Hague. As of the date of this Offering Circular, Duterte awaits trial in the Hague.

There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. The mid-term national and local election, in which 12 senators, representatives of the House of Representatives and local officials will be elected, is set on 12 May 2025.

No assurance can be given that any changes in regulations or policies imposed by the Government from time to time or the future political environment in the Philippines will be stable or that current or future administrations will adopt economic policies conducive to sustaining economic growth. Political instability in the future could reduce consumer demand for retail and consumer goods to the Bank's disadvantage, or result in inconsistent or sudden changes in regulations and policies that affect the Bank's business operations, which could have a material adverse impact on the results of operations and financial condition of the Bank.A substantial portion of the Bank's business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country, including the performance of the Philippine economy.

Historically, the Bank has derived a substantial portion of its operating income and operating profits from the Philippines and, as such, it is highly dependent on the state of the Philippine economy. Demand for banking services is directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- foreign exchange rate fluctuations;
- foreign exchange controls;
- inflation or increase in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Philippine government's fiscal policies;
- Philippine government budget deficits;
- a re-emergence of polio, SARS, bird flu, or H1N1, or the emergence of other similar diseases in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect the Bank's borrowers and contractual counterparties. This, in turn, could materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy. Therefore, changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition or results of operations.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Bank's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. However, should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial position and results of operations.

On 27 July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas. In October 2022, tropical storm Paeng caused flooding and landslides in the islands of Mindanao. Its strong winds and heavy rains took the lives of at least 45 people with many more missing victims as it displaced thousands of residents and submerged schools and households in floodwater.

In July 2023, the National Disaster Risk Reduction and Management Council reported that around 5,882,288 people have been affected by tropical storm Egay. Its heavy rainfall and strong winds caused damage to infrastructure in Regions 1, 2, 5, 6, 11, 12, and MIMAROPA amounting to an estimate of ₱1,191,137,926, and damage to agriculture amounting to an estimate of ₱833,880,000.

In November 2024, Typhoon Pepito/Man-yi caused widespread destruction, severe flooding and landslides and displaced thousands of people, prompting several provinces in Luzon to declare a state of calamity. Natural catastrophes will continue to affect the Philippines. The Bank may incur losses for such catastrophic events, which could materially and adversely affect its business, financial condition and results of operations.

Acts of terrorism could destabilise the country and could have a material adverse effect on the Bank's business, financial position and results of operations.

The Philippines has been subject to numerous threats from terrorist groups that operate primarily in the south of the country for the past several years. The Philippine Army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as for clashing against separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country.

On 3 July 2020, Republic Act No. 11479, otherwise known as the Anti-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007. In February 2022, the Supreme Court of the Philippines released its decision on the Anti-Terrorism Act of 2020.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilisation could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial condition, results of operations and prospects.

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths of civilians and members of the Armed Forces of the Philippines (**AFP**), which could destabilise parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Bank's business, financial condition, and results of operations.

Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilise parts of the country and adversely affect the country's economy.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. The Philippines maintains that its claim over the disputed territories is supported by recognised principles of international law consistent with the United Nations Convention on the Law of the Sea (**UNCLOS**). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, the Netherlands, to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the UNCLOS. In 2016, the Permanent Court of Arbitration ruled in favour of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has "no historical rights" to the resources within the sea areas falling within the "nine-dash line;" (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China has violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said that it will not recognise the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious and unresolved.

On 18 May 2018, China's People's Liberation Army Air Force announced that it has sent an H-6K bomber in the Paracel Islands in the South China Sea. On 9 June 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater feature being claimed by both the Philippines and China in the portion of the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines, though the owners of the Chinese vessel have since apologised.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and a demand for the vessels to leave the area, issued by Philippine Defense Secretary Delfin Lorenzana.

In recent months, there has been an increased frequency of incidents, as well as heightened intensity of confrontations, between the Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In August 2023, China Coast Guard vessels used water cannon against a Philippine resupply mission preventing one of the boats from delivering its cargo. On 24 September 2023, the Philippine Coast Guard reported that the Chinese Coast Guard has installed a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal. In a special operation conducted the following day, the Philippine Coast Guard confirmed that it has removed and cut the floating barrier. In October 2023, the Philippines lodged a diplomatic protest with China in response to maneuvers by Chinese vessels that led to collisions with Philippine ships on a resupply mission to the BRP Sierra Madre on Ayungin Shoal (international name: Second Thomas Shoal). On 30 April 2024, while Philippine government vessels were distributing fuel and food to the fisherfolk in the Scarborough Shoal, China Coast Guard vessels attacked them using high-pressure water cannons, causing damage to the Philippine government vessels. This caused the Philippine government to file another diplomatic protest against China. On 27 July 2024, the Philippines completed an unimpeded resupply mission to grounded Filipino naval ships following a new provisional agreement with China aimed at mitigating tensions. However, weeks later on 8 August 2024, the Philippine military reported that a Chinese aircraft dropped flares and performed hazardous maneuvers while a Philippine Air Force patrol was over Scarborough Shoal, which endangered the lives of Philippine personnel. On 4 December 2024, the Philippine Coast Guard stated that while doing a routine maritime patrol near Scarborough Shoal, Chinese Coast Guard vessels doused the Philippine patrol boat with water cannons twice, aggravating the tension between the countries. On 18 February 2025, the Philippine Coast Guard reported that a Chinese military helicopter flew within three meters of a Philippine patrol plane flying over the Scarborough Shoal. On 21 February 2025, the Chinese military drove off three Philippine aircrafts flying over the Spratly Islands. As such, the Philippines has filed a total of 199 diplomatic protests against China during President Marcos' tenure.

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

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

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards for publicly listed companies, as well as the MORB for banking institutions, these standards may differ from those applicable in other jurisdictions. For example, SEC Memorandum Circular No. 19, Series of 2016, or the Code of Corporate Governance for Publicly Listed Companies and Section 132 of the 2021 MORB recommend that the Board be composed of a majority of non-executive directors who shall include independent directors to promote independent oversight of management by the board of directors. The Bank currently has six independent Directors. Many other jurisdictions may require more independent directors.

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

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

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

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the Peso to be determined by the supply and demand of foreign exchange. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and the Bank's financial condition and results of operation. According to the BSP reference exchange rate bulletin, the Peso was at ₱58.014 per US$1.00 as at 31 December 2024 from ₱55.567 per US$1.00 as at 31 December 2023.

Risks Relating to an Investment in the Notes Generally

The priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. So far as the Bank is aware, none of its Relevant Indebtedness is evidenced by a public instrument, unless it has secured a waiver of the benefits of notarization, and the Bank will undertake in the Conditions and the Trust Indenture not to create or permit to subsist any preference or priority in respect of any Relevant Indebtedness (as defined in Condition 20) pursuant to Article 2244(14)(a). However, a domestic lender may acknowledge debt before a notary or a person authorised to administer oaths without notice to the Bank. Philippine courts have not addressed this matter, and it is uncertain whether a document evidencing the debt, notarised without one party's participation, would be considered documented by a public instrument. If, however, such debt was definitively considered documented by a public instrument, then, as with other documents similarly situated, it would rank ahead of debt securities, such as the Notes if the Bank goes into insolvency and is unable to meet its debt obligations.

Philippine Deposit Insurance Corporation (PDIC) Insurance Coverage of the Notes

The Notes are not considered bank deposits, and as such are not insured with the PDIC.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of investing in the Notes in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Bank will pay principal and interest on the Notes in Philippine Pesos. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

The Government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency denominated obligations. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, during a foreign exchange crisis or in times of national emergency, to suspend temporarily or restrict sales of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee. The Bank is not aware of any pending proposals by the Government relating to such restrictions. Although the Government has from time to time made public pronouncements of a policy not to impose restrictions on foreign exchange, there can be no assurance that the Government will maintain such policy or will not impose economic or regulatory controls that may restrict free access to foreign currency. Any such restriction imposed in the future could adversely affect the ability of investors to repatriate foreign currency upon sale of the Notes or receipt of any dividends.

The Notes may have limited liquidity.

The Notes issued under the Program will constitute a new issue of securities for which there is no existing market. The Selling Agents are not obligated to make a market in any Notes. While a market maker may be appointed for the Notes, any market-making activity with respect to such Notes, if commenced, may be discontinued at any time without notice in its sole discretion.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, Notes issued under the Program. If an active trading market for any Notes does not develop or is not maintained, the market price and liquidity of such Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

The Bank intends to list the Notes on PDEx. However, there can be no assurance that the Bank will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Notes on the PDEx. The Bank does not intend to apply for listing of the Notes on any securities exchange other than the PDEx. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

The implementation of Basel III guidelines may have an adverse effect on the position of the Holders.

On 17 December 2009, the Basel Committee on Banking Supervision (**BCBS**) proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the BCBS issued its final guidance on Basel III. The Basel III reforms require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The BCBS has proposed that the guidelines should be implemented from 01 January 2013. In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from 01 January 2014. Under the new Basel III capital standards proposed by the BSP, Philippine banks are required to maintain at least 7.5% and 10.0% Tier 1 and total Capital Adequacy Ratio (**CAR**), respectively, compared to the current minimum levels of 5% and 10%. These effectively make the proposed BSP requirements more stringent than those of the BIS minimum levels of 6.0% and 8.0% Tier 1 and total CAR, respectively. BSP Circular No. 768 issued in September 2012 provides that eligible capital instruments issued as Lower Tier 2 capital under the conditions for eligibility as capital instruments pursuant to existing regulations shall continue to be recognised as qualifying capital until the BSP issues further guidelines. In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient HQLAs that can be easily converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from 01 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning 01 January 2019, banks must meet a 100% LCR threshold.

The press release of the BCBS dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included an additional Basel III requirement (the **Point of Non-Viability Requirement**) as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

(a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before taxpayers are exposed to loss;

(b) a peer group review confirms that the jurisdiction conforms with clause (a); and

(c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph."

The release also states as follows: "The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority" (for the purposes of this Offering Circular, each a **Non-Viability Event**).

The BSP has provided guidance to the Philippine banks regarding the minimum capital ratios under the Basel III regime and the terms and conditions of Basel III compliant capital through the issuance of BSP Circular No. 781, Series of 2013, concerning the Basel III Implementing Guidelines on Minimum Capital Requirements. The Implementing Guidelines states that all instruments (other than common equity) qualified as Additional Tier 1 and Tier 2 capital must have contractual terms and conditions requiring them to be written-off or converted into common equity upon occurrence of a specified trigger event. The trigger event occurs when a bank is considered nonviable as determined by the BSP.

Specifically, capital instruments should be written off or converted into Common Equity Tier 1 at the earlier of:

(a) The occurrence of a deviation from a certain level of Common Equity Tier 1 ratio, specifically, in case the Common Equity Tier 1 ratio falls to 7.25% or below or as may be determined by the BSP;

(b) The inability of the bank to continued business; or

(c) any other event as may be determined by the BSP.

There is currently no indication that the BSP is considering having laws in place that would allow it or any other relevant authority the right to impose losses on the capital instruments without there being specific terms and conditions in the capital instruments that would allow it to do so (**Statutory Loss Absorption**).

The Conditions contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Holders and without regard to the individual interests of particular Holders.

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without regard to the interests of particular Holders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Holders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 22.

Taxation of the Notes are subject to change

As part of former President Duterte administration's (01 July 2016 to 30 June 2022) 10-point socioeconomic agenda, a comprehensive tax policy and administration reform was sought to be implemented. Said comprehensive tax reform plan proposes significant changes to the tax system that will purportedly reduce tax rates, the impact of which will be compensated by measures that will broaden tax base. Package 1 of the CTRP or otherwise known as the Tax Reform for Acceleration and Inclusion (**TRAIN**) and Package 2 of the CTRP or otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (**CREATE**) were both signed into law (Republic Act Nos. 10963 and 11534, respectively) by then President Duterte and took effect on 01 January 2018 and 11 April 2021, respectively. One of the key provisions of TRAIN Law is the increase of documentary stamp tax rate on original issue of debt instruments (e.g. bonds and commercial papers) from ₱1.00 on each ₱200.00 to ₱1.50 on each ₱200.00, or fractional part thereof, of the issue price of the debt instrument.

As mentioned previously, the House of Representatives approved in its third and final reading on 9 September 2019, HB No. 304 of the PIFITA, which proposes to introduce reforms to the taxation of passive income, financial intermediaries, and financial transactions. However, HB No. 304 has not become a law.

On 14 November 2022, the House of Representatives approved HB No. 4339 in its third and final reading. HB No. 4339, while similar to HB No. 304, also proposes revisions to other sections of the current Tax Code.

Pending Senate concurrence on the PIFITA, SB No. 2865 was introduced to strengthen the country's capital markets, enhance investment competitiveness, and create a more balanced tax treatment between debt and equity securities. Among its proposed tax adjustments, the CMEPA seeks to (i) lower the stock transaction tax from 0.6% to 0.1%, (ii) reduce the dividend tax for non-resident aliens from 25% to 10% to align cash and property dividend rates, (iii) cut the tax on Philippine Charity Sweepstakes and lottery winnings from 20% to 10%, and (iv) reduce the documentary stamp tax on horse race and PCSO lottery tickets from 20% to 10%. Before these house bills can become a law, they must be considered and approved by the Senate, which may also propose other revisions.

Under the terms of the Notes, if any payments of principal and/or interest under the Notes shall be subject to deductions or withholding for or on account of any taxes, duties, assessments, or governmental charges of whatever nature (including any additional or new taxes, duties, assessments, or governmental charges arising from changes in tax laws and regulations or from changes in the interpretation thereof) that may be levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to documentary stamp, income, value-added or similar taxes, including interest, surcharges, and penalties thereon then all such taxes shall be for the account of the relevant Holders. In the event that Package 4 reduces the interest income tax rate affecting the Notes or imposes a different rate of tax for instruments such as the Notes, the Holders expected yield may be affected.

There is no assurance that HB No. 4339 and/or SB No. 2865 will be passed into law, or in what form such a law/s may take. Such bills are not final and may be superseded or amended in such a manner that may impose different rates or different means or measures of taxation entirely, and no assurance can be given that any final tax measures enacted into law would be favourable to the Holders. All sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for taxes or government charges, subject to the submission by the relevant Holder claiming the exemption of reasonable and acceptable evidence of such exemption to the Bank through the Registrar and Paying Agent (see "*Philippine Taxation*" section for a discussion on the taxation of the Notes).

As issuer of the Notes, the withholding of final tax on the interest due on the Notes is the responsibility of the Bank pursuant to Section 57 of the National Internal Revenue Code, as implemented by Section 2.57 of Revenue Regulations No. 2-98, as amended by Revenue Regulations No. 11-2018.

The credit ratings assigned to the Bank or the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Bank, an issue or Notes and/or the Program. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes and/or the Program. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of debt instruments may be issued by the Bank under the Program. A number of these Notes may have features which contain particular risks for investors. Set out below is a description of certain such features of the Notes and associated risks.

Notes subject to optional redemption by the Bank

An optional redemption feature of a tranche of the Notes is likely to limit their market value. During any period when the Bank may elect to redeem such Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Bank may be expected to redeem a tranche of the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed / Floating Rate Notes

Fixed/floating rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Bank has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate in such circumstances, the spread on the fixed/floating rate Notes may be less favorable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of any Notes issued at a substantial discount (such as zero coupon bonds) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates compared with that of conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The Note issued as green, social, or sustainability bonds may not be a suitable investment for all investors seeking exposure to sustainable assets.

The Bank may issue Notes, the use of proceeds of which shall be specifically and exclusively used for the financing and/or refinancing ***of*** specified "green", "social", or "sustainability" projects of the Bank or ***any*** of its subsidiaries, in accordance ***with*** certain prescribed eligibility criteria (**Sustainability Bonds**). In connection with an issue of Sustainability Bonds, the Bank may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a **Second Party Opinion**) confirming that such Sustainability Bonds are in compliance with the Sustainability Bond Guidelines 2018 published by the International Capital Market Association, and the ASEAN Green Bond Standards, ASEAN Social Bond Standards, and ASEAN Sustainability Bond Standards published by the ASEAN Capital Markets Forum (collectively, the **Principles**).

Prospective investors should have regard to the information set out in "*Sustainable Funding Framework*" as set out in the applicable Pricing Supplement and in the applicable Pricing Supplement regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment if Notes issued under the Program are issued as green", "social", or "sustainability", as the case may be, together with any other investigation such investor deems necessary.

There is currently no specific definition (legal, regulatory or otherwise) of, nor market consensus on what precise attributes are required for a particular project to be defined as "green", "social", or "sustainability", and therefore no assurance can be provided to potential investors that the projects to be undertaken in the use of proceeds qualify as "green", "social", or "sustainability" projects, nor that they will meet all investors' expectations or requirements, taxonomies, standards or other investment criteria or guideline regarding sustainability performance or continue to meet the relevant eligibility criteria nor can any assurance be given that a specific definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of or related to any Eligible Green and Social Projects will meet any or all investor expectations regarding such green, social or other equivalently-labeled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Eligible Green and Social Projects.

Although applicable sustainable projects are expected to be selected in accordance with the categories recognized by the Principles, and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green or sustainable projects. Where any negative impacts are sufficiently not mitigated, green or sustainable projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

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

There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green and Social Project) will be capable of being implemented in or substantially in the manner described in the Sustainable Funding Framework and/or the applicable Pricing Supplement and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s).

Potential investors should be aware that any Second Party Opinion will not be incorporated into, and will not form part of, this Offering Circular. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price of value of the Sustainability Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold the Notes and is only current as of its date of issue, and is subject to certain disclaimers set out therein, and may be updated, suspended or withdrawn at any time. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, marketability, trading price, liquidity, additional risk factors discussed above and other factors that may affect the price or value of the Notes. Any such Second Party Opinion is for information purposes only and none of the Bank, and the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) accepts any liability for the substance of such Second Party Opinion and/or any liability for loss arising from the use of such Second Party Opinion and/or the information provided in it. No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Bank) which may be made available in connection with the issue of any Sustainability Bonds and in particular with any Eligible Green and Social Projects to fulfill any environmental, social and/or other criteria. Prospective investors must determine for themselves the relevance of any such Second Party Opinion and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Sustainability Bonds. Currently, the providers of such Second Party Opinions and certifications are not subject to any specific regulatory or other regime or oversight. None of the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) have undertaken nor are responsible for, any assessment of the eligibility of projects in the Eligible Green and Social Projects or the monitoring of the use of proceeds from the offering of any Sustainability Bonds.

Further, although the Bank may agree at the Issue Date of any Sustainability Bonds to certain allocation and/or impact reporting and to use the proceeds for financing and/or refinancing of Eligible Green and Social Projects (as specified in the Use of Proceeds), it would not be an event of default under the Sustainability Bonds if (i) the

Bank were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Terms and Conditions, (ii) the Bank were to fail to comply with the provisions of its Sustainable Finance Framework or the SEC Memorandum Circulars No.12 (2018), No. 8 (2019) and No. 9 (2019), and/or (iii) the Second Party Opinion were to be withdrawn. Any failure to use the net proceeds of any Sustainability Bonds in connection with green, social, or sustainability projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Sustainability Bonds may affect the value and/or trading price of the Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in sustainable assets which may cause one or more of such investors to dispose of the Sustainability Bonds held by them which may affect the value, trading price and/or liquidity of the relevant Sustainability Bonds.

Neither the Bank nor the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) make any representation as to the suitability or reliability for any purpose of any Second Party Opinion or whether any Sustainability Bonds fulfil the relevant environmental and sustainability criteria nor accept any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of the Second Party Opinion and/or information provided in it. Any Second Party Opinion is not, nor should be deemed to be, a recommendation by the Bank or the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) to buy, sell or hold the Sustainability Bonds. Each potential investor of the Sustainability Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of any Sustainability Bonds should be based upon such investigation as it deems necessary. Prospective investors should have regard to the Eligible Green and Social Projects and eligibility criteria described in the relevant "*Use of Proceeds*" section of the relevant Pricing Supplement.

In the event that any such Sustainability Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable", or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Joint Lead Arrangers and Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green and/or Social Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Joint Lead Arrangers and Selling Agents or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainability Bonds.

While it is the intention of the Bank to apply the net proceeds of any Sustainability Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in "*Use of Proceeds*" section of the relevant Pricing Supplement, there can be no assurance that the Bank will be able to do so. In addition, there can be no assurance that any Eligible Green and Social Projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or similar) as originally expected or anticipated by the Bank.

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

Risks Relating to the Information in this Offering Circular

Undue reliance cannot be placed on any unaudited and/or unreviewed interim financial statements deemed incorporated by reference to this Offering Circular.

Any published unaudited and/or unreviewed interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited, or reviewed, as the case may be, by the auditors of the Bank. These financial statements are therefore not covered by any audit, review or other independent report, as the case may be, and were prepared and finalised solely by the Bank. Accordingly, there can be no assurance that, had an audit or a review, as the case may be, been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance on them.

PURPOSE OF THE ESTABLISHMENT OF THE PROGRAM

The use of proceeds from each Tranche of Notes under the Program shall be described in the relevant Pricing Supplement.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Bank, subject to compliance with all relevant laws, regulations, and directives, may from time to time, issue Notes denominated in Philippine Pesos in several Tranches in one or more Series, subject to the general terms and conditions as set out in **the *General Terms and Conditions*** *of the Notes*. The applicable terms of any Series will be agreed between the Bank and the relevant Selling Agent prior to the issue of the Notes and will be set out in the terms and conditions endorsed on, attached to, or incorporated by reference into, the relevant offering circular, or endorsed on, such Notes. The following sections outline the description of the Program followed by specific indicative terms and conditions applicable to a particular Tranche or Series.

Issuer:	Bank of the Philippine Islands
Facility:	₱200,000,000,000.00 (PHILIPPINE PESOS: TWO HUNDRED BILLION) Bond and Commercial Paper Program
Purpose:	Proceeds from each Tranche of Notes under the Program will be used in the manner as described in the respective Pricing Supplement of each Tranche.
Method of Issue:	Each Tranche consisting of one or more Series will be issued on different issue dates. The specific terms of each Tranche (which, save in respect of the issue date, issue price, interest commencement date, and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the corresponding Pricing Supplement.
Form:	Each Series of each Tranche will be represented by a certificate to be issued and registered in the name of the Trustee for the holders of the Bonds and Commercial Papers (the **Holders**). Legal title to the Bonds and Commercial Papers shall be shown on and recorded in the register of Holders maintained by the registrar.
Denomination of Notes:	Minimum face value and increments will be set forth in the corresponding Pricing Supplement.
Status of the Notes:	The Notes will constitute direct, unconditional and unsecured Peso-denominated obligations of the Bank and will rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsecured obligations of the Bank, other than obligations mandatorily preferred by law.
Taxation:	Except: (1) tax on a Holder's interest income on the Notes whether subject to withholding or not, and (2) income tax, documentary stamp tax and other taxes on the transfer of Notes (whether by assignment or donation), if any and as applicable, which are for the account of the Holder, all payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes, duties, or charges imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar taxes, duties, or charges, including interest and penalties. If such taxes, duties, or charges are imposed, the same shall be for the account of the Bank; provided, however, that the Bank shall not be liable for: (a) any withholding tax on interest earned on the Notes as prescribed under National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. An investor who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents; (b) Gross receipts tax under Section 121 and 122 of the National Internal Revenue Code of 1997, as amended; (c) taxes on the overall income of any securities Selling Agent or Holder, whether or not subject to withholding; and

	(d) Value added tax under Sections 106 to 108 of the National Internal Revenue Code of 1997, as amended. Documentary stamp tax on the original issue of the Notes shall be for the Bank's account. A Holder who is exempt from, or is subject to a lower rate of final withholding tax on interest income may claim such exemption or preferential withholding tax rate by submitting such documents as may be required by the Bank to evidence any tax exemption or preferential withholding tax rate for the relevant Notes at the prescribed time. The tax treatment of a Holder may vary depending upon such Holder's particular situation and certain Holders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Holder. Holders are advised to consult their own tax advisers on the ownership and disposition of the Notes, including the applicability and effect of any state, local or foreign tax laws. If there is a change in the tax treatment of the Notes or on the tax rates applicable to a Holder because of new, or changes or repeal in, tax laws or interpretations thereof, as a result of which, a Holder previously exempt from tax shall be subject to tax on interest income earned from the Securities or there is an increase in the applicable withholding tax rate, or any payments of principal and/or interest under the Securities shall be subject to deductions or withholding for or on account of any taxes, duties, or charges imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar taxes duties, or charges, including interest and penalties (the **New Taxes**), then such New Taxes imposed shall be for the account of the Holder and the Paying Agent, on behalf of the Bank, as applicable, shall make the necessary withholding or deduction for the account of the Holder concerned. All sums payable by the Bank to tax-exempt Holders (upon presentation of acceptable proof of tax exemption) shall be paid without deduction for taxes, duties, or charges.
Issuer Rating:	Issuer shall obtain and maintain a rating from an accredited rating agency for as long as any Tranche is outstanding.
Governing Law:	Philippine Law

A summary of the terms and conditions of the Notes (the **Conditions**) appears below, as more fully described under "*Terms and Conditions of the Notes*".

This Offering Circular will only be valid for listing Notes on the PDEx in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed ₱200,000,000,000.00.

GENERAL TERMS AND CONDITIONS OF THE NOTES

The following are the General Terms and Conditions of the Notes (the ***Conditions****) which will be incorporated by reference into each Bond/Commercial Paper Certificate (as defined below). The applicable Pricing Supplement in relation to any Tranche of any Series may specify other terms and conditions which shall, to the extent so specified, replace or modify the following Conditions for the purpose of such Tranche of such Series.*

1	**DEFINITIONS**	In these Terms and Conditions and the Contracts (as hereinafter defined):
	"AGREEMENT DATE"	means, in respect of a Series or Tranche of Notes, the execution date of an Issue Management and Placement Agreement and Pricing Supplement in relation to such Series or Tranche of Notes;
	"AUDITORS"	means Isla Lipana & Co./ Pricewaterhouse Coopers;
	"BANK" or "ISSUER"	means Bank of the Philippine Islands;
	"BIR"	means the Philippine Bureau of Internal Revenue;
	"BPI CAPITAL"	means BPI Capital Corporation;
	"BSP"	means the *Bangko Sentral ng Pilipinas*;
	"BUSINESS DAY"	means any day (other than a Saturday or Sunday) on which commercial banks and the Philippine Clearing House Corporation in Makati City are not required or authorized to close for business. All other days not otherwise specified in these Terms and Conditions shall mean calendar days;
	"BONDS"	means the Philippine Peso denominated bonds (whether fixed rate, floating rate, and/or zero coupon bonds) that can be issued by the Bank in one or more Tranches or Series under the Program with maturities of more than one year;
	"COMMERCIAL PAPERS"	means the Philippine Peso denominated commercial papers that can be issued by the Bank in one or more Tranches or Series under the Program with a maturity of three hundred and sixty-five (365) days or less;
	"CONTRACTS"	means (a) the Program Agreement; (b) the Trust Indenture dated on or about 25 April 2025 between the Bank and the Trustee; (c) the Master Registry and Paying Agency Agreement dated on or about 25 April 2025 between the Bank and the Registrar and Paying Agent; (d) the Master Certificate of Indebtedness for each Series or Tranche of Notes; (e) these Terms and Conditions; (f) the Pricing Supplement for each Series or Tranche of Notes; (g) the relevant Issue Management and Placement Agreement; and (h) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;
	"EVENT OF DEFAULT"	means an event specified as such under Condition 22 hereof;

"GOVERNING REGULATIONS"	means all the necessary rules and guidelines for the issuance of the Notes, including, where applicable, the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks (**MORB**), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. M-2020-001, and BSP Circular 1149 (Series of 2022) and any other circulars and regulations as may be relevant, as may be amended from time to time;
"GROUP"	means the Issuer and its Principal Subsidiaries, taken as a whole;
"HOLDER(S)"	means a person who is not a Prohibited Holder and who, at any relevant time, appears in the Registry as a registered owner of the Bonds or Commercial Papers;
"INSOLVENCY DEFAULT"	means the acts of bankruptcy referred to under subparagraph (h) of Condition 22, including but not limited to the following: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of the Bank's properties; (iii) making of an assignment for the benefit of the Bank's creditors of all or substantially all of its properties; (iv) admission in writing of the Bank's inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Bank or a substantial portion of its properties or assets;
"INTEREST"	means the interest payable on the Notes at such rate set out in the relevant Pricing Supplement;
"INTEREST PAYMENT DATE"	means the last day of an Interest Period when payment for Interest in respect of the relevant Series or Tranche of the Notes becomes due, as set out in the relevant (a) Master Certificate of Indebtedness and (b) Pricing Supplement. Interest shall be computed based on the outstanding balance of the Notes. 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;
"INTEREST PERIOD"	means the period as may be specified in the relevant Pricing Supplement;
"INTEREST RATE"	means the relevant Interest Rate per annum as set out in the relevant Pricing Supplement. The Interest Rate shall be applied to compute for the interest due on a relevant Interest Payment Date; provided that, the interest accruing on the Notes as of an Interest Payment Date shall be calculated on the basis of a month of 30/360 ICMA days;
"ISSUE DATE"	means, in respect of any Series or Tranche of the Notes, the date of issue and purchase of such Series or Tranche of Notes, as indicated in the applicable Pricing Supplement;
"ISSUE MANAGEMENT AND PLACEMENT AGREEMENT"	means an agreement supplemental to the Program Agreement to be executed by the Bank, the relevant Joint Lead Arrangers and Selling Agent(s) appointed for the issuance of a particular Series or Tranche of Notes, substantially in the form of Annex C to the

	Program Agreement or in such other form as may be agreed among the parties to such Issue Management and Placement Agreement;
"ISSUE PRICE"	means the price of a Series or Tranche of Notes as set out in the relevant Pricing Supplement;
"ISSUE SIZE"	means the minimum aggregate principal amount as provided in the relevant Pricing Supplement;
"JOINT LEAD ARRANGERS"	means for purposes of the establishment of the Program and the issuance of the first tranche Notes, BPI Capital Corporation and Standard Chartered Bank, and, for purposes of any subsequent Series or Tranche, any such entity/ies that may be appointed as such in respect of any particular Series or Tranche of Notes;
"MAJORITY HOLDER"	means the holders of more than fifty percent (50%) of the principal amount of the Notes then outstanding, regardless of the Tranche in which the Notes may be issued;
"MASTER CERTIFICATE OF INDEBTEDNESS"	means the certificate dated the Issue Date to be issued by the Bank to the Trustee (with a copy to the Registrar and Paying Agent) evidencing such amount corresponding to a Series or Tranche of Notes;
"MATERIAL ADVERSE EFFECT"	means (i) a material adverse effect on the business, properties, condition (financial or otherwise), results of operations, general affairs or prospects of the Issuer and its Principal Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business; or (ii) would have a material adverse effect on the ability of the Issuer to perform its obligations under the Contracts or the Notes;
"MATURITY DATE"	means the date on which the Series or Tranche of the Notes will be redeemed in accordance with the relevant Master Certificate of Indebtedness and the relevant Pricing Supplement; provided, that, if such date is declared to be a non-Business Day, the Maturity Date shall be the next succeeding Business Day, without adjustment to the amount of interest to be paid;
"MATURITY VALUE"	means the Issue Price plus unpaid and accrued applicable interests up to but excluding the Maturity Date;
"NOTES"	means the Bonds or Commercial Papers to be issued by the Bank in one or more Tranches or Series under the Program;
"MORB"	means the Manual of Regulations for Banks, as amended;
"OFFERING CIRCULAR"	means the Offering Circular (including, for the avoidance of doubt, the consolidated financial statements of the Issuer included therein) prepared in connection with the Program, as revised, supplemented and amended from time to time by the Bank in accordance with the Program Agreement, including any documents which are from time to time incorporated in the Offering Circular by reference, provided that in relation to each Series or Tranche of Notes only, the applicable Pricing Supplement shall be deemed included in the Offering Circular;
"PARTICIPATING SELLING AGENT"	means any of the entities identified as such in the relevant Pricing Supplement and includes their respective successor entities, or the

selling agent(s) in respect of the Notes appointed from time to time under the Program Agreement or an agreement supplemental to it.

"PDEx"	means the Philippine Dealing & Exchange Corp.;
"PDIC"	means Philippine Deposit Insurance Corporation;
"PDTC"	means Philippine Depository & Trust Corp.;
"PFRS"	means the Philippine Financial Reporting Standards;
"PRICING SUPPLEMENT"	means the pricing supplement issued in relation to each Series or Tranche of the Notes, which gives details of such Series or Tranche and, in relation to any particular Series or Tranche of the Notes; "**applicable Pricing Supplement**" means the Pricing Supplement applicable to that Series or Tranche;
"PRINCIPAL SUBSIDIARIES"	means the entities listed as "Subsidiaries" under the heading "*Principal Subsidiaries and Associates*" in the Offering Circular;
"PROGRAM"	means, as of the date of the Program Agreement, the Two Hundred Billion Pesos (₱200,000,000,000.00) peso-denominated Bonds and Commercial Papers to be issued in one or more Tranches over a period of three years approved by the Bank's Board of Directors on 16 October 2024;
"PROGRAM AGREEMENT"	means the Program Agreement among the Bank and the Joint Lead Arrangers dated 25 April 2025;
"PROHIBITED HOLDER"	The following persons and entities may be prohibited from purchasing and/or holding the Notes pursuant to regulations governing the Bank:

(a) The Issuer; or

(b) The Issuer's related parties (pursuant to Section 131 of the MORB in relation to BSP Circular No. 1062, as further clarified in BSP Memorandum No. 2020-001) who are in possession of or have access to material and non-public information affecting the pricing and marketability of the Notes or which substantially impacts an investor's decision to buy or sell the Notes once the same is disseminated to the public, which may include:

(i) The Issuer's subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Issuer exerts direct/indirect control over or that exerts direct/indirect control over the Issuer, 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 Notes is part of the underwriting agreement, and such underwriter or arranger has complied with the requirements of Governing Regulations;

(ii) The Issuer's Directors, Officers, Stockholders, Related Interests (DOSRI), and their close family members, and corresponding persons in affiliated companies (each, as defined under Section 131 of the MORB);

(iii) Persons or entities whose interests may pose potential conflict with the Issuer's interest;

(iv) Persons and entities that have direct or indirect linkages to the Issuer, identified as follows:

a. Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;

b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;

c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Issuer and ten percent (10%) to less than twenty percent (20%) of the common outstanding voting stock of the borrowing entity; and

d. Permanent proxy or voting trusts in favor of the Issuer constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.

(c) Persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding or transfer of the Notes 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

(d) Persons classified as US persons under the FATCA of the United States, as 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

(e) Persons classified as a Restricted Party; or

(f) Specific Related 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;

"PSE"	means The Philippine Stock Exchange, Inc. and its successor agency/ies;
"RATING"	The Bank has been rated Baa2 by Moody's, BBB- by Fitch, and BBB+ by Standard and Poor. These are Bank ratings that are subject to regular annual reviews, or more frequently as market developments may dictate, and are not ratings of the Notes themselves. The Notes are not rated;
"REGISTRAR", "DEPOSITORY," and/or "PAYING AGENT"	means the PDTC, or any other successor Registrar, Depository, and Paying Agent acting as registrar or paying agent pursuant to the Registry and Paying Agency Agreement;
"REGISTRY"	means the electronic registry book of the Registrar containing the official information on the Holders and the amount of Notes they respectively hold, including all transfers or assignments thereof or any liens or encumbrances thereon;
"REGISTRY CONFIRMATION"	means the written advice sent by the Registrar to the Holders, confirming the registration in the name of such Holders of the specified amount of Notes issued to or purchased by a Holders, in the Registry, and setting forth the declarations required by the BSP;
"RELEVANT INDEBTEDNESS"	means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being or capable of being quoted, listed or ordinarily dealt in on any stock exchange, over- the-counter or other securities market, and (ii) any guarantee or indemnity with respect to any such indebtedness;
"SCB"	means Standard and Chartered Bank;
"SEC"	means the Philippine Securities and Exchange Commission and its successor agency/ies;
"SECURITIES REGULATION CODE"	means Republic Act No. 8799, and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

"SELLING AGENTS"	means BPI Capital Corporation and Standard Chartered Bank for the establishment of the Program and the first tranche Notes, and the Participating Selling Agent/s, if applicable, for the succeeding tranches, or any other entity appointed as a Selling Agent for any relevant Tranche of the Notes, and excludes any entity whose appointment has been terminated pursuant to the Program Agreement; references to the Selling Agents shall, in relation to any Tranche of Notes, be references to the Selling Agent/s with whom the Bank has appointed for the distribution and sale of such Notes;
"SERIES"	means a Tranche of the Notes , as the case may be, together with any further Tranche or Tranches of the Notes, as the case may be, which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions Notes of the relevant Series, Holders of the relevant Series, and related expressions shall (where appropriate) be construed accordingly;
"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 and commercial paper issuances, such as:

1. With respect to any issuance of BPI's bonds and commercial papers:
   - i. BPI Subsidiaries;
   - ii. BPI Affiliates;
   - iii. Directors of BPI;
   - iv. BPI Officers holding positions of senior vice president or higher;
   - v. Select officers and staff of BPI in the following departments/ divisions/ segments:
     - a. Global Markets;
     - b. Risk Management Office;
     - c. Compliance Office;
     - d. Credit Policy and Risk Management;
     - e. Office of the Corporate Secretary;
     - f. Unibank Centralized Accounting Division;
     - g. Corporate Planning;
     - h. Legal; and
     - i. 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 and commercial papers, the following persons for the duration that they are engaged for a proposed issuance of any tranche/ series of BPI's bonds and commercial papers:
   - i. Select officers and staff of the Joint Lead Arrangers and Selling Agents;

		ii. Select officers and staff of the note booking vehicle; iii. Select officers and staff of the Legal Counsels; iv. Select officers and staff of the Auditors;
	"TERMS AND CONDITIONS"	means these Terms and Conditions of the Notes as may be amended from time to time;
	"TRANCHE"	means all Notes which are identical in all respects (including as to listing and admission to trading);
	"TRUSTEE"	means Development Bank of the Philippines – Trust Banking Group or any other successor Trustee acting as trustee pursuant to the Trust Indenture.
2	**PURPOSE OF ISSUANCE/USE OF PROCEEDS**	The proceeds from each Tranche of Notes under the Program shall be used in the manner described in the relevant Pricing Supplement.
3	**FORM**	The Notes shall be issued in scripless form and, subject to the payment of fees to the Registrar and Paying Agent, registered and lodged with the Registrar and Paying Agent in the name of the Holders. Once lodged, the Notes shall be eligible for electronic transfer in the Registry, without the issuance or cancellation of certificates. The Notes shall comply with the provisions of Republic Act No. 8792 or the Electronic Commerce Act, particularly, on the existence of an assurance on the integrity, reliability and authenticity of the Notes and in electronic form. A Master Certificate of Indebtedness representing the relevant Series or Tranche of Notes shall be issued to and registered in the name of the Trustee, on behalf of the Holders.
4	**DENOMINATION**	The Notes will be in minimum denominations as may be provided in the applicable Pricing Supplement and relevant Master Certificate of Indebtedness for each Series or Tranche of Notes, or such other minimum denomination as may be prescribed or approved by the BSP.
5	**TITLE**	Legal title to the Notes shall be shown in the Registry to be maintained by the Registrar for the Notes. Initial placement of the Notes and subsequent transfers of interests in the Notes shall be subject to applicable Philippine selling restrictions prevailing from time to time.
6	**SEC REGISTRATION AND LISTING**	The Notes have not been and will not be registered with the SEC. Since the Notes qualify as exempt securities under Section 9.1(e) of the Philippine Securities Regulation Code, the Notes may be sold and offered for sale or distribution in the Philippines without registration. The Notes are intended to be listed for electronic trading and settlement on the PDEx on or about the Issue Date. Trading, transfer, and/or settlement of the Notes shall be performed in accordance with the procedures to be set by the PDEx and the Registrar.

7	**ELIGIBLE PURCHASERS**	In general, the Notes may be issued or transferred to any person of legal age, regardless of nationality or residency, any corporation, association, partnership, trust account, fund or entity, regardless of place of incorporation or domicile, except, in each case, to Prohibited Holders.
8	**QUALIFICATION DETERMINATION**	The Selling Agent or PDEx Trading Participant (in the case of transfers or assignments of the Notes) shall verify the identity and relevant details of each proposed Holder and ascertain that said proposed Holder is an Eligible Purchaser and is not a Prohibited Holder. Proposed Holders shall be required to submit any and all information reasonably required by the Selling Agent or the PDEx Trading Participant, as the case may be, in order for the said Selling Agents to be able to determine that such proposed Holder is an Eligible Purchaser and is not a Prohibited Holder. Any question on such determination shall be referred to the Bank.
9	**INTEREST ACCRUAL AND PAYMENT**	The Notes will bear Interest on its principal from and including the Issue Date up to but excluding: (a) the Maturity Date (if the Redemption Option is not exercised); or (b) the relevant redemption date. Interest shall be payable on each Interest Payment Date. The amount of Interest payable in respect of the Notes shall be calculated by the Paying Agent on the basis of the number of days elapsed from (and including) the Issue Date (for the first interest period) or the last Interest Payment Date (for succeeding interest periods) to the next (but excluding) the next Interest Payment Date, using a 30/360 calendar-day count. The determination by the Paying Agent of the amount of Interest payable (in the absence of manifest error) is final and binding upon all parties.
10	**MANNER OF PAYMENT OF INTEREST AND PRINCIPAL**	On each Interest Payment Date and Maturity Date (as applicable), the Bank shall make available cleared funds to the Paying Agent for payment to the relevant Holders of the Notes as shown in the Registry to be maintained by the Registrar.
11	**PRINCIPAL REPAYMENT**	The Notes shall be redeemed at their Maturity Value on Maturity Date. If the Maturity Date falls on a date that is not a Business Day, the Maturity Date shall fall on the immediately succeeding Business Day, without adjustment to interest payable in respect of the Notes.
12	**FINAL REDEMPTION**	All Notes outstanding on Maturity Date will be redeemed at par or 100% face value.
13	**PRETERMINATION BY THE HOLDER**	Presentation of the Notes to the Bank for termination or redemption before the Maturity Date is not allowed, unless there occurs (i) an event under "Events of Default" and following the procedures set out in these Terms and Conditions, or (ii) the Issuer exercises its early redemption option under Condition 28. Holders may, however, transfer or assign their Notes to another holder who is not a Prohibited Holder. Such transfer or assignment shall not be considered a pre-termination, subject to Condition 14.

14	**SECONDARY TRADING**	The Notes are freely transferable across tax categories, if and when so allowed under PDEx rules, conventions, and guidelines. All transfers or assignments of the Notes shall be coursed through a PDEx Trading Participant, subject to the PDEx rules. All trading in the secondary market should be in denominations of ₱10,000.00. The denominations for trading the Notes on PDEx will be subject to PDEx rules, as may be in effect at the relevant time. As a condition precedent for any transfer or assignment of the Notes, the transferee Holder must present to the Registrar, and in such forms as prescribed by the Registrar: (i) the Registry Confirmations of both the transferor and the transferee (if any); (ii) the Trade-Related Transfer Form or Non-Trade Related Transfer Form; (iii) the Investor Registration Form; (iv) Tax Exempt/Treaty Documents, if applicable; (v) written consent of the transferee Holder to be bound by the terms of the Notes and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and (vi) such other documents as may be reasonably required by the Registrar. A service charge shall be imposed for any registration of transfer or assignment of the Notes, and the Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or assignment of the Notes, each for the account of the Holder requesting the registration of transfer or assignment of the Notes. Subject to Conditions 15 and 17 and payment by the relevant Holder of the proper fees, if any, to PDEx and/or the Registrar, a transfer or assignment of Notes may generally be done at any time.
15	**TRANSFERABILITY**	All transfers and assignment of, as well as change in title to, the Notes shall be recorded in the Registry. Settlement in respect of such transfer and assignment of, or change of title to, the Notes, including settlement of applicable taxes (subject to Condition 26), if any, arising from such transfers, assignments or change in title, shall be for the account of the transferee and/or transferor Holder. Transfers or assignments of the Notes made in violation of the restrictions on transfer under these Terms and Conditions shall be null and void and shall not be registered by the Registrar.
16	**PLACE OF REGISTRY AND COMPLIANCE WITH REGISTRY RULES**	The Registry shall be kept at the specified office of the Registrar. To the extent not inconsistent with or contrary to these Terms and Conditions, the registry rules of the Registrar (a copy of which shall be separately provided by the Registrar to the Bank and the Holders) shall be observed and complied in the implementation of the functions of the Registrar, including, without limit, transfers of the Notes.

17	**CLOSING OF REGISTRY**	The Registrar shall not register any transfer or assignment of the Notes for a period of two (2) Business Days preceding the due date for any payment of Interest on the Notes, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Notes, or register the transfer or assignment of any Notes previously called for redemption or pre-termination (**Closed Period**). The Registrar will treat the person in whose name the Notes is registered immediately before the relevant Closed Period as the owner of such Notes for the purpose of receiving distributions pursuant to these Terms and Conditions and for all other purposes whatsoever, and the Registrar shall not be affected by any notice to the contrary.
18	**STATUS/RANKING**	The Notes shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Bank and shall at all times rank *pari passu* and ratably without any preference or priority among themselves and with all other present and future direct, unsecured and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.
19	**MANNER OF DISTRIBUTION**	Retail and institutional offering.
20	**REPRESENTATIONS AND WARRANTIES**	1.1 The Bank represents and warrants: (a) that: (i) the most recently published audited (if any) unconsolidated and (if produced) consolidated financial statements of the Bank (the **Audited Accounts**); and (ii) the most recently published unaudited interim (if any) unconsolidated and (if produced) consolidated financial statements of the Bank, i. are in accordance with the books and records of the Bank and are complete and correct in all material respects; ii. were prepared in accordance with Philippine Financial Reporting Standards (**PFRS**) and the accounting policies of the Bank applied on a consistent basis throughout the periods involved; iii. fairly present in all material respects the financial condition of the Bank as at the relevant dates and of the results of operations, cash flows and the changes in shareholder's equity of the Bank, for the relevant periods in respect of which they have been prepared in accordance with PFRS; and iv. there has been no material change in the financial condition or results of operations of the Bank sufficient to impair its ability to perform its obligations under the Notes and the Contracts according to their terms;

(b) that the Offering Circular and any written roadshow materials prepared by or on behalf of the Bank and approved by the Bank, do not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements in or omissions from the Offering Circular made in reliance upon and in conformity with information furnished to the Bank in writing by the Selling Agents expressly for use therein, it being understood and agreed that the only such information furnished by the Selling Agents consists of the names and addresses of the Selling Agents;

(c) that the other financial and statistical data set forth in the Offering Circular relating to the Bank are accurately presented and derived from the financial statements and books and records of the Bank which the Bank in good faith believes are reliable, accurate and fair and not misleading presentation of the data purported to be shown; and except as may be disclosed in the Offering Circular and its audited financial statements or its unaudited financial statements attached to the Offering Circular, the Bank has, as of the date hereof, no liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise (including any off-balance sheet liabilities and obligations), including but not limited to tax liabilities, due or to become due, and whether incurred in respect of or measured by any income for any period prior to such date or arising out of transactions entered into or any state of facts existing prior thereto, which may in any case or in the aggregate, materially and adversely affect the Bank's ability to discharge its obligations under the Notes and the Contracts;

(d) that each expression of opinion, belief, intention, expectation or policy contained in the Offering Circular (including, without limitation any such statement concerning prospects, dividends and working capital) has been made only after due and proper consideration, is reasonable and truly and honestly held, is based on all relevant facts known or which ought on reasonable enquiry to have been known to the Bank or its directors and can be properly supported;

(e) that each of the Bank and its subsidiaries is in compliance with all of its obligations under any outstanding guarantees or contingent obligations, other than to an extent which would not, individually or in aggregate, have a Material Adverse Effect;

(f) neither the Bank nor any of its subsidiaries has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Bank or any of its subsidiaries, such as structured finance entities and special purpose entities that are reasonably likely to have a Material Adverse Effect on the liquidity of the Bank or any of its subsidiaries or the availability thereof or the requirements of the Bank or any of its subsidiaries for capital resources;

(g) the issuance of the Notes in the manner described in the Offering Circular and the issue of the Offering Circular will comply, where relevant, with all applicable laws, governmental or other regulations of the Philippines;

(h) each of the Bank and its Principal Subsidiaries is a corporate banking institution or a corporation, as the case may be, duly incorporated and validly existing under the laws of its place of incorporation, is not in liquidation or receivership and has full power and authority to own, lease and operate its assets and properties, as the case may be, to conduct its business in the manner described in the Offering Circular, is capable of suing and being sued, and is lawfully qualified to do business and is in good standing in those jurisdictions in which business is conducted by it. The Bank has full power and authority to enter into and perform its obligations under the Contracts. The Bank's and its Principal Subsidiaries' articles of incorporation and by-laws (or equivalent constitutive documents) comply with the requirements of the laws of their respective jurisdiction of incorporation and are in full force and effect. All material licenses, consents, approvals, authorizations, permits, permissions, clearances, certificates, orders, concessions, qualifications, registrations, sanctions, declarations and/or filings with any relevant authority with respect to the establishment of the Bank have been duly and validly made or obtained;

(i) that the interests of the Bank in the capital stock of its Principal Subsidiaries are fully and accurately described in the Offering Circular. All of the Bank's shares in the Principal Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable, have been issued in compliance with all applicable laws without violating any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, right or preference, or any other encumbrance, or security interest, granted to any third party (**Encumbrance**) and are owned by the Bank free of any Encumbrance. No options, warrants or other rights to purchase or subscribe for, agreements or other obligations to allot, issue or sell or other rights to convert any obligation into, share capital or other equity interest of the Bank in the Principal Subsidiaries are outstanding;

(j) that the establishment of the Program, issue of the Notes and the execution and delivery of the Contracts by the Bank have been duly authorized by the Bank and, in case of the Notes, upon due execution, issue and delivery in accordance with the Trust Indenture, will constitute valid and legally binding obligations of the Bank enforceable in accordance with their terms, subject to the laws of bankruptcy, moratorium and other similar laws affecting the rights of creditors and general principles of equity;

(k) that the Bank has power under its constitutional documents to enter into and perform its obligations under the Contracts, to create and issue the Notes in accordance with the Contracts without any authority, sanction or consent by the stockholders of the Bank and there are no internal consents other than as contemplated by the Program Agreement on the proposed Issue Date required by the Bank for the issue of the Notes or the consummation of the transactions provided for in the Contracts which have not been unconditionally obtained;

(l) that the Bank has received (or will, prior to the Issue Date, receive) all consents, clearances, approvals, authorizations, exemptions, orders, licenses, permits, registrations and qualifications from all courts, governmental agencies and regulatory bodies in the Philippines as required by the Bank for the execution and delivery of the Contracts by the Bank and the issuance and distribution of the Notes and the performance of the terms of the Notes and the Contracts by the Bank and such consents, clearances, approvals, authorizations, exemptions, orders, licenses, permits, registrations and qualifications are (or will, on the Issue Date, be) in full force and effect;

(m) that the Bank has not prepared, executed or filed any public instrument, as provided in Article 2244(14)(a) of the Civil Code of the Philippines, relating to any Relevant Indebtedness of the Bank, or consented to the preparation, execution or filing of any such public instrument, unless it has secured a waiver of the benefits of notarization;

(n) that, except for the disclosure notices to be filed with the SEC, PSE and PDEx post-issuance of the Notes and the payment of documentary stamp tax on the issuance of the Notes (as applicable), all necessary actions and things required to be taken, fulfilled or done (including the giving of any updates to the BSP) for the issue of the Notes, the carrying out of the other transactions contemplated by the Contracts or the compliance by the Bank with the terms of the Contracts (including with respect to the payment of principal and interest on the Notes, as the case may be) have been, or by the Issue Date, will be, taken fulfilled or done;

(o) that the Bank has been (or will be), in connection with the offering of the Notes represented by Philippine counsel experienced in such transactions; the Bank is knowledgeable regarding the structure of the issue and offering of the Notes and the transactions contemplated thereby and the roles of each of the respective parties thereto, and acknowledges that the structure of the offering of the Notes and the issue of the Notes is customary in transactions of this type in the Philippines and internationally, is beneficial to the Bank, is in accordance with the intentions and objectives of the Bank and is necessary for the completion of the offering of the Notes and the fulfilment of the purposes thereof as described in the Offering Circular; the Bank has not been induced to engage in the offering of the Notes nor enter into the Contracts or the transactions contemplated thereby by means of any fraud, manipulation or other deceptive means;

(p) that the Notes will, upon due execution, issue and delivery in accordance with the Trust Indenture, be in proper legal form under the laws of the Philippines, and to ensure the legality, validity, enforceability and admissibility into evidence in the Philippines of the Contracts, it is not necessary that the Contracts, the Notes or any other document or instrument be filed or recorded with any court or other authority in the Philippines or that any stamp or similar tax be paid in the Philippines on or in respect of the Contracts, the Notes or any such other document, except that Philippine documentary stamp tax, if due on the issuance of the Notes, will be paid by the Bank within the period required under Philippine law;

(q) that there are no other contracts, agreements or understandings between the Bank and any person in connection with the distribution of the Notes that would give rise to a valid claim against the Bank the Joint Lead Arrangers and Selling Agents for a brokerage commission, finder's fee or other like payment, other than the arrangements between the Bank and the Joint Lead Arrangers and Selling Agents;

(r) that the execution, delivery and performance of the Contracts and the offer and sale of the Notes, the consummation of the transactions herein and Notes contemplated and compliance with the terms hereof and thereof do not, and will not, whether with or without the giving of notice or passage of time or both, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, (i) the Bank's or its Principal Subsidiaries' articles of incorporation, or by-laws, or other organizational or constitutional documents or business licenses, or (ii) any indenture, trust deed, mortgage or other agreement or instrument to which the Bank or any of its Principal Subsidiaries is a party or by which it or any of its properties are bound, or (iii) infringe any existing applicable law, rule, regulation, judgment, order, writ, notice, circular, authorization, ruling or decree of any government, governmental body or court, domestic or foreign having jurisdiction over any of the Bank, its Principal Subsidiaries or any of their respective properties or assets;

(s) that all Notes will, upon issue, constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Bank, from time to time outstanding;

(t) that the auditors, who have audited the financial statements of the Bank (the **Independent Auditors**) contained and incorporated by reference in the Offering Circular and delivered the reports with respect to such audited financial statements and the unaudited but reviewed interim financial statements included or incorporated by reference in the Offering Circular, are, with respect to the Bank, independent auditors, duly licensed under all applicable regulatory requirements of the Philippines including pursuant to the rules of the Philippine Board of Accountancy;

(u) that since the date of the last Audited Accounts appearing in or incorporated by reference in the Offering Circular, there has been no event or development which has had or is reasonably expected to result in a prospective Material Adverse Effect;

(v) that the Bank and its Principal Subsidiaries have good, valid and marketable title to, service contract rights for, or use rights for, all properties and to all assets necessary to conduct the business now operated by each of them in each case free from liens, encumbrances, or defects in title or use rights, except as would not have a Material Adverse Effect;

(w) that the Bank has established procedures which provide a reasonable basis for the directors and officers to make proper judgments as to the financial position and prospects of the Bank and the Bank maintains a system of internal financial and accounting controls sufficient to provide assurance that transactions are recorded as necessary to permit preparation of complete and accurate accounting records, preparation of financial statements that fairly present the financial condition, results of operations and cash flows of the Bank in accordance with PFRS;

(x) that the Bank has established and maintains and evaluates a system of disclosure and corporate governance controls and procedures to ensure that (i) material information relating to the Bank is made known in a timely manner to the Bank's board of directors and management, and (ii) the Bank and its board of directors complies in a timely manner with the requirements of the SEC, PSE and PDEx and any other applicable laws, rules, regulations, statutes, ordinances, guidelines, opinions, notices, circulars, orders, judgments, decrees or ruling (collectively, **Laws**) of any Governmental, Authority, including, without limitation, including, without limitation, the requirements of the SEC and the PSE on disclosure of material information and transactions required to be disclosed, and such disclosure and corporate governance controls and procedures are effective to perform the functions for which they were established and documented properly and the implementation of such disclosure and corporate governance controls and procedures are monitored by the responsible persons; for the purposes of this subsection, the term "disclosure and corporate governance controls and procedures" means controls and other procedures that are designed to ensure that information required to be disclosed by the Bank, including, without limitation, information in reports that it files or submits under any applicable Laws, material information and information on related party transactions required to be disclosed under the requirements of the SEC and the PSE, is recorded, processed, summarized and reported, in a timely manner and in any event within the time period required by applicable Law;

(y) that no Event of Default or event has occurred and is subsisting, or to the knowledge of the directors and officers of the Bank after due and careful inquiry, is about to occur, which constitutes or would (whether with the expiry of any applicable grace period or the giving of any notice or otherwise) constitute (i) an Event of Default, or (ii) an event of default under any obligations under any agreement, undertaking, instrument or arrangement to which the Bank or any of its Principal Subsidiaries is a party or by which the Bank or any of its Principal Subsidiaries or their respective properties or assets are bound, except in the case of (ii) where such default would not have a Material Adverse Effect;

(z) that all transactions between the Bank and any of its respective directors, officers, management, associates, shareholders (including any other person formerly holding such positions) or any other related party, have been entered into on an arm's length basis and commercially reasonable terms that are available from third parties;

(aa) that (i) each of the Bank and its Principal Subsidiaries possesses all certificates, licenses, authorizations or permits issued by appropriate governmental agencies or bodies then required to be obtained to conduct the business now operated by each of them; (ii) neither of the Bank nor any of its Principal Subsidiaries has received any notice of proceedings or other notices relating to the revocation or modification of any such certificate, license, authorization or permit, and (iii) each of the Bank and its Principal Subsidiaries is in compliance with all applicable Philippine laws and regulations, including data privacy laws and regulations, relating to the conduct of its business as conducted as of the date hereof, in the case of (i) and (iii) except where failure to do so would not have a Material Adverse Effect;

(bb) that no strike, lockout or similar labor dispute with the employees of any of the Bank or its subsidiaries exists or, to the best knowledge of the Bank, is imminent that would have a Material Adverse Effect;

(cc) that each of the Bank and its Principal Subsidiaries possesses adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, **Intellectual Property Rights**) necessary or material to conduct the business now operated. Neither the Bank nor any of its Principal Subsidiaries has received any notice or communication of infringement of or conflict with asserted rights of others with respect to any Intellectual Property Rights of others that, if determined adversely to the Bank or any of its Principal Subsidiaries would, individually or in the aggregate, have a Material Adverse Effect;

(dd) that except as disclosed in the Offering Circular, there are no pending actions, suits or proceedings against or affecting any of the Bank or its Principal Subsidiaries or any of their respective properties, which are reasonably likely to be determined adversely to the Bank, such Principal Subsidiary or such property, as the case may be, and if so determined would individually or in the aggregate have a Material Adverse Effect or would materially and adversely affect the ability of the Bank to perform its obligations under the Program Agreement, and to the Bank's knowledge, no such actions, suits or proceedings are threatened or contemplated;

(ee) that (i) neither the Bank nor any of its Principal Subsidiaries is in violation of any statute, rule, regulation or order of any Philippine governmental agency or body or any Philippine court, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, **Environmental Laws**); (ii) neither the Bank nor any of its Principal Subsidiaries owns or operates any real property contaminated with any substance that is subject to any Environmental Laws, is liable for any off-site disposal or contamination pursuant to any Environmental Laws, or is subject to any claim relating to any Environmental Laws, except in each case where such violation, ownership, operation or liability would not have a Material Adverse Effect; and (iii) the Bank and each of its Principal Subsidiaries are in compliance in all respects with all applicable Environmental Laws except for such non-compliance as would not have a Material Adverse Effect;

(ff) that all computer systems, communications systems, software and hardware which are currently owned, licensed or used by the Bank or its Principal Subsidiaries (collectively, **Information Technology**) comprise all of the information technology systems and related rights necessary to conduct, or material to, the respective businesses of the Bank and its Principal Subsidiaries as currently conducted. The Bank or its Principal Subsidiaries either legally and beneficially owns, or has obtained licenses for, or other rights to use, all of the Information Technology;

(gg) that the Bank and its subsidiaries maintain insurance with responsible and reputable insurance companies in such amounts, covering such risks as are prudent and appropriate and as are usually carried by companies engaged in similar business and owning similar properties in the same geographical areas as those in which the Bank or the subsidiary, as the case may be, operates;

(hh) that none of the Bank or its subsidiaries has sustained, since the date of its last audited financial statements, any loss or interference with its business from fire, explosion, flood, typhoon, landslide, act of terrorism or other calamity, regardless of whether covered by insurance, except for such loss or interference as would not have a Material Adverse Effect;

(ii) that all tax returns required to be filed by the Bank and its Principal Subsidiaries have been filed, and all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from the Bank and its Principal Subsidiaries, have been paid or for which adequate reserves have been provided, except in each case for such tax returns and taxes the failure to file or pay which, respectively, would not have a Material Adverse Effect or are being or will be contested in good faith by the Bank in appropriate proceedings;

(jj) that no order has been made or petition presented or resolution passed for the winding-up or judicial management or administration of the Bank or any of its Principal Subsidiaries or for the appointment of a provisional liquidator, nor are there any reasonable grounds on which any person would be entitled to have the Bank or any of its Principal Subsidiaries wound-up or placed in judicial management or administration or to have a provisional liquidator appointed for the Bank or any of its Principal Subsidiaries, nor, to the knowledge of the Bank, (i) has any person threatened to present such a petition or convened or threatened to convene a meeting of the Bank or any of its Principal Subsidiaries to consider a resolution to wind up the Bank or any of its Principal Subsidiaries or any other resolutions, or (ii) has any step been taken in relation to the Bank or any of its Principal Subsidiaries under the law relating to insolvency or the relief of debtors;

(kk) that the application of the net proceeds from the sale of the Notes, as set forth in and contemplated by the Offering Circular, will not contravene any applicable law or the articles of incorporation or by-laws of the Bank or any of its subsidiaries, or contravene the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument binding upon the Bank or any of its subsidiaries that, singly or in aggregate, will result in any applicable judgment, order or decree of any public, regulatory or governmental agency or any court having jurisdiction over the Bank or any of its subsidiaries;

(ll) other than as described in the conditions of the Notes and under the section "*Taxation*" in the Offering Circular, all such payments of principal and interest on the Notes will not be subject to income, withholding or other taxes under laws and regulations of Philippines, and will otherwise be free and clear of any other tax, duty, withholding or deduction in the Philippines and will not require any consent, approval, authorization, order, registration, clearance or qualification of or with any court or governmental agency or body or any stock exchange authorities having jurisdiction over the Bank or any of its properties;

(mm) that the Bank has the full power, authority and legal right under the laws of the Philippines to enter into and perform its obligations of indemnification set forth in the Contracts;

(nn) neither the Bank nor any of its subsidiaries, nor any person acting on behalf of the Bank or any of its subsidiaries (other than the Selling Agents and any of its respective subsidiaries as to which the Bank makes no representation or warranty) has taken or will take, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might be expected to cause or result in (i) the stabilization of the price of the Notes in violation of applicable laws or orders of government authorities or (ii) the manipulation of the price of any security to facilitate the sale or resale of the Notes;

(oo) that in relation to the Notes, the Bank has not issued and will not issue, without the prior consent of Selling Agents, any press or other public announcement referring to the proposed issue of Notes;

(pp) that under the laws of the Philippines, neither the Bank nor any of its properties, assets or revenues are entitled to any right of immunity on the grounds of sovereignty from any legal action, suit or proceedings, from set-off or counterclaim, from the jurisdiction of any court, from services of process, from attachment prior to or in aid of execution of judgment, or from other legal process or proceedings for the giving of any relief or for the enforcement of any judgment;

(qq) that the Bank and its subsidiaries and affiliates have conducted and will continue to conduct their businesses in compliance with all applicable statutes, laws, rules regulations, judgments, orders or decrees relating to anti-bribery or other corrupt practices (including, but not limited to, the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977) and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, compliance therewith, and will not use the proceeds of the Notes, directly or indirectly, in violation of applicable anti-bribery or anti-corruption laws. There are no pending or (to the best knowledge of the Bank and its subsidiaries and affiliates after due and careful inquiry) threatened actions, suits or proceedings by or before any court or governmental agency, authority or body or any arbitrator alleging such corrupt practices against any of the Bank and its subsidiaries and affiliates;

(rr) that the operations of the Bank and its subsidiaries and affiliates are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of all applicable laws, and in compliance with all anti-money laundering and anti-terrorism financing statutes, the rules and regulations thereunder (collectively, the **Anti-Money Laundering and Anti-Terrorism Financing Laws**) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any of the Bank or its subsidiaries or affiliates with respect to the Anti-Money Laundering and Anti-Terrorism Financing Laws is pending or, to the best knowledge of the Bank and its subsidiaries and affiliates after due and careful inquiry, threatened. The proceeds of the Notes shall not be used directly or indirectly in violation of the Anti-Money Laundering and Anti-Terrorism Financing Laws;

(ss) none of the Bank, its subsidiaries or any of their respective directors or officers, or, to the best knowledge of the Bank, any of their respective employees, agents, affiliates or other persons associated with or acting on behalf of the Bank or any of its subsidiaries:

(i) is an individual or entity (**Person**) that is, or is owned or controlled by a Person that is, targeted by or the subject of any sanctions laws, regulations, embargoes or restrictive measures administered by the United States government, including the Office of Foreign Assets Control of the U.S. Treasury Department (**OFAC**), or by the U.S. Department of State, or any sanctions imposed by the European Union, the United Nations Security Council, Her Majesty's Treasury or any other relevant governmental entity, including without limitation the Philippines (collectively, the **Sanctions**);

(ii) is located, organized or resident in a country, region or territory that is the subject or the target of Sanctions, including, without limitation, Cuba, Iran, The Democratic People's Republic of Korea, Sudan, Syria, the Crimea region of Ukraine, Russia, the so-called People's Republic of Luhansk, and the so-called People's Republic of Donetsk (each, a **Sanctioned Country**);

(iii) is listed on, or is owned or controlled by a Person that is listed on, a Sanctions List;

(iv) directly or indirectly, has conducted, conducts or is otherwise involved with any business with or involving any government (or any sub-division thereof), or any Person targeted by, or located in any country that is the subject of Sanctions or directly or indirectly supports or facilitates, or plans to support or facilitate or otherwise become involved with, any such Person or government;

(v) is engaged in any activities sanctionable under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, the Iran Sanctions Act, the Iran Threat Reduction and Syria Human Rights Act, or any other applicable executive order; or

(vi) is or ever has been in violation of or subject to any claim, action, proceeding, investigation, notice or demand relating to Sanctions (**Sanctions Claim**).

(vii)(i) to (vi) collectively, a **Restricted Party**

(tt) these representations and warranties, as well as all representations and warranties made by the Bank in the Offering Circular, are true and correct as of the date hereof and are deemed repeated on each Agreement Date and each Issue Date, by reference to the facts and circumstances then existing. The Bank shall also be deemed to repeat the representations and warranties contained in the Program Agreement on each date on which the Offering Circular or the Program Agreement is revised, supplemented or amended, by reference to the facts and circumstances then existing.

(uu) with regard to each issue of Notes, the Issuer shall be deemed to repeat the representations, warranties and undertakings contained in this Condition 20 as at the Agreement Date for such Notes (any agreement on such Agreement Date being deemed to have been made on the basis of, and in reliance on, those representations, warranties and undertakings) and as at the Issue Date of such Notes.

(vv) the Issuer shall be deemed to repeat the representations, warranties and undertakings contained in this Condition 20 on each date on which the Offering Circular is revised, supplemented or amended and on each date on which the aggregate nominal amount of the Program is increased in accordance with the Program Agreement.

The representations, warranties and undertakings contained in this Condition 20 shall continue in full force and effect notwithstanding the actual or constructive knowledge of any Joint Lead Arranger or Selling Agent with respect to any of the matters referred to in the representations, warranties and undertakings set out above, any investigation by or on behalf of the Joint Lead Arrangers or Selling Agents or completion of the issue of any Notes.

21 COVENANTS

For as long as the Notes or any portion thereof remain outstanding, the Bank shall:

(a) pay and discharge all taxes, assessments, and government charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it prior to the date on which penalties are assessed thereto; pay and discharge when due all lawful claims which, if unpaid, might become a lien or charge upon any of the properties of the Bank; and take such steps as may be necessary in order to prevent its properties or any part thereof from being subjected to the possibilities of loss, forfeiture, or sale; *provided*, that the Bank shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested in good faith and by proper proceedings or as could not reasonably be expected to have a Material Adverse Effect on the condition, business, or properties of the Bank. The Registrar shall be notified by the Bank within 30 days from the date of the receipt of written notice of the resolution of such proceedings;

(b) preserve and maintain its corporate existence or, in the case of a merger, consolidation, reorganization, reconstruction or amalgamation, ensure that the surviving corporation or the corporation formed thereby effectively assumes without qualification or condition, the entire obligations of the Bank under the Notes and for such corporation to preserve and maintain its corporate existence;

(c) maintain adequate financial records and prepare all financial statements in accordance with PFRS, consistently applied and in compliance with the regulations of the government body having jurisdiction over it;

(d) comply with all the requirements, terms, covenants, conditions, orders, writs, judgments, indentures, mortgages, deeds of trust, agreements, and other instruments, arrangements, obligations, and duties to which it, its business or its assets may be subject, or by which it, its business, or its assets are legally bound where non-compliance would have a Material Adverse Effect on the business, assets, condition, or operations of the Bank, or would materially and adversely affect the Bank's ability to duly perform and observe its obligations and duties under the Notes;

(e) satisfactorily comply with all BSP directives, orders, issuances, and letters, including those regarding its capital, licenses, risk management, and operations; and satisfactorily take all corrective measures that may be required under BSP audit reports on its operations;

(f) promptly and satisfactorily pay all indebtedness and other liabilities and perform all contractual obligations pursuant to all agreements to which it is a party to or by which it or any of its properties may be bound, except those being contested in good faith and by proper proceedings or as could not reasonably be regarded to have a Material Adverse Effect on its business, assets, condition, or operations;

(g) pay all amounts due under the Notes at the times and in the manner specified herein, and perform all its obligations, undertakings, and covenants under the Notes;

(h) exert its best efforts to obtain at its sole expense the withdrawal of any order delaying, suspending or otherwise materially and adversely affecting the transactions with respect to the Notes at the earliest time possible;

(i) ensure that any documents related to the Notes will, at all times, comply in all material respects with the applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars;

(j) make available to the Holders financial and other information regarding the Bank by filing with the SEC, PDEx and/or the PSE at the time required or within any allowed extension, the reports required by the SEC, PDEx and/or PSE, as the case may be, from listed companies in particular and from corporations in general;

(k) maintain the services of its current external auditor and where the current external auditor of the Bank shall cease to be the external auditor of the Bank for any reason, the Bank shall appoint another reputable, responsible and internationally accredited external auditor;

(l) not permit any creditor with indebtedness which shall be or purport to be unsecured and unsubordinated obligations of the Bank to receive any priority or preference arising under Article 2244(14)(a) of the Civil Code of the Philippines over the claims of the Holders hereunder, which claims shall at all times rank *pari passu* in all respects with all other unsecured unsubordinated obligations of the Bank; *provided*, this paragraph shall not apply to liens, pledges, mortgages, or encumbrances in existence on the date hereof;

(m) not engage in any business except as may be allowed or permitted or authorized by its articles of incorporation;

(n) except with the consent of the Majority Holders, or if the Bank is the surviving entity and provided that such event will have no Material Adverse Effect on the financial condition of the Bank, not affect any merger, consolidation, or other material change in its ownership, or character of business;

(o) not sell, transfer, convey, lend, or otherwise dispose of all or substantially all of its assets except in the ordinary course of business;

(p) except as may be allowed under existing Bank policies and practices pursuant to benefits, compensation, reimbursements, and allowances and BSP Rules and regulations, not extend any loan or advances to its directors and officers;

(q) not assign, transfer, or otherwise convey or encumber any right to receive any of its income or revenues unless in its ordinary course of business;

(r) not declare or pay any dividends (other than stock dividends) during an Event of Default or if declaration or payment of such dividends would result to an Event of Default;

(s) not voluntarily suspend all or substantially all of its business operations;

(t) not enter into any management contracts, profit-sharing, or any similar contracts or arrangements whereby its business or operations are managed by, or its income or profits are, or might be shared with, another person, firm or company, which management contracts, profit-sharing or any similar contracts or arrangements will materially and adversely affect the Bank's ability to perform its material obligations under the Notes;

(u) not amend its articles of incorporation or by-laws if such amendments have the effect of changing the general character of its business from that being carried on at the date hereof;

(v) not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Notes or other transaction(s) contemplated by these Terms and Conditions and the Contracts to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party, or (ii) in any other manner that would reasonably be expected to result in the Bank being in breach of any Sanctions (if and to the extent applicable to it) or becoming a Restricted Party;

(w) as long as any obligations under the Notes remain outstanding, not create, issue, assume, guarantee, or otherwise incur any bond, note, debenture, or similar security which shall be or purport to be unsecured and unsubordinated obligations of the Bank, unless such obligations rank *pari passu* with, or junior to, the Bank's obligations under the Notes in any proceedings in respect of the Bank for insolvency, winding up, liquidation, receivership, or other similar proceedings; and

(x) The Bank shall not permit any indebtedness to be secured by or to benefit from any lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Bank or the right of the Bank to receive income; Provided, however that this shall not prohibit the following:

(i) any liens, encumbrances, restrictions, pledges, mortgages or security over the properties of the Bank existing as of the date of the Offering Circular;

(ii) any netting or set-off arrangement entered into by the Bank in the ordinary course of its banking business for the purpose of netting debit and credit balances;

(iii) any payment or close out netting or set-off arrangement pursuant to any hedging transactions (including credit support agreements) entered into by the Bank;

(iv) any lien which secures foreign currency and swap transactions and derivative transactions undertaken by the Bank in the ordinary course of its business;

(v) any lien over those properties which are acquired by the Bank through any legal action or proceedings or which are conveyed to the Issuer via *dacion en pago* or other similar arrangement in the course of the ordinary business of the Bank;

(vi) any lien arising by operation of law, such as carrier's, warehousemen's and mechanic's liens, liens arising from workmen's compensation laws, pensions, social security legislations and redemption rights;

(vii) any lien arising in the ordinary course of trading or business; Easements, rights of way, reservations, restrictions, covenants, agreements for joint or common use, land owner's right of distraint and other similar encumbrances affecting any property of the Bank, granted in the ordinary course of business;

(viii) any lien for taxes, assessments or governmental charges on properties or assets of the Bank if the same shall not at the time be delinquent or thereafter can be paid without penalty or which, in any case or in the aggregate, will not materially and adversely affect the Bank's ability to discharge its obligations under the Notes;

(ix) any purchase-money liens on any property acquired by the Bank;

(x) any lien arising under any retention of title, repurchase agreements, hire purchase, asset leasing agreements, or conditional sale arrangement or arrangements having similar effect in respect of assets or goods supplied to the Bank;

(xi) any lien arising from sale, refinancing, discounting or rediscounting of receivables or other assets on a with recourse basis, repurchase agreements or other similar arrangements;

(xii) any lien arising from a debt factoring on a with recourse basis;

(xiii) any lien arising from secured lending transactions between members of the Group on an arm's length basis in respect of which securities are provided by the borrowing entity to the lending entity as collateral to comply with internal credit policy and/or applicable rules and regulations on related party transactions;

(xiv) any lien required by the BSP for liquidity purposes;

(xv) all cash, property, other types of bonds and other security provided as part of the proceedings of a court, administrative body, stock exchange or other regulatory body;

(xvi) any liens arising from any securitization arrangement such as asset-backed securities;

(xvii) any lien similar to those enumerated above entered into in the ordinary course of business; and

(xviii) any extension, renewal or replenishment in whole or in part of the foregoing liens.

The covenants of the Bank shall survive the issuance of the Notes and shall be performed fully and faithfully by the Bank at all times while the Notes or any portion thereof remain outstanding.

22 EVENTS OF DEFAULT	The Bank shall be considered in default under the Notes in case any of the following events shall occur: (a) The Bank fails to pay any principal and/or interest due on the Notes within ten (10) calendar days of the due date of payment; (b) Any representation and warranty of the Bank or any certificate or opinion submitted by the Bank in connection with the issuance of the Notes is untrue, incorrect, or misleading in any material respect and the same is irremediable or, if remediable, is not remedied within a period of thirty (30) calendar days from notice to the Bank; (c) The Bank fails to perform or violates its covenants under these Terms and Conditions (other than the payment obligation under paragraph (a) above) or the Contracts, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of thirty (30) calendar days from notice to the Bank; (d) The Bank (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract (other than the Notes) executed by the Bank with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; or (ii) violates any other term or condition of a contract, law, or regulation, which is irremediable or, if remediable, (x) is not remedied by the Bank within 30 days or is otherwise not contested by the Bank, and (y) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; (e) Any governmental consent, license, approval, authorization, declaration, filing or registration which is granted or required in connection with the Notes expires or is terminated, revoked or modified and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder, and if the same is remediable, is not remedied by the Bank within thirty (30) calendar days from notice to the Bank; (f) It becomes unlawful for the Bank to perform any of its material obligations under the Notes; (g) The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, nationalizes or expropriates (with or without compensation) the Bank or any material portion of its properties or assets and the same is not discharged or dismissed within a period of sixty (60) calendar days from notice to the Bank; (h) The Bank becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, including: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors of all or substantially all of its

	properties; (iv) admission in writing of its inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Bank or a substantial portion of its property or assets (each, an **Insolvency Default**); (i) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty is entered against the Bank and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement and such final judgment, decree or award shall have a Material Adverse Effect on the Bank's ability to perform its obligations under the Notes; (j) Any writ, warrant of attachment or execution, or similar process shall be issued or levied against more than half of the Bank's assets, singly or in the aggregate, and such writ, warrant, execution or similar process shall not be released, vacated, or fully bonded within thirty (30) calendar days after its issue or levy; and (k) The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, and, provided that, in any such event, there is no Material Adverse Effect.
23 EFFECTS OF EVENTS OF DEFAULT	The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Holders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as defined under the Events of Default in the Terms and Conditions of the Notes, the Trustee shall immediately notify the Holders upon the occurrence of such payment default. The existence of a written notice required to be given to the Holders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days (at the expense of the Bank), further indicating in the published notice that the Holders or their duly authorized representatives may obtain an important notice regarding the Notes at the principal office of the Trustee upon presentment of sufficient and acceptable identification. If any one or more of the Events of Default (other than an Insolvency Default, the effects of which are set forth in Condition 22 hereof) shall have occurred and be continuing after any applicable cure period shall have lapsed, the Trustee, upon the written direction of the Majority Holders whose written instruction/consent/letter shall be verified by the Registrar and by written notice to the Bank, may declare the Bank in default in respect of the Notes held by such Holders, stating the Event of Default relied upon, and require the principal amount of the Notes held by such Holders, and all accrued interests (including any default interest) and other charges due thereon, to be immediately due and payable, and forthwith collect said outstanding principal, accrued interests (including any default interest) and other charges, without

		prejudice to any other remedies which such Holder or the other holders of the Notes may be entitled. In case of an Event of Default under Condition 22 (a), the Bank shall, in addition to the payment of the unpaid amount of principal and accrued interest, pay default interest at the rate of twelve percent (12%) per annum, which shall accrue after the lapse of the curing period. Any money delivered to the Paying Agent by the Bank pursuant to an Event of Default shall be applied by the Paying Agent in the order of preference as follows: *first,* to the pro-rata payment to the Registrar and Paying Agent and to the Trustee of the costs, expenses, fees, and other charges of collection incurred by them respectively without gross negligence or bad faith; to the payment to the Registrar and Paying Agent and to the Trustee of their respective fees, and other outstanding charges due to them; *second,* to the pro-rata payment of all outstanding interest owing to the Holders, including any default interest as specified in this Condition 23, in the order of maturity of such interest; and *third*, to the pro-rata payment of the whole amount then due and unpaid on the Notes for principal owing to the Holders.
24	**REMEDY FOR NON-PAYMENT IN AN INSOLVENCY DEFAULT**	The payment of principal on the Notes may be accelerated only in the event of insolvency of the Bank. Recovery of amounts owing in respect of the Notes against the Bank is available to any Holder only through the institution of proceedings for the insolvency of the Bank.
25	**WAIVER OF DEFAULT BY THE HOLDERS**	The Majority Holders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Holders waive any past default, except the events of default defined as a payment default, Insolvency Default, or closure default, and its consequences. In case of any such waiver, the Bank, the Trustee and the Holders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Holders shall be conclusive and binding upon all Holders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Notes.
26	**TAXATION**	Interest on the Notes is subject to final withholding tax at a rate between 20% to 25%, or such other rates as may be required by law or regulations. Payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes, duties or charges imposed by or on behalf of Republic of the Philippines. If such taxes, duties or charges are imposed, the same shall be for the account of the Bank. *Provided, however*, that the Bank shall not be liable for: (a) any withholding tax on interest earned on the Notes as prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. An investor who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents;

		(b) Gross receipts tax under Section 121 and 122 of the National Internal Revenue Code of 1997, as amended; (c) taxes on the overall income of any securities Selling Agent or Holders, whether or not subject to withholding; and (d) Value added tax under Sections 106 to 108 of the National Internal Revenue Code of 1997, as amended. Documentary stamp tax for the primary issue of the Notes and the execution of the Contracts, if any, shall be for the Bank's account.
27	**CLAIM OF TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE**	Holders 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 Holder shall submit the following requirements, in form and substance prescribed by the Bank, to the Registrar or to the 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) and (b) cooperatives duly registered with the Cooperative Development Authority – 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 Holders claiming tax exemption under BIR-approved employees' trusts contemplated under Section 60(B) of the Tax Code– certified true copy of the Certificate of Qualification as a Reasonable Employee's Retirement Benefit Plan. For this purpose, such tax exemption certificate shall be deemed valid until revoked by the BIR; (iii) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Holder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; (iv) 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; (v) 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 Holder or, if the Holder is a fiscally transparent entity, each of the Holder'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 Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder'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 Holder or the Holder'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 Holder or the Holder'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 Holder's entitlement to tax treaty relief in connection with the Notes'

The Holder 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 Holder, 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 Holder 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 Holder 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 Holder fails to provide the updated TRC within the prescribed deadline.

(vi) 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 and Selling Agents, the Bank or the Registrar.

(b) A duly notarized declaration (in the prescribed form) warranting that the Holder'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 Holder which are inconsistent with the basis of its income tax exemption, or warranting the Holder's entitlement to preferential treaty rates, and undertaking to immediately notify the Bank and the Registrar

	and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges 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. Transfers taking place in the Register of Holders after the Notes are listed on the PDEx may be allowed between taxable and tax-exempt entities 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 Holder claiming tax-exempt status is required to submit to the Registrar the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar. Income arising from gains on the sale or disposition of the Notes will form part of the relevant Holders' income and may be subject to tax. Holders should consult their own tax advisers on the ownership and disposition of the Notes, including the applicability of any state, local or foreign tax laws. The BIR's tax treatment of the fixed rate Notes may vary from the tax treatment described herein. Any adverse tax consequences upon the Holder arising from any variance in tax treatment shall be for such Holder's sole risk and account. Moreover, the tax treatment of a Holder may vary depending upon such person's particular situation and certain Holders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Holder. Holders are advised to consult their own tax advisers on the ownership and disposition of the Notes, including the applicability and effect of any state, local or foreign tax laws.
28 REDEMPTION FOR CHANGES IN TAX OR INCREASE IN REGULATORY RESERVES	If after the Issue Date, (a) payments under the Notes become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date, or (b) the Bank becomes subject to increased reserve requirements against Peso denominated obligations that include the Notes, each as a result of 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 Bank, the Bank may redeem the Notes 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.

29	**REPLACEMENT REGISTRY CONFIRMATIONS**	In case any Registry Confirmation shall be mutilated, destroyed, lost or stolen, the Registrar upon receipt of a written request in the form specified by the Registrar, shall cause the reprinting and delivery of the Registry Confirmation to the relevant Holder, subject to applicable fees.
30	**CHANGE OF TRUSTEE BY THE HOLDERS**	(a) The Majority Holders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Bank of the required evidence under the provisions on Evidence Supporting the Action of the Holders in the Terms and Conditions of the Notes. (b) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any provisions of the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Indenture; provided however that, until such successor trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor trustee promptly upon the appointment thereof by the Bank; provided finally that, such successor trustee possesses all the qualifications as required by pertinent laws.
31	**REPORTS TO THE HOLDERS**	(a) The Trustee shall submit to the Holders on or before February 28 of each year from the relevant Issue Date until full payment of the Notes a brief report dated as of December 31 of the immediately preceding year with respect to: (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Holders on the date of such report; and (ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the *Notes*, except action in respect of a default, notice of which has been or is to be withheld by it. (b) The Trustee shall submit to the Holders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Holders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10.00%) of the aggregate outstanding principal amount of the Notes at such time. (c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee: (i) Program Agreement (ii) Trust Indenture

(iii) Master Registry and Paying Agency Agreement

(iv) Articles of Incorporation and By-Laws of the Bank

(v) Copies of the Bank's most recent audited financial statements;

(vi) A copy of the Offering Circular;

(vii) The relevant Pricing Supplement;

(viii) The relevant Issue Management and Placement Agreement; and

(ix) any other supplement to the Offering Circular.

32 MEETINGS OF THE HOLDERS

A meeting of the Holders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Holders of any specified aggregate principal amount of Notes under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Holders under the Notes.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Holders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Notes may direct in writing the Trustee to call a meeting of the Holders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Bank and to each of the registered Holders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Bank within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Bank, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Notes shall have requested the Trustee to call a meeting of the Holders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Bank or the Holders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Holders, personally or by proxy. The presence of the Majority

Holders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Holders.

(d) Procedure for Meetings

(i) The Trustee shall preside at all the meetings of the Holders, unless the meeting shall have been called by the Bank or by the Holders, in which case the Bank or the Holders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Holders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Notes represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Right

To be entitled to vote at any meeting of the Holders, a person shall be a registered holder of one or more Notes or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Holders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Holders shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 34 (Amendments), all matters presented for resolution by the Holders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Holders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Holders which has been duly approved with the required number of votes of the Holders as herein provided shall be binding upon all the Holders and the Bank as if the votes were unanimous.

(g) Role of the Trustee in Meetings of the ***Holders***

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Holders, in regard to proof of ownership of the Notes, the appointment of proxies by registered holders of the Notes, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

33 EVIDENCE SUPPORTING THE ACTION OF THE HOLDERS

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Notes may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Holders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Holders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Holders.

34 AMENDMENTS

The Bank and the Trustee may amend the Terms and Conditions of the Notes with notice to every Holder following the written consent of the Majority Holders or a vote of the Majority Holders at a meeting called for the purpose. However, without the consent of each Holder affected thereby, an amendment may not:

(a) reduce the percentage of principal amount of Notes outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on the Notes;

(c) reduce the principal of or extend the Maturity Date;

(d) impair the right of any Holder to receive payment of principal of and interest on such Holder's Notes on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Holders;

(e) reduce the amount payable upon the redemption or repurchase of the Notes under the Terms and Conditions or change the time at which the Notes may be redeemed;

(f) make the Notes payable in money other than that stated in the Notes;

(g) subordinate the Notes to any other obligation of the Bank;

(h) amend or modify the Payment, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Holders; or

(i) make any change or waiver of this Condition.

Moreover, the Bank and the Trustee may amend or waive any provisions of the Contracts if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Holders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Holders and provided further that all Holders are notified after such amendment or waiver.

It shall not be necessary for the consent of the Holders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Holders.

	Any amendment of these Terms and Conditions is subject to the Governing Regulations.
35 NOTICES	Any communication shall be given by letter, fax, electronic mail (e-mail) or telephone, and shall be given, in the case of notices to the Bank, to it at: **BANK OF THE PHILIPPINE ISLANDS** 25/F Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines Telephone no.: (632) 8845 5944 Fax no.: (632) 8816 9109 E-mail: investorrelations@bpi.com.ph Attention: Maria Consuelo A. Lukban *Head of Corporate Strategy, Investor Relations, and Sustainability* in the case of notices to the Registrar, Depository, and Paying Agent, to it at: **PHILIPPINE DEPOSITORY & TRUST CORP.** 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City, Metro Manila, Philippines Telephone no.: 8884-5000 E-mail: josephine.delacruz@pds.com.ph Attention : Josephine Dela Cruz *Director, Securities Services* in the case of notices to the Trustee, to it at: **DEVELOPMENT BANK OF THE PHILIPPINES – TRUST BANKING GROUP** Sen. Gil J. Puyat Avenue corner Makati Avenue, Makati City, Philippines Telephone no.: (632) 88189511 E-mail: mfsmagtibay@dbp.ph; tmd@dbp.ph Attention : Maria Felicia S. Magtibay *Senior Assistant Vice President* *Head, Trust Marketing Department* and in the case of notices to the Joint Lead Arranger and Selling Agents, to them at: **BPI CAPITAL CORPORATION** 23/F Ayala Triangle Gardens Tower 2 Paseo de Roxas corner Makati Avenue Makati City, Philippines 1226 Telephone no.: (632) 8580 0888 loc. 15095 E-mail: jvho@bpi.com.ph Attention: Jennifer V. Ho *Associate Director, Head of Debt Products* **STANDARD CHARTERED BANK** 20/F, Ayala Triangle Gardens Tower 2 Paseo de Roxas corner Makati Avenue Makati City, Philippines 1226

		Telephone no.: +632 8539 9821 E-mail: nina.sayoc@sc.com; cmphilippines@sc.com Attention: Nina Sayoc *Capital Markets Philippines* And in the case of notices to the Holders, through publication in two (2) newspapers of general circulation in Metro Manila (one of which shall be the Philippine Daily Inquirer) once a week for two (2) consecutive weeks; or any other address to or mode of service by which written notice has been given to the parties in accordance with this Condition. Such communications will take effect, in the case of a letter, when delivered or, in the case of fax, when dispatched, provided that any communication by fax shall not take effect until 10:00 a.m. on the immediately succeeding Business Day in the place of the recipient, if such communication is received after 5:00 p.m. on a Business Day or is otherwise received on a day which is not a Business Day. Communications not by letter shall be confirmed by letter but failure to send or receive the letter of confirmation shall not invalidate the original communication.
36	**GOVERNING LAW**	These Terms and Conditions shall be governed by and construed in accordance with the laws of the Republic of the Philippines.
37	**JURISDICTION**	The courts of Makati City are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and these Terms and Conditions and accordingly, any legal action or proceedings arising out of or in connection with the Notes for these Terms and Conditions (**Proceedings**) may be brought only in such courts. The Bank irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
38	**NON-WAIVER**	The failure of any party at any time or times to require the performance by the other of any provision of the Notes for these Terms and Conditions shall not affect the right of such party to require the performance of that or any other provisions and the waiver by any party of a breach under these Terms and Conditions shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself or a waiver of any right under these Terms and Conditions. The remedies herein provided are cumulative in nature and not exclusive of any remedies provided by law.
39	**ABILITY TO FILE SUIT**	Nothing herein shall be deemed to create a partnership or collective venture between the Holders. Each Holder shall be entitled, at its option, to take independent measures with respect to its obligations and rights and privileges under these Terms and Conditions, and it shall not be necessary for the other Holders to be joined as a party in any judicial or other proceeding for such purpose.

40	**SEVERABILITY**	If any provision hereunder becomes invalid, illegal or unenforceable under any law, the validity, legality and enforceability of the remaining provisions of these Terms and Conditions shall not be affected or impaired. The parties agree to replace any invalid provision which most closely approximate the intent and effect of the illegal, invalid or enforceable provision.
41	**PRESCRIPTION**	Any action upon the Notes shall prescribe in ten (10) years from the time the right of action accrues.
42	**WAIVER OF PREFERENCE OR PRIORITY**	In the event that a primary obligation for payment shall arise out of the Contracts, such as to constitute any of the Contracts as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under such Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Bank. Accordingly, whatever priorities or preferences that such Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

CAPITALISATION AND INDEBTEDNESS

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

	As of 31 December 2024 Actual (₱ millions)
Short-term liabilities	
Deposit liabilities	1,465,575
Derivative liabilities	4,049
Bills payable	70,025
Due to BSP and other banks	3,135
Manager's checks and demand drafts outstanding	9,941
Accrued taxes, interest and other expenses	17,327
Liabilities attributable to insurance operations	12,518
Deferred credits and other liabilities	46,481
Total short-term liabilities	1,629,051
Long-term liabilities	
Deposit liabilities	1,149,227
Derivative liabilities	927
Bills payable	93,157
Liabilities attributable to insurance operations	4,023
Deferred credits and other liabilities	9,738
Total long-term liabilities	1,257,072
Total liabilities	2,886,123
Capitalisation	
Capital stock	52,610
Paid-in surplus	143,278
Treasury Shares	-
Reserves	10,889
Surplus	236,332
Accumulated other comprehensive loss	(12,640)
Non-controlling interests	2,221
Total capital funds	432,690
Total capitalisation and indebtedness	3,318,813
Capital Ratios(1)	
Common Equity Tier 1 ratio	13.86%
Tier 1 capital ratio	13.86%
Total capital ratio	14.63%

Note:

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

SELECTED STATISTICAL DATA

The following reviewed information should be read together with the Bank's consolidated financial statements included in this Offering Circular as well as the section on "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

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								
	2022 (audited)			2023 (audited)			2024 (audited)		
	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………………	269,274	740	0.27	237,641	1,292	0.54	254,715	1,299	0.51
Interbank loans receivables and securities purchased under agreements to resell…………….	28,288	756	2.67	22,981	1,643	7.15	26,332	1,810	6.87
Financial investments……….	539,008	16,863	3.13	591,708	21,737	3.67	652,090	27,251	4.18
Loans and advances…………..	1,534,079	84,909	5.53	1,699,592	120,900	7.11	2,026,964	159,594	7.87
Total interest-earning assets	**2,370,650**	**103,268**	**4.36**	**2,551,920**	**145,572**	**5.70**	**2,960,101**	**189,954**	**6.42**
Deposit liabilities….	2,012,713	14,821	0.74	2,139,598	36,027	1.68	2,462,170	53,181	2.16
Derivative instruments: subordinated debt, bills payable, and other borrowings…………	87,283	3,381	3.87	105,356	5,195	4.93	148,943	9,187	6.17
Total interest-bearing liabilities	2,099,996	18,202	0.87	2,244,954	41,222	1.84	**2,611,113**	**62,368**	**2.39**

Analysis of Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The following tables provides an analysis of changes in interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the year ended 31 December 2022 compared to the year ended 31 December 2023, and for the year ended 31 December 2023 compared to the year ended 31 December 2024. 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 2022 compared to the year ended 31 December 2023			For the year ended 31 December 2023 compared to the year ended 31 December 2024		
	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	4,874	52,699	0.55	5,514	60,382	0.51

Loans and advances	35,991	165,512	1.58	38,694	357,372	0.76
Deposits with BSP and other banks	1,439	(36,941)	0.62	174	20,425	(0.02)
Interest expense on:						
Deposits	21,206	126,885	0.95	17,154	322,572	0.48
Bills payable and other borrowings	1,814	18,074	1.06	3,992	43,587	1.24
Net interest income	**19,284**	**36,312**	**0.38**	**23,236**	**72,020**	**0.17**

DESCRIPTION OF THE BANK

Overview

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

Together with its subsidiaries, the Bank offers a wide range of financial services that include institutional banking, consumer banking, consumer lending, investment banking, agency banking, asset management, securities distribution, insurance services and leasing. Such services are offered to a wide range of customers, including multinationals, government entities, large corporates, SMEs, and individuals.

According to data available from the BSP, the Bank is the third largest universal bank in the country in terms of total assets which stood at ₱3.32 trillion as of 31 December 2024. The Bank also holds a significant market share in the deposit, lending, and asset management markets. According to industry data on Philippine publicly listed banks, the Bank is the Philippines' second largest in terms of gross customer loans and deposits, with market shares of 15.9% and 12.1%, respectively, as of 31 December 2024. The Bank also enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution, and foreign exchange business. It is also a market leader in electronic banking where it has been a first mover and innovator in the use of automated teller machines (**ATMs**), cash acceptance machines (**CAMs**), point-of-sale debit systems, kiosk banking, phone banking, internet banking and mobile banking.

As of 31 December 2022, 2023, and 2024, the Bank had a network of 1,189, 1,189, and 1,254 branches (which include full-service branches and branch-lite units) respectively, which was among the largest branch networks among Philippine banks. Of the Bank's 1,254 branches, as of 31 December 2024, 1,252 branches were located in the Philippines, of which 857 were BPI branches and 395 were BPI Direct BanKo branches and branch-lite units. In terms of geographic distribution (excluding BPI Direct BanKo), 415 of the branches were located in Metro Manila, 256 were in Luzon (excluding Metro Manila), 111 were in Visayas, and 75 were in Mindanao. The Bank also provides 24-hour banking services through its seven engagement platforms, over 6,400 agency banking partner stores, call centre and network of 2,581 ATMs and CAMs as of 31 December 2024, the second largest network owned by a single bank in the Philippines, with such ATMs and CAMs being located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's overseas network includes one banking location in Hong Kong and one in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. The Bank maintains correspondent relationships with 32 global financial institutions in 19 different currencies. In addition, the Bank has 120 remittance tie-ups in 27 countries, serving our overseas Filipino workers who send money to their loved ones back home.

The Bank enjoys recognition from various award giving bodies, and in 2024 its institutional awards include "Best Bank in the Philippines", "Best Investment Bank" and "Best Corporate Bank – Large Corporate and MNC" from FinanceAsia Awards 2024, "Best SME Bank in the Philippines" in the Alpha Southeast Asia's 18th Best Financial Institutions Awards, "Best Domestic Investment Bank in the Philippines" in the Euromoney Security Houses Awards, as well as multiple awards from The Asset Triple A Sustainable Finance Awards 2024.

The Bank's CET1 ratio stood at 13.86% while its CAR stood at 14.63% as of 31 December 2024. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 31 December 2024, the Bank had a market capitalisation on the PSE of ₱643.20 billion (based on the closing price on the PSE of ₱122.00 per share on 27 December 2024). The Bank's significant shareholders include Ayala Corporation (**Ayala**), one of the Philippines' oldest and largest conglomerates, Liontide Holdings, Inc., the Roman Catholic Archbishop of Manila and Robinsons Retail Holdings, Inc.

History

The Bank was established in 1851 in the Philippines (then a Spanish colony) as Banco Español Filipino de Isabel II, by decree of the Governor General of the Philippines. The Bank was the first bank to be formed in the Philippines and fulfilled many functions of a central bank, including providing credit to the treasury and issuing currency under its own name. Following the Spanish-American War of 1898, the Bank reorganised pursuant to the National Bank Act of the United States, officially adopting its current name in January 1912. As part of this reorganisation, the Government privatised the Bank, renouncing its rights to appoint the Bank's management or receive credit lines, but preserved the Bank's authority to issue the Philippine currency.

The Bank's founding shareholders were mainly various charities and endowments associated with the Catholic Church. Its directors were government officials and prominent businesspersons, including Antonio de Ayala, a partner of a predecessor firm of today's Ayala. In 1969, Ayala became the Bank's largest shareholder. In 1974, People's Bank and Trust Company, a bank in which Ayala also had a significant interest, merged with the Bank. As part of the merger, Morgan Guaranty Trust Company of New York acquired a 20% stake in the Bank, which it sold to DBS Group Holdings Limited of Singapore (**DBS**) in 1999. In 2013, Liontide Holdings completed its acquisition of DBS's 20% stake in the Bank. The Bank's capital raise in May 2018 was its third equity capital raising exercise since 2010 and was supported by Ayala Corp.

Recent Developments

Secondment of Senior Officer to Ayala Corporation

On 22 January 2025, the Board of Directors of the Bank approved the secondment of Executive Vice President (**EVP**) Juan Carlos L. Syquia, Head of BPI Institutional Banking, to Ayala Corporation (**AC**) effective 1 May 2025 to assume a senior role at AC, subject to approval of the Board of Directors of AC.

Mergers, Acquisitions, Offers and Recent Milestones

Recent History

For many years after its founding, the Bank was the only domestic commercial bank in the Philippines. The Bank's business was largely focused on deposit taking and extending credit to exporters and local traders of raw materials and commodities, such as sugar, tobacco, coffee, and indigo, as well as funding public infrastructure. In keeping with the regulatory model set by the Glass Steagall Act of 1932, the Bank operated for many years as a private commercial bank. In the early 1980s, the Monetary Board of the Central Bank of the Philippines (now the BSP) allowed the Bank to evolve into a fully diversified universal bank, with activities encompassing traditional commercial banking as well as investment and consumer banking. This transformation into a universal bank was accomplished through both organic growth and mergers and acquisitions, with the Bank absorbing an investment house, a stock brokerage, a leasing company, a savings bank, a retail finance company, and bancassurance platforms.

The Bank consummated three bank mergers since the late 1990s. In 1996, the Bank merged with City Trust Banking Corp., the retail banking arm of Citibank in the Philippines, which enhanced its franchise in consumer banking. In 2000, the Bank acquired Far East Bank & Trust Company (**FEBTC**), then the largest banking merger in the Philippines. This merger established the Bank's dominance in asset management and trust services and branch banking; furthermore, it enhanced the Bank's penetration of middle market clients. In 2000, the Bank also formalised its acquisition of major insurance companies in the life, non-life, and reinsurance fields. In 2005, the Bank acquired and merged with Prudential Bank, a medium sized bank with a clientele of middle market entrepreneurs.

In 2011, the Bank became the first bank in the Philippines to acquire the trust business of a foreign bank when it purchased the trust and investment management business of ING Bank N.V., Manila. In 2014, the Bank completed a strategic partnership with Century Tokyo Leasing Corp. (**TCC**), one of the largest leasing companies in Japan, to form BPI Century Tokyo Lease & Finance Corp. (**BPI CTL**), with the Bank retaining 51% of ownership. This strategic partnership helped the Bank innovate in asset financing products and enhance the service experience of an expanding base of Philippine consumers and corporations seeking asset leasing and rental solutions.

In 2015, the Bank completed another strategic partnership with Global Payments (**GPN**), an Atlanta-based, NYSE-listed provider of international payment services. By combining its merchant acquiring network with that of GPN, the Bank provided enhanced services to its card customers, as well as to its merchant clients. The partnership with GPN remained 49% owned by the Bank.

In August 2016, the Bank acquired a 10% minority stake in Rizal Bank Inc. (**RBI**), a member institution of Center for Agriculture and Rural Development Mutually Reinforcing Institutions (**CARD MRI**), a group of social development organisations that specialise in microfinance.

Effective 20 September 2016, the Bank took full control over BPI Globe BanKO, Inc. after acquiring the 20% and 40% stake of Ayala Corporation and Globe Telecom, respectively. On 29 December 2016, the Philippine SEC approved change of the corporate name to BPI Direct BanKo, Inc., A Savings Bank, after BPI Direct absorbed the entire assets and liabilities of BanKo.

On 29 December 2016, the Bank successfully spun off its BPI Asset Management and Trust Group (**BPI AMTG**) to a Stand-Alone Trust Corporation (**SATC**) named BPI Asset Management and Trust Corp. (**BPI AMTC**). BPI AMTC officially commenced its operations on 1 February 2017. BPI AMTC has been renamed to BPI Wealth – A Trust Corporation since February 2023.

The Bank evolved to its present position as a leader in Philippine banking through a continuous process of improving its array of products and services, while maintaining a balanced and diversified risk profile that helped reinforce the stability of its earnings.

Business Milestones (2021-2024)

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

In September 2022, BPI and RBC announced plans to merge their operations to unlock various synergies across several products and service platforms, and expand their customer base through the merged entity. In September 2022, BPI's board of directors approved the proposed merger with RBC. The merger was completed on 1 January 2024.For further details, see "*Strategies—Grow the share of consumer and business banking loans*."

On 20 March 2024, the Board of Directors of the Bank approved the sale of its 752,056,290 common shares representing all of its stakes in Go Tyme Bank Corporation to Go Tyme Financial Pte. Ltd. And Giga Investment Holdings Pte. Ltd. At ₱1.20 per share. In October 2024, the transaction was approved by the BSP. The Go Tyme shares were acquired by the Bank pursuant to the merger between the Bank and RBC.

Competitive Strengths

Over the course of its long history, the Bank believes it has established a preeminent franchise that embodies financial strength and prudent risk management. The Bank believes that it is one of the best-equipped banks to deal with any downturn, be it in the financial sector or in the domestic or global economies. The Bank's well-established reputation is anchored on the following key strengths:

Preeminent banking brand in the Philippines

With over 170 years of operations, the Bank has a deep-rooted history and has succeeded to be one of the Philippines' most trusted and widely-recognised brands in the financial services industry. Established on 1 August 1851 as "El Banco Español Filipino de Isabel II", the Bank is the oldest operating bank in the Philippines. The Bank's shareholder base includes some of the most prominent companies domestically and internationally such as the Ayala Group, one of the oldest and largest conglomerates in the Philippines, Liontide Holdings, Inc. and the Roman Catholic Archbishop of Manila.

Through the years, the Bank has maintained long-standing relationships with the largest domestic and multinational corporates in the country, providing comprehensive financial services from traditional lending, payroll services, cash management, and foreign exchange, to financial advisory, capital markets, and insurance.

The strength of the Bank's brand is validated by its growing client base, which grew 46% from 10.98 million as of 31 December 2023 to 15.98 million as of 31 December 2024. As further testament to the Bank's brand, various industry agencies have awarded and affirmed the Bank's best-in-class financial and operating metrics. The Bank has maintained industry-leading profitability and price-to-book that was the highest among listed banks during the COVID-19 pandemic.

In 2024, all three major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In April 2024, Fitch affirmed its Long-term Issuer Default Rating of "BBB-". In May 2024, Moody's affirmed its Long Term Deposit Unsecured Debt rating of "Baa2" which is one notch above investment grade. In December 2024, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" which is two notches above investment grade (same as the agency's rating for the Philippine Sovereign).

Strong track record of profitability and cost management

Historically, the Bank has been known as one of the most cost-efficient banks with the lowest operating leverage in the industry. As of 31 December 2024, its cost-to-income ratio stood at 49.3% and its cost-to-assets ratio at 2.7%, one of the lowest among Philippine banks based on publicly available financial data. The Bank's cost discipline coupled with its investments in its digital platforms have allowed it to maintain its cost leadership, remain resilient through downturns, and continuously improve productivity and cost-efficiency through the years.

Coupled with its strong income generating capabilities and deposit franchise, the Bank's cost-leadership has allowed it to produce industry leading returns for its equity holders. As of 31 December 2024, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 15.1% and 2.0% respectively, one of the highest in the Philippine Banking industry according to BSP data.

Moreover, the Bank has maintained a strong track record of profitability and has consistently created shareholder value by consistently generating earnings for its shareholders, annually, for the past 20 years.

Well-capitalised with sufficient liquidity

As of 31 December 2024, the Bank's CET1 ratio of 13.86% and CAR of 14.63% were both well above regulatory requirements. The Bank believes these ratios are ahead of most banks in the Philippines and comfortably above the BSP's minimum CET1 ratio and CAR of 6% and 10%, respectively.

The Bank believes that its strong capital base, which primarily consists of common equity, provides sufficient protection to the Bank's current and prospective creditors. The Bank's strong capital base, coupled with its deposit franchise, has also allowed it to limit reliance on debt funding and to maintain comparatively low leverage levels as compared to other banks with its debt/total liabilities, as of 31 December 2024, at 5.7% (calculated as bonds issuances and bills payable over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 159.07% and leverage ratio at 10.75% as of 31 December 2024, which are well above the minimum prescribed ratios of 100% and 5%, respectively, set by the BSP.

High quality and diversified asset base driven by prudent risk management

As of 31 December 2024, 72.3% of the Bank's loan book consists of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From ₱1.94 trillion as of 31 December 2023 to ₱2.29 trillion as of 31 December 2024, the Bank's loan growth has primarily been driven by consumer, microfinance, and business banking/SME loans, which collectively grew at 36.8% year-on-year as compared to the Bank's corporate loans, which grew by 11.9% over the same period. The Bank likewise registered a loan growth of 18.2% year-on-year as of 31 December 2024.

The Bank's strong risk management framework was able to withstand even the challenging economic environment brought about by the COVID-19 pandemic and registered NPL ratios better than the Philippine banking system. Prior to the pandemic, the Bank's NPL ratio stood at 1.66% with NPL coverage of 102.1% as of 31 December 2019. However, during the start of the pandemic, the Bank's NPL ratio significantly increased, ending 2020 at 2.68%, while the Bank kept its NPL coverage at an adequate level of 115.2%. Alongside the Philippines' gradual recovery, the Bank's asset quality metrics also improved, recording an NPL ratio of 2.49% and NPL cover of 136.1% as of 31 December 2021. The Bank's NPL ratio continued to decline in the succeeding years, settling at an NPL ratio of 1.76% and NPL coverage of 180.1% as of 31 December 2022 and an NPL ratio of 1.84% and NPL coverage of 156.1% as of 31 December 2023. In 2024, the Bank's NPL ratio increased to 2.13%, primarily driven by the Bank's acquisition of Robinsons Bank, and borrower-specific credit risk, coupled by the expansion of the consumer loan portfolio. Despite the increase, the Bank continues to perform better than the Philippine banking system in terms of NPL ratio, with adequate NPL coverage of 106.2%.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, consumer, wholesale and retail trade and financial intermediaries, among others. The Bank extends loans to several sectors in the Philippines. As of 31 December 2024, (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) transportation, storage and communications and (v) wholesale and retail trade were the largest sectors in the Bank's loan portfolio, representing 22.7%, 14.2%, 13.3%, 11.1% and 10.8%, respectively.

Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3.8% of the Bank's loan book as of 31 December 2024.

Stable and diversified revenue sources

The Bank's net interest income grew 22.3% to ₱127.59 billion in 2024 from ₱104.35 billion in 2023, driven by growth in average assets and high interest rate environment. In 2023, the Bank's NIC increased 22.7% from ₱85.07 billion in 2022. The Bank's NIM expanded by 22 bps to 4.31% in 2024 from 4.09% in 2023. This was a continuation of the 50 bps NIM expansion seen in 2023 from 3.59% in 2022.

Over and above its core lending business, the Bank generates (i) trading income from securities and foreign exchange and (ii) fees and commission income from diversified businesses.

Over the years, the Bank's fee-based income has remained as a stable source of income for the Bank. The Bank's fee generation is backed by strong performance of its largest businesses, namely (i) the Bank's card business, with 2.957 million cards in circulation as of 31 December 2024 and market position of 19.3% based on the data from the Credit Card Association of the Philippines; (ii) BPI Wealth, which has assets under management at ₱1.53 trillion as of 31 December 2024; and (iii) the Bank's insurance joint ventures with Mitsumi Sumitomo Insurance Group for non-life insurance (BPI/MS Insurance Corporation), and BPI AIA Life Assurance Corporation (formerly BPI Philam Life Assurance, Corporation) for life insurance.

The Bank believes its sources of fee income are diversified and these sources will continue to provide a stable source of income that will complement income from its core deposit taking and lending businesses.

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

The Bank's primary source of funding has been and is expected to always be its depositors. Deposits' share on the Bank's funding base averaged above 90% over the past five years.

The Bank has been successful in maintaining long-term relationships with its client base, with customer retention rate of 95.6% as of 31 December 2024.

While the cost of deposits is largely driven by interest rate movements, the Bank has kept its average cost of deposits relatively low by improving its CASA (i.e., demand and savings accounts) to deposits ratio over the past five years. As of 31 December 2024, the Bank's CASA ratio stood at 63.2%, 3.8 percentage points lower from its 31 December 2022 level of 67.0% but still a 2.0 percentage point improvement from its 31 December 2012 level of 61.2%. The Bank also believes that its CASA to deposit ratio is one of the highest in the Philippines, and was mainly driven by the Bank's extensive omnichannel distribution network, providing easy access and high quality services to depositors. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity, due to the Bank's best-in-class value propositions offered through its physical and digital distribution network.

The evolving regulatory landscape has also presented alternative funding opportunities. With lower reserve requirements on bond issuances vis-à-vis peso deposits, the Bank continues to explore issuances in the domestic and foreign debt markets as opportunities arise. This allows for funding cost efficiencies while offering clients attractive investment opportunities. In 2023 and 2024, there was strong demand from the debt capital markets, which led to the successful completion of the following transactions:

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

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

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

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

- On 9 August 2024, BPI issued ₱33.7 billion fixed rate BPI SEED Bonds due 2026 under its ₱100 Billion Bond Program. The BPI Seed Bonds have a term of 1.5 years and bear an interest payable on a quarterly basis. The net proceeds from the BPI SEED Bonds will be used for the financing or refinancing of new or existing Eligible Green and/or Social Projects as defined under, and consistent with, BPI's Sustainable Funding Framework. In no case shall the unallocated proceeds from the BPI SEED Bonds be used to repay existing borrowings under general credit facilities of the Bank.

On 27 March 2025, BPI successfully tapped the international capital markets with a public USD bond offering of US$500 million 5.00% 5-year and US$300 million 5.625% 10-year Reg S senior unsecured fixed rate notes offering. ***Strong physical distribution network***

The Bank has one of the largest branch networks in the Philippines with 1,266 branch licenses (which include full-service branches and branch-lite units (**BLUs**)) as of 31 December 2024. In terms of geographic distribution (excluding BanKo, which is the Bank's microfinance arm that serves SEMEs), 355 of the branches were located in Metro Manila, 210 were in Luzon (excluding Metro Manila), 85 were in Visayas and 64 were in Mindanao.

The Bank's overseas network includes one banking location in Hong Kong and one in London, one representative office and two remittance centres in Hong Kong. The Bank maintains correspondent relationships with 32 global financial institutions in 19 different currencies. In addition, the Bank has 120 remittance tie-ups in 27 countries, serving overseas Filipino workers who send money to their loved ones back home.

Increased digitalization and strong digital adoption of the Bank's customers expanded the Bank's client base to 15.98 million, with a record of 5 million new clients onboarded in 2024, 52% of which were acquired through digital channels. BPI's head count as of 31 December 2024 stood at 22,062, a 15.21% increase from a pre-pandemic manpower count of 19,150 as of beginning-2019. The headcount increased as of 31 December 2024, largely due to additional headcount from the BPI-RBC Merger effective 1 January 2024.

The Bank's branch network is supported by a network of 2,209 ATMs (including 705 ATMs provided by Euronet Technology Services, Inc. (**ETSI**) in the Philippines) and 372 CAMs as of 31 December 2024, which together provide cash-related banking services to customers 24/7, located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's interconnection with Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 2,000 ATMs and CAMs (including 705 ATMs provided by ETSI) across the Philippines as of 31 December 2024. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made. In 2022, the Bank introduced agency banking by establishing a network of partners – department stores, supermarkets, convenience stores, pharmacies, gas stations and online partners – to make the Bank's products and services available to customers served by the partner stores. Each partner store is equipped with tech-enabled infrastructure to provide service similar to a branch of the Bank, changing the way the Bank is able to reach, acquire and serve customers. The Bank's agency partners instantly expanded the Bank's physical network from 1,266 branch licenses to over 6,400 locations with 1,781 new partner outlets as of 31 December 2024.

Accelerated digital transformation

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

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

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

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

Each of these platforms is designed with a particular customer segment in mind. For the individuals – the affluent; the broad market; and self-employed micro-entrepreneurs (**SEMEs**) – these platforms will allow customers to manage their finances from their smartphone or other online channels – from payments, loans, insurance, investment products and investment advisory for retail clients, to payroll management, collection and invoicing, and link to business communities for small/medium enterprises and corporate accounts

The Bank's digital platforms that serve as robust support systems include BizLink, the Bank's one-stop shop for the digital needs of its business and corporate clients, and BizKo, the Bank's all-in-one, subscription-based platform available via app and web that enables MSMEs to manage their business finances while also providing an integrated online system for invoicing and collection.

The Bank continues to lead in Philippine open banking, and is among the Philippine banks with the most number of brands and services, and successful monetization. By creating and launching a diverse range of Application Programming Interfaces (APIs), the Bank has been actively forming various fintech partnerships, ranging across e-wallets, utility providers, remittance centers, e-commerce platforms and even government agencies. The Bank also has an integrated fraud management solution to reduce the risk of fraud in open banking transactions.

The Bank's early investments in technology paved the way for it to be the most API-ready Bank. As of 31 December 2024, the Bank has a growing list of over 100 API-partners, which includes various e-wallets, utility providers, remittance centers, e-commerce platforms, and even government agencies. The Bank's digital customer count also increased to 5.2 million as of 31 December 2024 from 3.8 million and 2.8 million as of 31 December 2023 and 2022, respectively.

GCash remains the Bank's top partner in open banking and the Bank continuously collaborates with GCash in providing various financial products and services such as:

- mutual funds managed by BPI Investment Management Inc with the GInvest platform;
- auto insurance of BPI MS with the GInsure platform;
- partnership on client acquisition for BPI's credit card and personal loan products; and
- deposits products.

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

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

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

Experienced management and strong performance culture

The qualification, diversity and independence of the Bank's Board of Directors is one of the important factors accounting for its long-term growth and success. The Bank underscores diversity at the board level in terms of skills and experience, age and gender, and the Bank places value in ESG (environment, social, governance) experience as an essential element of sound corporate governance, risk management, sustainable and balanced development, and effective business strategy.

The Bank believes it has a highly qualified and experienced management team, with significant experience and proven track records in the banking industry. The Bank's senior management (comprising of officers at the vice-president level and above) have an average tenure with the Bank of over 19 years. In addition, the Bank's executives and officers have a broad range of experience in their respective areas of banking and finance, with certain executives and officers acquiring international banking experience with some of the leading global financial institutions. The Bank has a succession plan to avoid significant disruptions caused by the loss of any members of senior management.

The Bank fosters a strong performance culture by providing performance-based variable pay programs such as short-and long-term incentives, alongside competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programs and activities from which employees benefit throughout the course of their careers with the Bank. These programs range from workshops for new hires to advanced leadership programs for officers as well as courses on data literacy and agile methodology.

Strategies

The Bank has set big strategic aspirations, founded on its analysis of the macro-outlook, competitive environment, regulatory landscape, stakeholder concerns, and other relevant factors, which will serve as guide in capturing new opportunities and managing risks. These bold moves, supported by meaningful investment commitments to future proof competitive position and gain market share, are expected to cement the Bank as a choice investment, attractive to both domestic and offshore investors. The Bank has set out the following strategies over the medium-term:

Establish BPI as the undisputed leader in digital banking

The Bank believes its digitalisation efforts redefine banking excellence and serves as a commitment that extends beyond customer-facing platforms. It aspires to expand its digital ecosystem by facilitating seamless digital customer onboarding, providing a diverse range of digital products and services, and fostering open banking collaborations. This initiative encompasses agile core systems and data-driven decision-making to ensure the robustness and security of the Bank's digital infrastructure.

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

- VYBE by BPI – the Bank's e-wallet and rewards app in one, where anyone can be a customer – ended 2024 with 1.7 million sign ups since its inception in October 2022.

- The new BPI mobile app, which features an improved user experience and where clients can start banking instantly with its new-to-bank and new-to-product features, is the first banking app in the Philippines to feature AI-powered tracking and insights. The app offers financial advice, payment reminders and actionable advice on financial wellness. BPI app is key to the Bank's "phygital" approach to make the Bank more accessible to Filipinos through a combination of physical branches, as well as digital channels and platforms. There are about 7.8 million enrollees in BPI online and mobile as of 31 December 2024.

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

- BanKo Mobile continues the mission to be the digital arm for the Bank's microfinance segment, with over 580,000 registered users for the year, a 97% surge of new registered users versus the previous year.

- BizKo enjoyed 63% annual growth in customer enrollment year-on-year, with said customers enjoying free access to the various digital solutions catered to small businesses.

- Bizlink, for large corporations, multi-national companies, and conglomerates, has a 45% penetration rate on an expanding client base, and 46% increase year-on-year on number of transactions.

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

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

To date, the Bank, through open banking, has expanded its reach to and engagement with clients through 117 partners covering a vast category of brands and services totaling almost 17,000. Major partners include GCash, Maya, Lazada, Shopee, Grab and aggregators such as ECPay, Bayad, DragonPay, Paynamics, and Xendit.

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

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

Increased digitalisation and strong digital adoption of the Bank's customers expanded the Bank's client base to 15.98 million, with a record of 5 million new clients onboarded in 2024, 52% of which were acquired through digital channels. The Bank's head count as of 31 December 2024 stood at 22,062, a 15.21% increase from a pre-pandemic manpower count 19,150 as of beginning-2019. The headcount increase as of 31 December 2024 was largely due to additional headcount from the BPI-RBC Merger that became effective on 1 January 2024.

Grow the share of consumer, microfinance and business banking loans

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

In 2023, the Bank enjoyed broad-based growth in its consumer loans: 106.3% in personal loans, 38.8% in credit cards, 29.5% in microfinance, 23.9% in auto and 8.4% in mortgage. Meanwhile, the Bank's SME loans grew by 4.0%. Market share growth was noted across all segments.

As of 31 December 2024, consumer loans grew 38.0% year on year: 78.0% in personal loans, 62.3% in microfinance, 30.4% in SME loans, 36.5% in auto, 31.1% in credit cards and 37.7% in mortgage.

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

The Bank's recent merger with RBC will also expand its reach to the network of the Gokongwei group of companies, especially in the SME market segment. The Bank's integration with RBC is expected to increase shareholder value by opening opportunities for the Bank to collaborate across the Gokongwei Group's ecosystem, which includes market-leading businesses in food manufacturing, air transportation, real estate and property development and multi-format retail companies. The addition of RBC's loan book, which is 45% consumer, and the strong growth expected from motorcycle loans and teacher's loans has boosted confidence that the loan mix will continue to shift in favor of consumer over time.

Close the gap in funding leadership

As of 31 December 2023, total deposits stood at ₱2.3 trillion, an increase of 9.5% from end-2022. Growth has been predominantly from time deposits, which has increased by 41%, as clients shift to higher yielding products following the increases in interest rates.

As of 31 December 2024, total deposits stood at ₱2.61 trillion, a 13.9% increase from end-2023. Time deposits grew 27.1%, while CASA grew 7.5%.

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

Becoming the main operating bank of corporate clients is a key imperative to achieving funding leadership. The Bank engages its corporate clients through the BizLink digital platform designed to help them manage their accounts with BPI. Positive progress in client engagements via BizLink was noted in 2024, taking into stock that transaction count was double that of 2019, with the Bank seeing record count and volume in financial transactions, payroll, and automatic debit facilities.

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

Redefine the new role of branches

The Bank continues to believe in the value of physical branches, opening branches where needed and where there has not been branch presence before, even while consolidating and co-locating existing branches in oversaturated areas, keeping a constant eye to not losing territory coverage. From 31 December 2019 to 31 December 2024, the Bank has co-located 14 branches, bringing total physical branches to 857 (including branches acquired from the BPI-RBC Merger). The BPI-RBC Merger, with BPI as the surviving entity, was approved by the regulators, took effect on 1 January 2024 and provides the Bank with another avenue to expand its physical presence.

Select branches have also been redesigned to incorporate the best of physical and digital customer service elements, unlocking the power of "Phygital" banking. As of 31 December 2024, 44 branches have been transformed to Phygital branches – with a concierge and a quick transact area that will ensure enrollment of more customers in the Bank's digital platforms, educating them on how to use the various mobile and online applications to further enhance their banking experience. There will be meeting pods and meeting rooms equipped with virtual conferencing capabilities for customers to be able to access product specialists who provide expert advice. The Bank intends to ramp up the number of branches for phygital transformation moving forward.

As of 31 December 2024, BanKo, the Bank's microfinance arm, has 368 branches and branch-lite units, 68 of which were opened since 2019. Legazpi Savings Bank (**LSB**) has 27 branches as of 31 December 2024.

In 2022, the Bank introduced partnerships with convenience stores, department stores, supermarkets, gas stations and pharmacies, among others, to make the Bank's products available to the customers served by our partners. The Bank's agency partners instantly expanded the Bank's physical network from 1,266 branch licenses to over 6,400 locations with 1,781 new partner outlets as of 31 December 2024.

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

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

The Bank's Agency Banking group matches the right technology enablers, such as APIs, digital linkages and the Bank's own platform, to its agency partners' business requirements. Currently, a BPI tent card with the unique QR codes of available BPI products is displayed by its agency partners. A customer only needs to scan to apply for the product and he will then be directed to a BPI product landing page where he will complete his application. The Bank's agency partners currently offer loans, credit cards and insurance products and eventually will effectively operate like a branch which can process cash-in, cash-out transactions and bills payment.

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

Champion sustainable banking

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

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

The Bank's Responsible Banking initiatives are centered on the integration of ESG principles to its products and services, including but not limited to the Bank's Sustainable Development Finance (**SDF**) Program. As part of the SDF Program, the Bank offers free technical advisory services on sustainable financing solutions from consultants trained and accredited by the International Finance Corporation (**IFC**). Being the first and only bank to do so, the Bank has accumulated 458 SME and corporate sustainability projects financing renewable energy, energy efficiency, green buildings, sustainable agriculture, sustainable water, and pollution control projects.

In 2024, highlights of the Bank's financing portfolio for sustainability include:

- ₱958 billion of the Bank's outstanding corporate and SME portfolio is in support of the UN Sustainable Development Goals (**SDGs**), representing 54.6% of the Bank's total corporate and SME portfolio as of 31 December 2024;
- ₱8.80 billion of sustainable agriculture cumulative loans disbursed by end 2024;
- ₱1.08 billion of new sustainable water loans disbursed in 2024, with 31 million cubic meters of water per year were treated, benefiting 85,000 residents/households; and
- ₱14.54 billion of new microfinance loans disbursed under BPI BanKo in 2024, serving approximately 839,990 SEMEs.

In 2024, the Bank also pursued various inclusive, innovative and pioneering banking solutions that champion sustainability such as:

- raising ESG-focused funding, including the ₱33.7 billion BPI SEED Bonds – the Bank's largest thematic bond issuance to date (6x oversubscribed), the proceeds of the sustainability bond are allocated to eligible renewable energy, energy efficiency, green building, sustainable water, pollution control projects, and MSMEs
- introducing new products for retail clients, teachers, farmers, and salary workers including: (1) the BPI Green Solutions, the first collection of eco-friendly housing & auto financing options in the Philippines, (2) Agri Negosyoko Loan Program to help farmers strengthen their agricultural practices and improve their livelihoods, (3) Go Teacher's Loan providing financial assistance for public school teachers and admin personnel via the Auto Payroll Deduction System (APDS) loan program, (4) Salary On Demand, an earned wage access solution to provide financial flexibility among workers, (5) Wealth Builder an innovative investment product designed to make investing accessible and rewarding for every Filipino, (6) MyBahay Program designed to serve underserved and first-time homebuyers, (7) Motorcycle loans through its partnerships with Tricycle Operators and Drivers' Associations (**TODA**) and local cooperatives enabled on-the-ground financing support for motorcycle buyers, and (8) InstaCashKo Personal Loan designed to provide quick and convenient access to funds for low-salaried individuals;
- funding, arranging and underwriting ESG-focused deals in 2024, including: (1) ₱6 billion Sustainability-Linked Bonds of Ayala Land Inc. (**ALI**), (2) ₱15 billion blue bond issuance of Maynilad, (3) ₱10 billion Green Bonds of Energy Development Corporation (**EDC**), and (4) ₱4 billion term loan facility of Alternergy Tanay Wind Corp; and
- furthering its initiatives for Responsible Operations: (1) first Philippine bank to transition all its bank-owned high-rise buildings to use 100% renewable energy, and (2) having 11 new EDGE-certified bank branches in 2024, bringing the total to 22.

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

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

Finally, the Bank's corporate social responsibility is carried out through the BPI Foundation, which implements financial wellness and sustainability programs that look after the unserved and underserved, and through the Bank's BPI Bayan programs where the Bank's employees volunteer to help local communities.

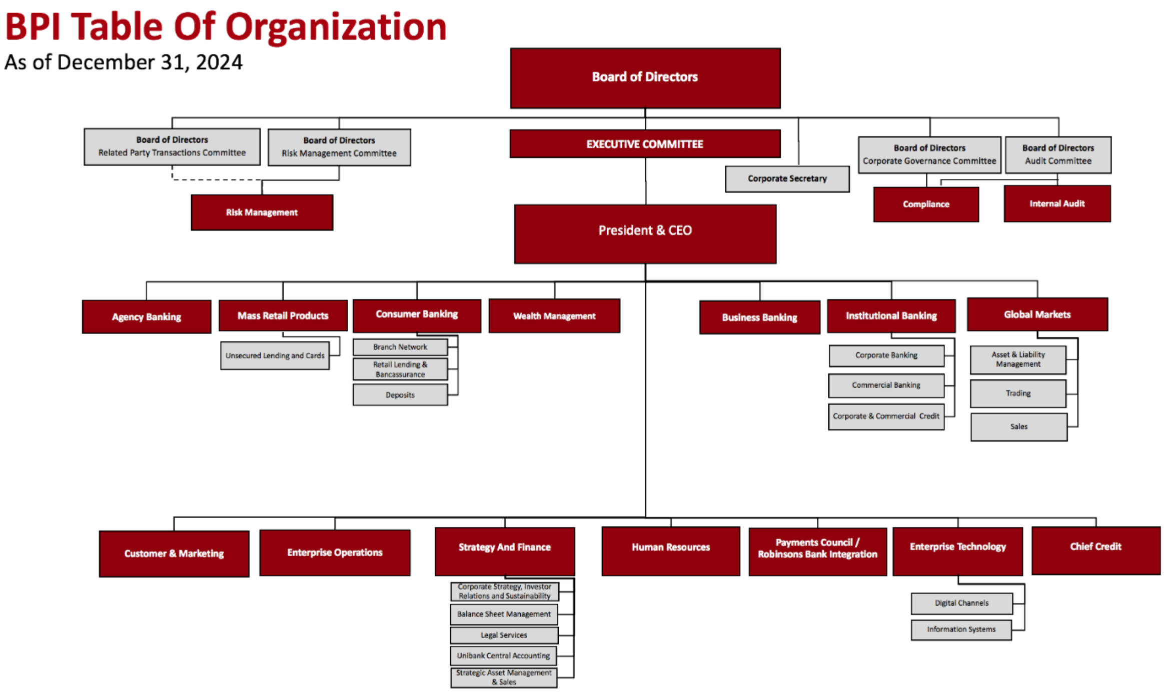
Focus on customers

The Bank's culture is anchored on its "N.I.C.E." core values of "being Nurturing, acting with Integrity, being Customer Obsessed, and pursuing Excellence". For the third year in a row, an internal summit involving hundreds of the Bank's senior officers was once again held to renew this commitment, followed by a nation-wide roll out to all its employees. Seizing the momentum from being appointed in 2022, the Bank's Customer Delight Officers delivered various customer delight projects that immediately addressed opportunities to improve internal and external customer experiences. To reinforce that customer obsession is a key result area of every employee's performance, "Delight-o-Meter" surveys were completed after internal meetings as a constant check that everything done across the organisation should be in the best interest of customers. In a relentless pursuit of customer satisfaction, the Bank achieved top net promoter score amongst banks for the second consecutive year in 2024 and reached its highest historical customer count.

"BE MORE" focuses on nurturing the Bank's employees through people initiatives like wellness programs and learning opportunities which will empower them to reach their full potential. The "C.H.A.N.G.E." leadership competencies were also launched to guide everyone to "lead Customer Obsession, inspire High Performance, set Aspirations, lead with Nurturing Spirit, lead with a Growth Mindset, and lead with Excellence". "DO MORE" highlights the Bank's commitment to its customers, offering relevant digital solutions and excellent customer service. "SHARE MORE" embodies the Bank's dedication to giving back, supporting sustainable advocacies and charities, and fostering a culture of caring and equity. "INSPIRE MORE" drives everyone in the Bank to share stories of success and sustainable initiatives, inspiring others to take action for the betterment of the nation.

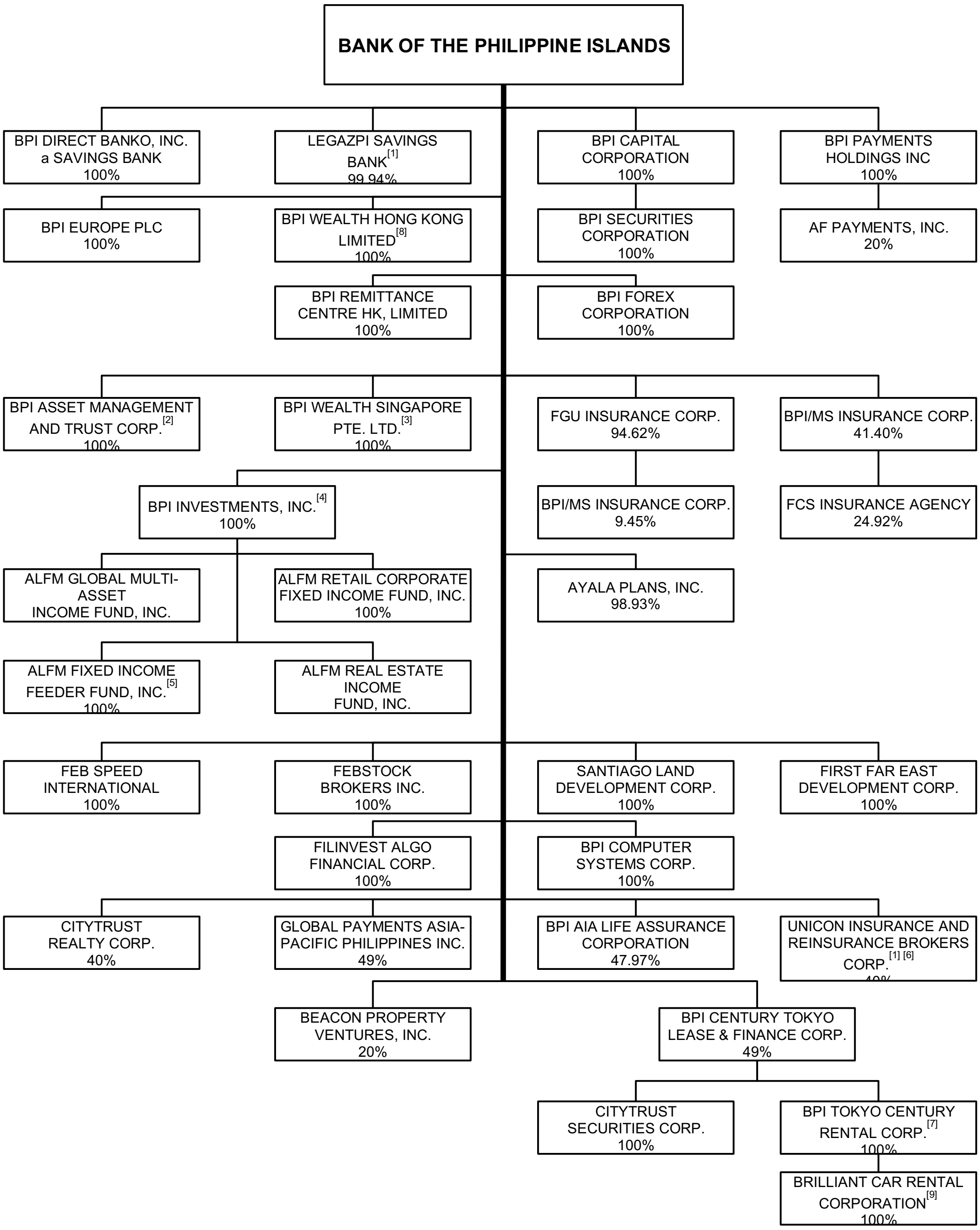
Organisational and Corporate Structure of the Bank

The following chart sets forth an overview of the functional organisational structure of the Bank and its principal activities.



(1) The following Board Level Committees also exist: Retirement Pension Committee and Personnel & Compensation Committee.

The following chart sets forth an overview of the corporate structure of the Bank as of 18 March 2025:



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

(5) Formerly ALFM Principal Preservation Fund, Inc.
(6) Formerly Unicon Insurance Brokers Corp.
(7) Formerly BPI Century Tokyo Rental Corp.
(8) Formerly BPI International Finance Limited.
(9) Wholly owned subsidiary of BPI Tokyo Century Rental Corp. Acquisition was completed on 23 May 2024.

Client Management Groups of the Bank

The Bank's primary client management groups are composed of (i) institutional banking, (ii) business banking for SMEs, (iii) consumer banking, (iv) SEMEs, and (v) wealth management. These client management groups work with the other groups in the Bank to provide each of these client segments a focused set of products and services tailored to their needs.

Institutional Banking

The institutional banking segment of the Bank is a diversified unit that covers specific client segments as well as manages certain products and services of the Bank.

The Relationship Management (**RM**) Groups include (1) the Corporate Banking RM Group, which manages the top 1,000 corporations in the country, multinational corporations (MNCs) and sectors (Manning, BPOs), and (2) the Commercial Banking RM Group, which handles large corporations that are spread geographically.

The products that fall under this segment of the Bank include (1) Corporate and Commercial Credit, (2) Transaction Banking, (3) Remittance & Fund Transfers and (4) Investment Banking (which includes Cash Equity brokerage).

Business Banking

The business banking group focuses on the needs of the SME segment. The group provides comprehensive coverage to SMEs through convenient business loans that can help finance and actualize their plans, versatile digital banking tools that make cash management more accessible for small businesses, and programs that provide continuous learning, capacity building and customer support. The Bank has implemented a tailored set of credit processes and credit-scoring models in order to offer quick and efficient access to capital to SME clients.

Consumer Banking

The consumer banking group manages the Bank's relationships with its retail clients and it is responsible for the Bank's physical branch network. The group also develops optimal deposit origination and product distribution strategies for the Bank's retail operations. Products under consumer banking include, among others, (1) deposits, (2) auto loans, (3) housing loans, (4) motorcycle loans and (5) bancassurance.

The Bank classifies individual retail clients into various retail client segments based on the amount of funds deposited and invested with the Bank, size of existing loan relationships and credit card limits, and their specific need for financial solutions. The retail client segments are: (i) Affluent segment for its Gold, Preferred, and together with the budding affluent segments Top and Next, (ii) Mid-Market segment for middle-income individuals and (iii) Core Mass segment for its broader customer base. Among these retail client segments the Bank also identifies individuals who are overseas Filipinos. This system of classification allows the Bank to help its customers achieve their financial goals through specific financial advice, access to appropriate products and solutions, and other services. The Bank's retail clients accounted for 60.3% of the Bank's total deposit base as of 31 December 2024.

Self-Employed Micro-Entrepreneurs

BPI Direct BanKo, Inc. is the microfinance and financial inclusion arm of BPI. With 368 branches across the Philippines and a mobile banking application, BanKo offers savings accounts, loans, insurance, and other financial services that cater to the needs and aspirations of the masang Pilipino which includes Self Employed Micro-Entrepreneurs (**SEMEs**) and low-income households.

Wealth Management

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

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

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

Agency Banking

Agency Banking instantly expanded the BPI branch network. As of 31 December 2024, it expanded the Bank's physical presence of 1,781 branches (including BPI Direct BanKo branches) to more than 7,000 touch points with over 6,400 partner stores. The Bank recorded 6,434 partner stores as of 31 December 2024 compared to 5,344 partner stores as of 31 December 2023, representing an increase of 20%. The Bank targets to grow Agency Banking to more than 8,100 partner stores by the end of 2025. Many of these new outlets are in municipalities and towns where BPI does not have a presence and many of them are open on weekends and holidays, 24/7. The Bank's clients may access savings account, credit card, loans and insurance products through the online portals at these partner stores. The Bank's depositors can likewise deposit and withdraw from their accounts free of charge, allowing partner stores to operate similar to a bank branch.

Agency Banking matches the right technology enablers, such as APIs, digital linkages and the Bank's own agency banking platform, to its agency partners' business requirements. By providing an additional channel for simple banking transactions, the Bank's agency partner outlets help BPI branches operate more efficiently by reducing the transactional processing load, dovetailing with the Bank's branch optimization strategy.

Principal Products and Services

The Bank offers a wide range of corporate, commercial and retail banking products. The Bank has two major categories for its products and services. The first category covers its deposit taking, lending and investment activities. Revenue from this category is reflected as net interest income in the Bank's financial statements and it accounts for most of its revenues. The second category covers services other than those related to its core deposit taking, lending, and investing business and from which the Bank derives commissions, service charges and other fees. These include investment banking and corporate finance fees, asset management and trust fees, foreign exchange, securities distribution fees, securities trading gains, credit card membership fees, rental on bank assets, income from insurance subsidiaries and service charges/commissions earned on international trade transactions, drafts, fund transfers and various deposit related services. Commissions, service charges and other fees, when combined with trading gains and losses arising from the Bank's fixed income and foreign exchange operations, constitute non-interest income. As of 31 December 2024, net interest income accounted for 75% of net revenues while other income accounted for the remaining 25% of net revenues.

The Bank's principal products and services consist of corporate lending, consumer lending, unsecured lending and cards, deposits, remittance, corporate finance and investment banking, asset management and trust, insurance and foreign exchange services. Throughout its products and services offering, the Bank aims to create a unique customer experience while focusing on cost optimisation, process control, innovation and excellent after-sales engagement with the Bank's clients.

The following is a description of the Bank's principal products and services.

Corporate Lending

Specialised Lending

The two relationship management groups of this segment are responsible for delivering all of the relevant services of the Bank to their clients. For this purpose, these groups are the main touch points of the Bank's corporate client relationships. While the relationship management groups rely on other product teams such as transaction banking (cash management and trade), investment banking, remittance, asset management, and credit card services among others, the institutional banking relationship management groups are the main originating and structuring units for corporate lending.

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

- The Structured Finance product team is primarily responsible for the credit assessment, underwriting, and monitoring of the Bank's large energy and infrastructure project financing loans, cross-border credit exposures (investments and tradeable loans), and other structured credits.

- BPI Agribusiness supports the sustainable growth of the agribusiness sector through programs that aid in the modernization of farm facilities, improving both production and cost efficiencies. Notable offers include poultry enterprise packages for broiler house construction, financing of piggery and other livestock farms with controlled climate systems, and sugar crop loans to provide working capital to agrarian reform beneficiaries under a cooperative setup.

- Lastly, Sustainable Development Finance provides clients with free technical consultations to ensure the feasibility and financial viability of renewable energy, energy efficiency, climate resilience, sustainable agriculture, sustainable water and pollution control projects. Guided by the Sustainable Funding Framework, the SDF team manages the Bank's green and sustainability bond assets.

Transaction Banking

Cash Management services are handled by BPI Institutional Banking. The Bank's main digital cash management platform, BizLink, enables corporate clients to conveniently pay the Bank and other bank accounts, pay bills, fulfill government payments, manage employees' payroll, collect payments from clients via Automatic Debit Arrangement and Bills Collection, and more. The Bank's new digital banking platform "BizKo", a mobile and web application helps micro, small and medium enterprises manage their day-to-day business needs and finances.

Trade and Supply Chain products include letters of credit, documents against payment or acceptance, trust receipt financing, shipping and bank guarantees, export bills purchase, outward bills for collection, and telegraphic transfers. Receivables financing is also offered to support the supply chains of top corporates and multinational corporates.

The Bank was awarded Best Trade Finance Bank in the Philippines for the 10th consecutive year on 13 May 2024 during the 18th Annual Alpha Southeast Best FI Awards 2024 in Hong Kong. BPI Bizlink Mobile Check Deposit Facility also bagged the Excellence in Digital Innovation Award.

*Remittance and Fund Transfers (**RFT**)*

RFT develops, manages, and markets the following products and services: Inward, Outward, and Domestic Remittance including InstaPay and PESONet.

International remittances are made possible by strong tie-ups with global remittance players and correspondent banks. Meanwhile, local remittances and transfers are delivered not only through the Bank's wide branch network and digital channels, but also through local pay-out partners such as pawnshops, extending the availability of services beyond banking hours and on holidays. RFT also offers customised solutions such as door-to-door services, direct credit to debit card account, and gift remittances.

Small Business Loans

To address the financing needs of the SME segment, the Bank provides term loans and credit lines under its Ka-Negosyo brand; Ka-Negosyo Ready Loan (**KRL**), Ka-Negosyo SME Loans (**KSL**) and Ka-Negosyo Credit Line (**KCL**). Small business loans range on average from a principal amount of ₱300,000 to ₱30 million with options for clean and secured loans which can be collateralised by real estate mortgages, deposits or investments. The Bank's Ka-Negosyo loans are tailor-fit products for SMEs and provide them with easy (*madali*), convenient (*magaan*), and fast (*mabilis*) solutions that address their needs in every stage of their business. Ka-Negosyo on the Go is a state-of-art digital banking platform that enables SME customers to discover the best fit loan solution for their business need, check their eligibility and complete their loan application online, whenever and wherever it is convenient for them.

Consumer Lending

The Bank offers a wide range of consumer lending products, including home mortgages and automobile and small business loans.

Home Mortgage Loans

The Bank offers loans to property buyers in the Philippines who intend to use the premises as their primary residence. The Bank's home mortgage loans have funded horizontal and vertical developments by reputable developers. The Bank also lends primarily in the middle to high-end market segment, and has started to offer a housing loan product, MyBahay¸ for the C-market. Home mortgage loans are secured by a first mortgage on the property being purchased. In addition, the Bank generally requires residential mortgage borrowers to have an equity interest of at least 20% of the value of the property. Home mortgage loans are typically payable in monthly amortising payments based on market-linked interest rates with fixed terms of one to ten years. The Bank requires home mortgage borrowers to obtain both fire insurance and mortgage redemption insurance.

As of 31 December 2024, home mortgage loans to individuals on average amount to ₱4 million. Interest rates on the Bank's home mortgage loans range from 7% to 10.25% over the same period, depending on the fixed term of the loan, which ranges from one to ten years. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods until the maturity of the loan, which ranges from one to 30 years.

Auto Loans

The Bank offers loans primarily for the acquisition of new cars and only for accredited brands for which a consistent track record of after-sales service has been established. The Bank focuses its lending efforts on those brands that it believes will be able to best retain their resale value. The Bank also works with local dealers to supply financing solutions and easier access to auto loans to their customers. As of 31 December 2024, the Bank's auto loans on average amount to ₱1 million in principal amount and have average terms of between 12 and 60 months. The Bank recently launched MyKotse, which allows borrowers to extend the payment terms to 72 or 84 months. The applicable interest rate is generally fixed with an amortising repayment schedule over the term of the loan. The Bank also typically lends up to 80% of the value of a new car. The maximum amount varies depending on the model and year of the car and is based on the Bank's internal assessments of the resale value.

All of the Bank's auto loans are secured by a first mortgage or legal charge over the cars being purchased. As of 31 December 2024, the prevailing effective interest rates of the Bank's auto loans range from 9% to 12%, depending on the loan tenor.

Motorsiklo

BPI's motorsiklo business, acquired through the BPI-RBC Merger in 2024, delivered strong performance in its first full year of integration. The portfolio grew by 19% to ₱4.5 billion in 2024, exceeding its acquisition value of ₱3.8 billion and outpacing industry growth. A key driver of this growth was the Bank's strong partnership with Premiumbikes, accounting for 98% of total motorcycle loan releases. This collaboration reinforced the Bank's position in the motorcycle financing space and provided a steady pipeline of good-quality borrowers. Beyond institutional partnerships, the Bank also deepened our community engagement through targeted outreach programs. Partnerships with Tricycle Operators and Drivers' Associations (**TODA**) and local cooperatives enabled on-the-ground financing support for motorcycle buyers. Community-based boothing activities also provided accessible loan consultations, helping undeserved segments secure financing with ease.

Unsecured Lending and Cards

The Bank offers access to unsecured loans for individuals in the form of personal loans, teachers' loans, SEME loans and credit cards.

BPI Personal Loans is a multi-purpose cash loan with low interest rates, flexible terms, easy payment scheme and no collateral required financial product. Customers can avail of a loan up to ₱3,000,000 or three times their monthly income, quickly and safely, available through a client's BPI account. There is also the option to monitor loan payments and outstanding balance from anywhere, anytime via BPI online.

The Bank, through the recently merged LSB, also offers Teachers' Loans via the DepEd's APDS (Automatic Payroll Deduction System) program. Public school teachers and non-teaching personnel can borrow up to ₱2 million for a maximum term of 60 months at affordable interest rates. The loan is available via LSB's online application. To expand its reach, LSB leverages on its partnership with BPI and BanKo, utilizing the 1,200+ branch network, for loan referrals.

Loans for SEME are also available through the Bank's subsidiary, BanKo.

The Bank's credit cards offer a line of credit to cardholders to purchase goods and services with a promise to repay the Bank on the due date or via deferred and instalment plans. The Bank gives its customers wise spending options and the best value for money via low foreign exchange conversion, exclusive retail promotions and special instalment plan deals with its credit card. In 2024, to facilitate ease of access for cardholders, BPI Credit Cards launched the "Oh My Deals" app, which allows cardholders to browse, filter and search for nearby promotions.

As a companion card to BPI deposit accounts, the BPI Debit Mastercard® provides clients with access to their deposit account anywhere in the world through the BancNet and Mastercard network. Aside from withdrawing cash through ATMs, the BPI Debit Mastercard enables secure and convenient payments for goods and services in-store and online, both domestically in the Philippines and abroad. To match customers' digital lifestyles, the BPI app includes a feature that allows changes to the settings of BPI debit cards in real-time. Through BPI Card Control, clients can change their card's transaction limits, block their cards, and control the acceptance of their card in e-commerce and abroad. Customers may also request for their new and replacement debit cards via the BPI app and pick up at a bank branch.

As of 31 December 2024, the Bank had 2.957 million credit cards issued, 3.25 million active debit cards and approximately 334,000 personal loans customers. The total value of transactions executed with the Bank's credit and debit cards was ₱578 billion in billings. The combined credit card and personal loans and teachers' loans portfolio amounted to ₱217 billion in total, while SEME loans amounted to ₱14.5 billion.

Deposits

The Bank's deposit products include current accounts (non-interest and interest bearing demand deposits) and savings and passbook accounts, collectively referred to as CASA, which form the Bank's low-cost funding base. The Bank also offers time deposits with tenors of up to five years. These products are available primarily in pesos and U.S. dollars, with select offerings in other foreign currencies. Certain deposit products are coupled with a life insurance component. All deposit accounts are insured by PDIC up to the applicable coverage limits. The Bank enhances accessibility of their deposit accounts, as applicable, through digital banking, enabling clients to open and manage accounts, transfer funds and perform transactions via its online and mobile platforms.

Remittance

The Bank's remittance services involve fueling both corporate funds management and household income and consumption, especially OFWs and their families. With the evolving remittance market, the Bank is an industry leader in providing services beyond traditional remittance.

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

The Bank's ICBR service allows transfer of funds from anywhere in the world to beneficiaries in the Philippines, catering to the needs of overseas Filipinos and corporate organizations. Settlement modes include credit-to-account, cash pick-up, gift remittance (e.g. Jollibee Padala), bills payment, door-to-door delivery, and credit-to-other bank's account. The Bank's remittance network has locations in key areas worldwide so OFs can remit to the Philippines in almost real-time. The Bank has one representative office in Japan and one in UAE, which market and promote some of the Bank's products and services. In addition, the Bank has two remittance centres in Hong Kong and maintains 120 remittance tie-ups and correspondent relationships with 60 accounts with 32 banks and financial institutions globally.

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

The Bank's OCBR service allows transfer of funds from the Bank to anywhere in the world, enabling retail and corporate customers to make payments and send money from their BPI accounts in the Philippines to the receiver's bank account overseas. Payment instructions are directed into SWIFT network. Multiple currencies are accepted including U.S. dollar and various major third currencies.

Domestic Remittance

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

The Bank's key initiatives and programs, especially the focus on digital, has enabled its growth to outpace the industry and meet the important needs of its clients in the Philippines and abroad.

Corporate Finance & Investment Banking

BPI Capital, a wholly-owned investment banking subsidiary of the Bank, is responsible for generating fee-based financial advisory and capital markets transactions. BPI Capital generates financial advisory fees from mergers and acquisitions, restructurings, and balance sheet advisory assignments and generates capital markets fees from debt and equity underwriting, loan syndication, and project finance. Investment banking activities also encompass distribution and market-making of securities to institutional and retail customers. BPI Capital also offers stock brokering services through its wholly-owned subsidiary, BPI Securities Corporation.

BPI Capital's underwriting and distribution activities cover debt, equity and hybrid securities. BPI Capital has been involved in major fundraising exercises for the Government (through Philippine Retail Treasury Bond Issues) and on behalf of major corporations in the Philippines. BPI Capital has consistently been recognized by numerous leading award giving bodies every year, notably by The Asset, Euromoney, FinanceAsia, Alpha Southeast Asia, Asian Banking and Finance, IHAP and PDS Group. In 2024, BPI Capital received ten house awards and 20 deal awards, including the prestigious Best Securities House in the Philippines award from Euromoney and the Cesar E.A. Virata Award from the PDS Group, affirming BPI's dominance in the Philippine capital markets. In addition, BPI Capital's participation in various deals also received accolades: "Best Sustainability-linked Transaction of the Year" and "Best Local Currency Bond of the Year" for the Ayala Land, Inc.'s Tranche I and II Sustainability-linked Bonds, and "Best Blue Bond in Southeast Asia" and "Most Innovative Deal of the Year" for the Maynilad Water Services, Inc.'s 5 and 10-year Blue Bonds by the Alpha Southeast Asia's 18th Deal and Solution Awards.

Through collaboration with the Bank, BPI Capital harnesses the placement power of the Bank's institutional, corporate, high net worth and retail customers and creates value for its clients by tailoring and executing financial solutions to meet their increasingly complex needs.

Asset Management & Trust

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

BPI Wealth has received several prestigious recognitions in 2024, highlighting its excellence in digital customer experience, wealth management, and investment solutions. At the Digital CX Awards 2024, BPI Wealth was named Best Wealth Manager for Digital CX in the Philippines by The Digital Banker and was also recognized for having the Best Digital CX with Digital Account Opening and Customer Onboarding. In the Euromoney Private Banking Awards, BPI Wealth earned distinctions for Best in NextGen Offerings and Best in Family Office Solutions. Additionally, the Global Private Banking Innovations Awards honored BPI Wealth as the Best Private Bank in the Philippines, with further recognition for Best in NextGen Offerings and a High Commendation for Family Office Solutions.

BPI Wealth continues to maintain its strong reputation with multi-year awards. At the International Finance Awards, it was once again named Best Asset Manager – Philippines. The CFA Philippines Best Managed Fund Awards recognized BPI Wealth for Best Managed Fund of the Year. The Asset named BPI Wealth as the Best Private Bank in the Philippines and awarded it a Highly Commended recognition for Asset Management Company of the Year (Philippines). BPI Wealth was also acknowledged in The Asset Triple A Sustainable Investing Awards 2024 for Institutional Investor, RTF, and Asset Servicing Providers.

Insurance

The Bank offers new and innovative insurance products through BPI AIA and BPI/MS to meet the varied life and non-life insurance needs of the Bank's customers.

Life Insurance

BPI AIA is the Bank's life insurance joint venture with AIA Philippines Life and General Insurance Company, Inc. (AIA Philippines) formed in 2009. The Bank holds a 48% equity stake in BPI AIA.

Listed as a separate business entity, BPI AIA follows a bancassurance model catering to the clients of the Bank. It offers pure protection and investment-linked insurance products sold through the Bancassurance Sales Executives assigned inside the Bank's branches and other distribution channels (e.g. telemarketing, corporate/business banking BSEs).

BPI AIA continuously grows alongside the Bank's aspirations. From an annualised new premium (ANP) of ₱659 million in 2010, it grew to ₱4.75 billion in 2023. Based on Philippine Insurance Commission's December 2024 data, BPI AIA recorded a 7.9% market share in the overall insurance industry. As of 31 December 2024, BPI AIA reported ₱6.45 billion ANP, reflecting its sustained growth and market resilience. BPI AIA has consistently introduced innovative products and solutions, driving its performance back to pre-pandemic levels.

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

Non-Life Insurance

BPI MS Insurance Corporation (**BPI MS**) is a joint venture of the Bank and Mitsui Sumitomo Insurance Company (**MSI**), one of Japan's largest non-life insurance providers and recognized global industry leader. As of 31 December 2024, BPI MS operates 13 branches and two satellite offices across the Philippines, strengthening its nationwide presence.

BPI MS continues to enhance accessibility and convenience through BPI MS Express Protect, enabling customers to seamlessly apply, pay, and receive policies online for essential coverages, including motor, fire, personal accident, and hospitalization insurance. Expanding its reach, the company has maintained a strategic partnership with Home Credit, offering affordable home contents insurance to customers. This collaboration generated average monthly premiums of ₱7.9 million in 2023 and ₱7.1 million in 2024.

Further advancing its commitment to customer protection, BPI MS introduced PA 365, a personal accident insurance product designed to provide round-the-clock coverage against accidents, disabilities, and unexpected expenses. BPI MS continues to explore innovative insurance solutions that align with evolving customer needs, reinforcing its position as a trusted partner in financial security.

Leasing

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

Treasury

The Bank's treasury team manages the Bank's liquidity position and investment portfolio, trades foreign exchange, fixed income securities, and derivatives, and provides treasury products to the Bank's clients, particularly foreign exchange and hedging products. As the Bank's asset and liability manager, the treasury team takes advantage of opportunities to generate interest differential by managing liquidity and interest rate gaps; and maximises returns by tapping efficient funding sources. The treasury team also generates income for the Bank through its trading and market-making activities.

Human Resources

The Bank's human resources team strengthens its desired culture of cohesion and performance through key talent acquisition, continuous talent development, holistic performance measurement and competitive compensation systems. To support this goal, the Bank operates a training centre which delivers a new employee orientation for freshly onboarded hires, a six-month curriculum for training new officers and provides various in-person and virtual continuing-education programs for all its employees.

Information Technology Systems

The Bank's information systems team (**ISG**) leads its transformation into a digital bank. It develops and maintains proprietary applications, network and data centres, enterprise-wide computer systems, and telecommunications facilities. ISG is governed by the IT Steering Committee (**ITSC**), which was formed to provide direction on IT strategies that are aligned with the business objectives of the Bank. The IT strategy is reviewed yearly and is aligned with the overall goals of the Bank. The focus of the Bank's current IT strategy is on digital transformation.

In view of the increasing cyber-related risks, the Bank continues to invest in the enhancement of its security infrastructure and technical controls to secure both its physical and computing environments. This includes a broad range of prevention, detection, and recovery mechanisms to mitigate and immediately respond to threats and incidents. The Bank also performs annual review and simulation testing of its computer security incident response plan to ensure its workability and effectiveness.

The Bank has an established third-party and vendor risk management program to address third-party risks as it increasingly utilizes outsourced services to support its business goals and operations. The Bank applies a stringent vetting process to its service providers and IT suppliers and regularly monitors their performance to determine compliance with the Bank's internal data privacy and information security requirements.

Credit Rating and Credit Approval

The Bank applies a multi-level centralised credit approval process for corporate and commercial loans requiring approvals at various levels depending on the size of the proposed loan. The process has four main levels, which requires applications for credit exceeding specified limits to be approved at higher levels of authority. The Bank has established a credit group that was separated from the marketing function of the Bank, including the relationship managers. The credit group was established in order to help ensure a more objective approach with respect to credit approval. The Bank believes this is an important step for managing credit risk while increasing growth in its loan book.

Competition

With 44 universal and commercial banks operating in the Philippines as of 31 December 2024, the banking industry in the Philippines is characterised by high levels of regulation and highly competitive pricing and service offerings. The Bank competes against domestic and foreign banks that offer similar products and services as the Bank. Since the further liberalisation of the Philippine banking industry in 2014, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks.

According to industry data on Philippine publicly listed banks, as of 31 December 2024 the Bank is the Philippines' second largest in terms of gross customer loans, with a market share of 15.9%, and second largest in terms of deposits, with a market share of 12.8%. The Bank believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Employees and Labor Relations

As of 31 December 2024, the Bank had 22,062 employees (excluding BPI CTL and BPI MS). Approximately 40% of the Bank's employees is unionized and covered by existing collective bargaining agreements (**CBA**), which contain economic and non-economic provisions.

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

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

The Bank's management believes it has a good relationship with its staff. BPI management and the employees' union recently inked the CBA covering the period from 2024 to 2026. This marked the first time the Bank held a single negotiation for all five of its unions, which was completed in just three days. Further, the Bank maintains amicable labor relations with its employees, and had no material employee related lawsuits that may adversely affect its operations.

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

	As of 31 December		
	2022	**2023**	**2024**
Staff	11,034	11,827	13,100
Officers	6,539	7,155	8,962
Total	**17,573**	**18,982**	**22,062**

Consistent with the Bank's goal of being one of the Philippines' preferred employers, the Bank has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talent. Tied to this is a performance management system that calls for the alignment of individual key results, competencies, and development plans with the Bank's overall business targets and strategy. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives.

The Bank offers an executive stock purchase plan (**ESPP**), enabling eligible participants to acquire common shares under the plan's provisions. The ESPP features a three-year vesting schedule, with one-third of the subscription vesting at the end of each year from the grant date, and includes a 10-year payment period.

Corporate Social Responsibility

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

Key programs include Sinag, which supports the social enterprise ecosystem; TechVoc, providing vocational training for the unemployed and underemployed; SEAL, aiding small and micro-enterprises; and Farm to Table, assisting farmers and fisherfolk. Additionally, FinEd Unboxed teaches personal finance management to various sectors, while the BPI-DOST Innovation Awards encourages young minds to innovate towards achieving financial wellness. BPI BAYANihan is a disaster response program that aids affected communities, and BPI Bayan is a volunteer program that encourages employees to be changemakers in their communities.

Insurance

Procurement of insurance policies is a risk-mitigating measure of the Bank under its operational risk framework, in response to major economic, industry and regulatory events. Closing the gaps in operating risk is a constant exercise as the Bank reinvents itself in the advent of new technology, an evolving regulatory landscape, and ever-changing customer needs. Therefore, an interplay of various insurance policies guards the Bank against multi-faceted risks. This consists of, but not limited to, general lines policies (which cover areas of property, equipment, operations, and third-party liabilities), policies for directors' and officers' liability, cyber incidents, and crime incidents. The Bank pursues an optimum risk transfer strategy through these complementary insurance policies which supplement customary exclusions typical for each type.

The Bank believes its insurance policies are in line with industry standards in the Philippines.

Properties

As of 31 December 2024, the Bank (excluding BanKo) owned 238 branch locations, leased an additional 619 branches, and co-located 14 branches. The following table provides the geographic breakdown of the Bank's Philippine branch network (excluding BanKo) as of 31 December 2024:

Location*

	Owned	Leased	Co-Located	Total
Metro Manila	102	313	9	424
Provincial	136	306	5	447
Total	238	619	14	871

Note:
* Excluding BanKo branches.

Intellectual Property

The Bank has registered a number of trademarks and trade names, including the logo of the Bank and the trademark "Bank of the Philippine Islands". As of the date of this offering circular, the Bank has not been subject to any disputes relating to its intellectual property rights.

Legal Proceedings and Permits

The Bank is a party to various legal proceedings, claims and tax assessments which arise in the ordinary course of its operations. None of such legal proceedings, claims and tax assessments, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial condition. Neither the Bank, nor any of its subsidiaries or associates or its properties, is currently involved in any material litigation, arbitration or similar proceedings, and the Bank is not aware of any such proceedings pending or threatened against it, any of its subsidiaries or associates or its properties, which are or might be material in the context of the Program or an issuance of Notes thereunder.

The Bank believes it has all material permits and licenses necessary for its business and that these are valid and subsisting as of the date of this Offering Circular.

Principal Subsidiaries and Associates

The following table sets out summary information in respect of the Bank's principal subsidiaries and affiliates as of 31 December 2024:

	Effective Ownership(1)	Activity
Subsidiaries		
BPI Capital Corporation	100.00%	Investment house
BPI Direct BanKo, Inc., A Savings Bank	100.00%	Banking
BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth	100.00%	Asset management
BPI Wealth Hongkong Limited	100.00%	Financing
BPI Europe, Plc	100.00%	Banking (deposit)
BPI Securities Corporation	100.00%	Securities dealer
BPI Investments, Inc. (formerly BPI Investment Management Inc.)	100.00%	Mutual fund distribution
Legazpi Savings Bank, Inc. (LSB)	99.94%	Banking
BPI MS Insurance Corporation	50.85%	Non-life insurance
Associates		
BPI Century Tokyo Lease and Finance Corporation	49.00%	Leasing
Global Payments Asia-Pacific Philippines Inc.	49.00%	Payments processing
BPI AIA Life Assurance Corporation	47.97%	Life insurance
Unicon Insurance Brokers Corp.	40.00%	Insurance Broker
CityTrust Realty Corp.	40.00%	Real Estate
Beacon Property Ventures, Inc.	20.00%	Real Estate Investment
AF Payments, Inc.	20.00%	Payments processing

Notes:
(1) As of the date of this Offering Circular.

Subsidiaries

BPI Capital Corporation is an investment house focused on corporate finance and the securities distribution business. It began operations as an investment house in December 1994. It merged with FEB Investments Inc. on 27 December 2002. It wholly owns BPI Securities Corporation, a stock brokerage company.

BPI Direct BanKo, Inc., A Savings Bank (**BanKo**) serves microfinance customers through branch, digital, and partnership channels. Founded in July 2009 as BPI Globe BanKO, BanKo is currently wholly owned by the Bank, following a September 2016 purchase of stakes owned by Ayala Corp. (20%) and Globe Telecom, Inc. (40%) and a December 2016 merger with BPI Direct Savings Bank, Inc.

Legazpi Savings Bank, Inc. (**LSB**) is focused on providing financial assistance to teachers, including deposit-related financial services. LSB was incorporated and registered with the SEC on 8 May 1976, and was acquired by RBC on 26 December 2012. On 1 January 2024, when the BPI-RBC Merger took effect, with the Bank as the surviving entity, LSB became a subsidiary of the Bank.

BPI Wealth Hongkong Limited (formerly, BPI International Finance Limited, Hong Kong) is a deposit taking company in Hong Kong. It was originally established in August 1974 and provides deposit services as well as client-directed sourcing services for international investments.

BPI Europe Plc is a UK-licensed bank authorised by the Prudential Regulation Authority (**PRA**) and jointly regulated by the PRA and the Financial Conduct Authority (**FCA**). It was incorporated on 27 July 2006 and obtained authorization to provide regulated products and services on 26 April 2007. It currently offers simple retail deposit products, manages a portfolio of fixed income securities and syndicated loans, and engages in fixed income and foreign exchange trading.

BPI Securities Corporation is the full-service stock brokerage house of the Bank. It is a wholly-owned subsidiary of BPI Capital Corporation and is primarily involved in the purchase and sale of shares of publicly-listed companies on the PSE for its institutional and retail clients.

BPI MS Insurance Corporation is a non-life insurance company formed through the merger of FGU Insurance Corporation (**FGU**) and FEB Mitsui Marine Insurance Company (**FEB Mitsui**) on 7 January 2002. FGU and FEB Mitsui were acquired by the Bank through its merger with AIHC and FEBTC in April 2000.

BPI Asset Management and Trust Corporation, doing business under the trade name and style of BPI Wealth – A Trust Corporation (**BPI Wealth**), is a standalone trust corporation serving both individual and institutional investors with a full suite of local and global investment solutions. BPI Wealth commenced operations on 1 February 2017.

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

Associates

BPI AIA Life Assurance Corporation is the life insurance company formed in 2009 through a joint venture with AIA Philippines Life and General Insurance Company, Inc. (formerly AIA Philam Life). In 2021, the name was changed to BPI AIA Life Assurance Corporation. The Bank's current shareholding is 48%.

BPI Century Tokyo Lease & Finance Corp., 49%-owned by the Bank and 51% owned by Tokyo Century Corporation, is a non-bank financial institution that provides financing services pursuant to the Financing Company Act. BPI Century Tokyo Lease & Finance Corp. wholly owns BPI Century Tokyo Rental Corp., which offers operating leases.

AF Payments, Inc. was established as a joint undertaking by Ayala and Metro Pacific Investments Inc. In 2013, AF Payments, Inc. was selected by the Government in a competitive process to provide financing for the automatic fare collection system project, which aims to enable an electronic and integrated ticketing scheme for metro and light rail systems in Metro Manila. The Bank's equity stake in AF Payments, Inc. is 20%.

Global Payments Asia-Pacific Philippines Inc. is a joint venture between the Bank and Global Payments, Asia Pacific Private Limited, in which the Bank holds a 49% equity stake. The joint venture company manages the Bank's payments acquiring business."

RISK MANAGEMENT

The Bank is exposed to risks that are particular to its lending, investment and trading businesses and the environment within which it operates. The Bank's goal in risk management is to ensure that it understands, measures and monitors the various financial and non-financial risks that arise from its business activities, and that it adheres strictly to its policies, standards, procedures and related guidelines which are established to address these risks.

Risk Management

The Bank employs a disciplined, structured and integrated approach to managing all the risks pertaining to its businesses to create, protect and optimise shareholder value. The Bank's risk management infrastructure covers all identified risk areas. Risk management is an integral part of the Bank's day-to-day business management and each operating unit identifies, measures, manages and monitors the risks pertaining to its business. Functional support on policy-making and risk compliance at the enterprise level is likewise provided for the major risk categories: credit; market and liquidity; and operational and information technology (**IT**) risks. Finally, independent reviews are regularly conducted by the Bank's Internal Audit group, regulatory examiners and external auditors to ensure that controls and risk mitigants are in place and functioning effectively as intended.

Credit risk continues to be the largest single risk the Bank faces. Credit risk management involves the thorough evaluation, appropriate approval, management and continuous monitoring of counterparty risk, product risk and industry concentration risks relating to each loan account and/or portfolio. The credit risk management process of the Bank is anchored on the strict implementation of credit risk management policies, procedures and practices, control of delegated credit approval authorities and limits, evaluation of portfolio risk profile and the approval of new loan products taking into consideration any potential risk. For consumer loans, credit risk management is additionally supported by established portfolio and credit risk scoring models.

Market and liquidity risk management involves a common structure and process but uses separate conceptual and measurement frameworks that are complementary with each other when it comes to dealing with price, interest rate risk in the banking book and liquidity risks. Price risk management involves measuring the probable losses arising from changes in the values of financial instruments and major asset and liability components as a result of changes in market rates, prices and volatility. Liquidity risk management involves the matching of asset and liability tenors to limit the Bank's vulnerability to cashflow mismatches, and ensures that the Bank will be able to meet its payment obligations associated with its financial liabilities when they fall due.

Operational and IT risk management involves the management of risks arising from inadequate or failed internal processes, people, and systems or from external threats and events such as cybercrime that leads to financial losses, natural disasters that damage physical assets, or electronic failures that disrupt the Bank's operations. This involves the creation and maintenance of an operating environment that ensures and protects the integrity of the Bank's assets, transactions, records and data, systems and technologies, the enforceability of its claims, and compliance with all pertinent legal and regulatory parameters.

Risk Organisation

The Board directs the Bank's overall risk management strategy and performs an oversight function on the implementation of its risk policies and practices through the various committees that it has created, as follows:

- the Executive Committee, which approves credit risk limit for large exposures; except for DOSRI loans (including loans to BPI subsidiaries and affiliates) regardless of amount, credit exposures beyond the Executive Committee limit, which are approved by the Board, as well as other transactions that may be required by the BSP;

- the Risk Management Committee (**RMC**), which reviews, approves, and ensures effective implementation of the Bank's enterprise risk management framework. The RMC approves risk-related policies, oversees limits to discretionary authority that the Board delegates to management, and evaluates the magnitude, distribution, and direction of risks in the Bank; and

- the Audit Committee through Internal Audit, which provides the independent assessment of the over-all adequacy and effectiveness of, and compliance with, the Bank's risk management policies and processes.

In addition to the committees indicated above, the Bank's organisational structure likewise includes the Risk Management Office (**RMO**), responsible for driving the company's risk management processes, i.e.,

- independent identification, measurement, controlling, monitoring and reporting of the Bank's risk taking activities; and

- formulation, review, and recommendation of risk management policies and methodologies.

Nevertheless, the Bank's enterprise risk management framework adopts the basic tenet that risks are owned and primarily managed by the respective businesses and process owners. Everyone in the organisation is therefore expected to ethically, prudently, and proactively manage the risks inherent to their respective areas by complying with the Bank's enterprise risk management framework, policies and standards.

Credit Risk

Credit risk is the risk of loss due to a borrower's non-payment of a loan or other lines of credit, either principal, interest, or both. It arises whenever the Bank's loanable funds are granted, renewed extended, committed, invested or otherwise exposed through actual or implied contractual agreements. Non-payment by borrower, counterparties, or issuers, failed settlement of transactions and default on contracts may occur resulting in some assets of the Bank declining in value.

The Bank drives credit risk management fundamentally via its suite of well-established credit policies, process, and standards (collectively, credit policy manuals), the provisions of which are regularly reviewed and updated to reflect changing risk conditions. CPM defines the principles and parameters governing credit activities, ensuring that each account's credit worthiness is thoroughly understood and regularly reviewed. Relationship managers assume overall responsibility for management of the credit exposures while middle and back office functions are clearly defined to provide independent checks and balance to credit risk taking activities. A system of approving and signing limits ensures adequate senior management involvement for bigger and more complex transactions. This risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets (**NPA**). The Bank fully-implemented PFRS 9-based policies, models and Expected Credit Loss (**ECL**) methodologies for its credit portfolios and impairment provisions calculation, rendering it compliant to both the BSP and accounting standards on PFRS 9 implementation.

In compliance with BSP requirements per Circulars 439 and 855, the Bank has developed and continues to review and calibrate its internal risk rating system aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master-netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Bank's credit exposures.

The Bank is able to manage overall credit risk and maintain asset quality, evidenced by generally acceptable NPL ratios relative to the Bank's total loan portfolio, diversified portfolio across key industries, adequate loan loss provisioning, and general compliance to BSP guidelines and regulatory ceilings on credit risk.

Market, Interest Rate in the Banking Book & Liquidity Risks

The value of the Bank's investments is subject to uncertainty in the future. Market risk pertains to losses in the Bank's on-balance sheet and off-balance sheet trading positions arising from potential adverse movements in market prices, in particular, changes in interest rates, foreign exchange rates, credit spreads and equity prices, as well as their correlations and implied volatilities that affect the value of instruments, products, and transactions in the Bank's trading portfolio.

The Bank's market risk exposure arises largely from market-making, dealing and position-taking in fixed-income securities, currencies, equities and derivatives. The Bank employs risk metrics such as the historical simulation Value-at-Risk (**HSVaR**), stop loss and DV01 to monitor the market risk exposures of Treasury and other risk taking units of the Bank. Risk limits are continuously reviewed and updated to align with the Bank's goals, objectives, strategies and overall risk appetite. Forward-looking scenario analysis, simulations and stress tests are also conducted to complement the risk metrics and provide a broader and holistic risk perspective to the Bank's management and RMC. In addition, the volatile nature of the foreign exchange rates may present material risk on the financial condition of the Bank. The Bank's exposures on net foreign exchange position are monitored and controlled through the existing HSVaR metric that measures potential losses arising from these exposures. The Bank performs daily monitoring against RMC-approved risk limits.

Interest rate risk is a fundamental component of the banking business. Movements in interest rates can expose the Bank to adverse shifts in the level of net interest income and can impair the underlying values of its assets and liabilities. The Bank is exposed to interest rate risk on unfavourable changes in the interest rate curves which would have adverse effects on the Bank's earnings and its economic value of equity. Interest rate risk in the banking book (**IRRBB**) arises from the Bank's core banking activities. The main source of this type of interest rate risk is re-pricing risk, which reflects the fact that the Bank's assets and liabilities are re-priced as they mature or at contractual periods. Moreover, the mismatch in repricing maturities of assets and liabilities produces periodic gap patterns that create volatility in earnings.

IRRBB is directly affected by the volume, maturity and repricing balance sheet structures and rate sensitivities of the Bank's assets and liabilities. Measurement techniques used to determine the potential impact of interest rate risk can take a number of forms. The technique used depends on whether the focus is on earnings or economic value of the banking book. As such, there are two major approaches to measure IRRBB: (i) one that focuses on analysis of interest rate movements on net interest income and (ii) one that focuses on the economic value, or market value of the banking book. The earnings-based approach focuses on the short to medium-term variability in net interest income, thus linking to profitability. The economic value approach offers a long-term perspective on interest rate risk taking into account all future cash flows generated from the balance sheet.

The first approach measures the potential deterioration in the Bank's net interest income due to changes in interest rates over a specified period of time (e.g., one to three years). The Bank's earnings are affected when movements in borrowing and lending maturities and repricing schedules are not perfectly synchronised, which creates a gap mismatch. The repricing gaps, or the difference between the amounts of rate-sensitive assets and the amounts of rate-sensitive liabilities, are the foundation of the IRRBB analysis. An asset or liability, including contingent or off-balance sheet accounts, is considered to be rate-sensitive, or subject to repricing within a time interval, if: (1) it matures, (2) it represents an interim or partial principal payment, (3) the interest rate applied to the outstanding principal balance changes (either contractually or because of a change in a reference rate) during the interval. The Bank employs the Earnings-at-Risk (**EaR**) metric to assess the potential deterioration in net interest income due to changes in interest rates.

The second approach measures the impact on the economic or market value of equity (market value of assets less market value of liabilities) due to adverse changes in interest rates. This approach computes for the present value of future principal and interest payments due and relating to the banking book. The discount rates however are uncertain and in fact are volatile. As such this approach essentially computes the Net Asset Value-at-Risk (**VaR**) of the banking book. This risk metric is called the Balance Sheet VaR (**BSVaR**). The BSVaR is founded on re-pricing gaps. However, unlike the previous metric which focusses on the earnings volatility in the next 12 to 36 months, BSVaR provides a long term perspective as all cash flows of the entire balance sheet through maturity of all accounts is considered.

The RMC performs annual review of the BSVaR and EaR limits and breaches with explanations and action plans are reported to the committee. The Bank stress tests its banking book and the results are likewise reported to the RMC.

Liquidity Risk is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its financial obligations to a client or to the market in any location and at any time when they come due without incurring unacceptable losses or costs. It is also the inability to manage unplanned decreases or changes in funding sources.

The Bank's liquidity profile is measured and monitored through its internal metric, the Minimum Cumulative Liquidity Gap (**MCLG**) supplemented by liquidity risk monitoring tools, as well as through regulatory metrics, Liquidity Coverage Ratio (**LCR**) and Net Stable Funding Ratio (**NSFR**). The MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months. The LCR promotes the short-term resilience of the Bank's liquidity risk profile and requires the Bank to hold adequate level of high-quality liquid assets (**HQLA**) to cover net cash outflows in the next 30 days. The NSFR, on the other hand, promotes resilience over a longer time horizon by requiring the Bank to maintain a stable funding profile on an on-going basis. Moreover, both the LCR and NSFR are designed to strengthen the resilience of the Bank against liquidity shocks. The Bank also regularly conducts liquidity stress tests which have consistently revealed ample liquidity to meet its obligations under both name-specific and systemic crisis scenarios.

Market, IRRBB, and liquidity risk management is incumbent on the Board of Directors through the RMC. At the management level, the Bank's market risk exposure is managed by the RMO, headed by the Bank's Chief Risk Officer (**CRO**) and reports directly to the RMC. The RMO is responsible for recommending risk management policies and methodologies and for promoting enterprise-wide risk appreciation and education. The RMC defines the risk tolerance, provides guidance on risk strategies and approves risk policies and methodologies. The Bank's risk tolerance is continuously discussed at RMC meetings. With this, the Bank is able to ensure risks taken are adequate and within the Bank's appetite and limits.

Operational & IT Risks

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It is inherent in all banking products and services and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences. IT risk is the risk of any potential adverse outcome arising from the use of or reliance on IT (i.e., computer hardware, software, devices, systems, applications, and networks). This includes, but is not limited to, information security, service availability, and reliability and availability of IT operations. Operational and IT Risks is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

The Bank has a reliable internal control framework that is constantly reviewed for applicability and effectiveness by the following divisions within the organisation:

- Operational Risk Management (ORM) is primarily responsible for the integration, monitoring and overall management of operational risk, business continuity, and operational risk policies ensuring that the operational risk management principles and processes are consistently applied during the planning, development, and implementation of the Bank's processes and systems, and that all relevant operational and IT risks are identified, managed, and monitored within the Bank's risk appetite;

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

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

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

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

- Strategic and Corporate Planning and Centralised Accounting, which ensures implementation of financial policies to reflect a true and fair picture of the Bank, and ensures prompt disclosure or relevant information on the Bank to external stakeholders;

- Central Security Office, which is responsible for the security of the Bank's facilities and the overall safety of the Bank's clients and employees;

- Information Systems Group, which ensures that existing systems and functionalities are constantly improved to promote operational efficiency, adequate controls, and consistent service delivery; and

- Human Resources Group, which ensures that the Bank's risk management framework to manage people risk and ensures that policies and controls are in place for HR-related processes, such as succession plans, competency building and assessment programs, and that employees of the Bank undergo appropriate training programs to address competency gaps as well as for continuous improvement of both technical and behavioural skills required to deliver the job following the Bank's service and control standards.

Moreover, the Bank has management-level committees providing oversight to specific operational risk matters, namely, the Crisis Resiliency Committee (CRC) that oversees the implementation of the Business Continuity Management System and serves as the decision control point during crisis and subsequent execution of the Corporate Business Continuity Plan (BCP) and Disaster Recovery Plan, while maintaining administrative control over all Business Continuity and Disaster Recovery Teams. And the Operational Risk Management Committee, (**ORMC**) that oversees the management of operational risks and information security of the Bank. In so far as the cyber security is concerned, the Bank has an established Cyber Security Operations Center (**CSOC**) that provides threat intelligence, detection capabilities and proactive responses through monitoring, analytics, and prompt detection.

Given all the operational risk controls, methods and tools, and processes fully in place, the Bank is able to manage operational and IT losses within the Bank's operational risk loss appetite.

The Bank aims to continuously promote a culture of proactive and prudent risk management with the goal of becoming a risk-intelligent organisation, with the CRO and the RMO continuously engaging the RMC, management, and business units, communicating the risk awareness culture to the rest of the Bank through various internal channels, facilitating learning programs and awareness campaigns on risk management, and promoting best enterprise-wide practices.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition as of 31 December 2024 Versus 31 December 2023

The highlights of the balance sheet and income statement of BPI for each year and the compounded growth rate over the three-year period (2021-2024) are shown below:

In Million Pesos	2021	2022	2023	2024	CAGR
Assets	2,421,915	2,603,961	2,888,372	3,318,813	11.1%
Loans (Net)	1,476,527	1,702,990	1,882,007	2,238,765	14.9%
Deposits	1,955,147	2,096,001	2,295,106	2,614,802	10.2%
Capital	293,060	317,722	357,204	430,469	13.7%

Total resources stood at ₱3.32 trillion, up ₱430.44 billion, or 14.9%, from last year's ₱2.89 trillion. **Total deposits** at ₱2.61 trillion, went up by ₱319.70 billion or 13.9%, from increases in Time, Demand and Savings deposits by ₱205.08 billion or 27.1%, ₱47.71 billion or 12.6%, and ₱66.90 billion or 6.0%, to ₱962.56 billion, ₱426.79 billion, and ₱1.23 trillion, respectively. **Other borrowed funds** at ₱163.18 billion, was up ₱26.08 billion or 19.0%, from repurchase agreements this year. **Deferred credits and other liabilities** at ₱56.22, was up ₱2.77 billion or 5.2% on higher bills purchased. **Accrued taxes, interest and other expenses** at ₱17.33 billion, was also up by ₱2.36 billion, or 15.8%, on higher accrued interest on time and savings deposits, bonds payable, bills payable under repurchase agreement, income tax and performance bonus. **Derivative financial liabilities** at ₱4.98 billion increased by ₱2.16 billion or 76.6% due to unfavorable market movement. **Manager's checks and demand drafts outstanding** at ₱9.94 billion, also increased by ₱1.48 billion or 17.5%, on higher non-negotiated manager's checks issued. **Liabilities attributable to Insurance Operations** at ₱16.54 billion was also up by ₱1.34 billion or 8.8% on higher balance from the Bank's non-life insurance subsidiary. **Due to Bangko Sentral ng Pilipinas and other banks** at ₱3.14 billion, also increased by ₱1.26 billion or 67% on higher marginal cash deposits.

Capital funds of ₱430.47 billion, increased ₱73.27 billion, or 20.5% from last year's ₱357.20 billion. **Surplus** at ₱236.33 billion, was up ₱31.36 billion or 15.3% on account of the higher net income partly offset by higher dividends and appropriation for reserves. **Share premium** at ₱143.28 billion, up ₱29.87 billion or 26.3%, representing the issuance of shares in consideration of the merger with RBC and the amortization of Executive Stock Purchase Plan shares in excess of par value. **Reserves** at ₱10.89 billion, was also up by ₱10.25 billion, mainly due to higher appropriation out of surplus representing the excess of General Loan Loss Provision over PFRS 9 Stage 1 loan loss allowance to meet the requirements of the BSP. **Share capital** at ₱52.61 billion was up ₱3.30 billion or 6.7% mostly on the issuance of shares in consideration of the merger with RBC and the amortization of the Executive Stock Plan. Meanwhile, **accumulated other comprehensive loss** of ₱12.64 billion was higher by ₱1.51 billion, or 13.6%, from last year's loss of ₱11.13 billion, on higher actuarial loss on defined contribution plan and higher marked-to-market losses on FVOCI securities.

On the asset side, **loans and advances, net,** at ₱2.24 trillion, grew by ₱356.76 billion, or 19.0%, on increases in all portfolios. **Financial assets at fair value through other comprehensive income** at ₱268.20 billion, increased by ₱49.55 billion or 22.7%, due to purchase of government and private securities. **Due from Other Banks** at ₱72.06 billion, was up ₱35.77 billion or 98.6%, mostly on higher working balances with correspondent banks. **Financial assets at fair value through profit or loss** at ₱47.31 billion, increased by ₱23.66 billion or 100.0% due to purchase of government issued local currency denominated debt securities. **Cash and Other Cash Items** at ₱49.76 billion, were up by ₱14.92 billion or 42.8%, on higher cash on hand for payroll. **Goodwill** at ₱9.52 billion, is the difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration from the merger with RBC. **Other resources, net** at ₱29.09 billion was also up ₱9.16 billion or 46.0% on higher deferred charges. **Assets held for sale,** net, at ₱8.41 billion, increased by ₱3.67 billion or 77.4% due to increase in ROPA bookings. **Investment in subsidiaries and associates, net** at ₱10.90 billion, grew by ₱2.61 billion or 31.5%, mostly on account of the Bank's share in the net income and market valuation of investment securities of BPI AIA. **Assets Attributable to Insurance Operations** at ₱20.99 billion, up ₱1.93 billion or 10.1% on higher assets of BPI MS. **Bank Premises, Furniture, Fixtures and Equipment, net** at ₱21.21 billion was ₱1.46 billion or 7.4% up on various buildings for construction and renovations in progress.

On the other hand, **financial assets at amortized cost** declined by ₱39.60 billion or 10.3% to ₱343.11 billion due to sale and maturities of debt securities, while **interbank loans receivable and securities purchased under agreements to resell** at ₱16.71 billion, dropped by ₱3.92 billion or 19.0%, on lower reverse repurchase agreements.

Asset Quality

The Bank's loan portfolio mix is broken down into corporates at 72.3%, and consumer at 27.7%, compared to last year's 76.9%, and 23.1%, respectively.

Allowance for Impairment at ₱6.60 billion went up by ₱2.60 billion, or 65.0%, from last year's ₱4.00 billion. NPL ratio deteriorated to 2.13% from 1.84% in 2023, but is still better than the industry's NPL ratio of 3.27%.

Details of the loan portfolio and asset quality are reflected in the 2024 Audited Financial Statements Note 10 and Note 26.1.3.1, respectively.

Funding and Liquidity

Customer deposits account for 94% of BPI's total funding, while 6% is attributable to other borrowings. The Bank's liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio) are comfortably above the regulatory minimum of 100%.

The Bank's CASA Ratio was 63.2%, while the Loan-to-Deposit Ratio was 87.5%.

For further details on the Bank's deposits, borrowings, and liquidity, refer to the 2024 Audited Financial Statements Notes 15, 16, and 26.3.1, respectively.

Results of Operations as of 31 December 2024 Versus 31 December 2023

In Million Pesos	2021	2022	2023	2024	CAGR
Net Interest Income	69,583	85,065	104,350	127,586	22.4%
Non-Interest Income	27,822	33,459	33,971	42,553	15.2%
Impairment Losses	13,135	9,167	4,000	6,600	-20.5%
Operating Expenses	50,733	57,989	69,110	83,796	18.2%
Net Income	23,880	39,605	51,687	62,049	37.5%

The Bank posted a **net income** of ₱62.05 billion, up ₱10.36 billion, or 20.0% YoY, due to higher **total revenues**, partly tempered by higher **operating expenses** and **impairment losses**.

Net interest income stood at ₱127.59 billion, up ₱23.24 billion, or 22.3%, as average earning asset base grew 16.0% and NIM at 4.31% expanded 22 bps. Earning asset yield up 71 bps on higher yields on loans and securities inventory coupled with higher volume. Cost of funds was up 55 bps on increase in average deposits and on borrowings with higher costs.

- **Interest income** of ₱189.95 billion, increased by ₱44.38 billion, or 30.5%, on higher average earning asset base with higher volume. Interest income **on loans and advances** at ₱159.59 billion, was up ₱38.69 billion, or 32.0%, owing to higher average volume with higher yields. Interest income **on financial assets at fair value through OCI and PL** at ₱11.56 billion and ₱1.25 billion, was up ₱5.38 billion or 87.2% and ₱362 million or 41.0%, respectively, due to higher average volume and yields. Interest income **on deposits with BSP and other banks** at ₱3.11 billion, was also up by ₱174 million or 5.9% on higher average volume, despite lower yields.

- **Interest expense** of ₱62.37 billion, increased ₱21.15 billion, or 51.3%, on higher cost with higher volume. Interest expense **on deposits** of ₱53.18 billion, was up ₱17.15 billion or 47.6%; while interest expense **on bills payable and borrowings** grew by ₱3.99 billion or 76.8%, to ₱9.19 billion on new bond issuances.

Other income at ₱42.55 billion, up ₱8.58 billion or 25.3%. **Other operating income** at ₱17.61 billion, was up ₱3.34 billion or 23.4% on higher credit card income, trust fees and miscellaneous income. **Fees and commissions** at ₱15.16 billion, increased ₱2.45 billion or 19.2% on higher service charges and bank commissions. **Trading gain on securities** at ₱3.30 billion was up ₱1.38 billion or 71.8% due to realized gains from sale of securities. **Income attributable to insurance operations** at ₱3.01 billion, increased ₱1.17 billion or 63.4% on higher income of BPI AIA. **Income from foreign exchange trading** at ₱3.47 billion was also up ₱248 million or 7.7% as there were more favorable opportunities for trading this year.

Other expenses at ₱83.80 billion, up ₱14.69 billion, or 21.3%. **Other operating expenses** at ₱29.72 billion, was up ₱5.85 billion or 24.5%, on higher operations, marketing, regulatory, consultancy, product insurance and amortization deferred charges expenses. **Compensation and fringe benefits** at ₱28.94 billion, was up ₱5.72 billion, or 24.6% largely due to the increase in total headcount following the merger with Robinsons Bank, annual pay hikes, signing/goodwill bonuses, and higher performance bonus accrual. **Occupancy and equipment-related expenses** at ₱25.13 billion, was up by ₱3.12 billion, or 14.2%, on higher technology spend driven by Bank's continued digitalization initiative, as well as higher expenses on premises rent, depreciation and repairs; and higher contractual, securities, janitorial and messengerial services.

Impairment losses stood at ₱6.60 billion, up ₱2.60 billion or 65%, on rising NPL levels.

Provision for income tax at ₱17.50 billion, higher by ₱4.20 billion or 31.6%, from last year's ₱13.30 billion. **Current taxes** at ₱16.76 billion, up ₱2.82 billion, or 20.3%, and **deferred taxes** at ₱746 million, higher by ₱1.38 billion, on higher taxable revenue.

Income attributable to non-controlling interest decreased ₱33.66 million, or 15%, owing to lower income contribution from the Bank's non-life insurance affiliate.

COMPREHENSIVE INCOME

Total comprehensive income at ₱60.75 billion, up ₱5.66 billion, or 10.3%, due to the increase in **net income before minority interest** by ₱10.33 billion or 19.9%, partly offset by the decrease in **total other comprehensive income, net of tax effect** by ₱4.67 billion or 146.9%.

Net change in fair value reserve on FVOCI securities, net of tax effect at ₱1.17 billion loss, deteriorated by ₱6.33 billion from last year's income of ₱5.17 billion, on account of lower market valuation of the Bank's investment securities. **Share in other comprehensive income of associates (that may be reclassified subsequently to profit or loss)** at ₱175 million loss, was also worse by ₱580 million, from last year's income of ₱405 million due to lower monthly fluctuation reserve adjustment of the Bank's insurance affiliate. Meanwhile, **share in other comprehensive loss of associates (that will not be reclassified to profit or loss)** at ₱45 million, deteriorated by ₱94 million from last year's income of ₱49 million, on higher remeasurement of liabilities of the Bank's insurance associate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱24 million, was also lower by ₱66 million or 73.5% from last year's ₱90 million, as a result of lower market valuation of the insurance subsidiaries' investment funds.

On the other hand, **actuarial loss on defined benefit plan, net of tax effect** of ₱474 million was ₱2.00 billion or 80.9% better from last year's ₱2.48 billion loss, on lower actuarial losses on defined benefit obligation. **Currency translation differences** at ₱349 million, was up ₱401 million or 746.6% on currency translation income from the Bank's foreign subsidiaries.

Comprehensive income attributable to non-controlling interest of ₱212 million, declined ₱63 million, or 23.0%, due to lower market valuation of the insurance's subsidiaries' investments.

Key Performance Indicators

	2023	2024
Return on Equity[1]	15.4%	15.1%
Return on Assets[1]	1.9%	2.0%
Net Interest Margin[1]	4.1%	4.3%
Operating Efficiency Ratio	50.0%	49.3%
Capital Adequacy Ratio[2]	16.2%	14.6%

[1] Using daily average method
[2] Basel III Framework

The same ratios are also used to evaluate the performance of the Bank's subsidiaries.

Return on equity (ROE), the ratio of net income to average equity, was lower at 15.1%, as average equity grew at a faster pace than net income growth.

Return on assets (ROA), the ratio of net income to average assets, was higher at 2.0%, as a result of the 20.0% increase in net income.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, was also higher at 4.3% by 22 basis points than the 4.1% in 2023, on higher earning asset yields, partially offset by higher cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, was lower at 49.3% from 50.0% in 2023, on faster acceleration of revenue as against operating expenses.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was down at 14.6% compared to last year's 16.2%, as the growth in total risk weighted assets outpaced the growth in qualifying capital. The CET 1 ratio at 13.9%, was also lower than the 15.3% from the same period last year. Both of the Bank's capital ratios are above the BSP's minimum requirement.

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

using simple average method	2023	2024
Return on Equity	15.2%	15.7%
Return on Assets	1.9%	2.0%
Net Interest Margin	4.0%	4.3%

Details of the basic quantitative indicators of financial performance are reflected in Note 31 of the 2024 Audited Financial Statements.

Financial Condition as of 31 December 2023 versus 31 December 2022

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

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

As of 31 December 2023, **total resources** stood at ₱2.89 trillion, up ₱284.41 billion, or 10.9%, from last year's ₱2.60 trillion. **Total deposits** at ₱2.30 trillion, went up by ₱199.11 billion or 9.5%, mainly from increase in Time Deposits of ₱219.89 billion or 40.9%, to ₱757.48 billion. CASA deposits declined by ₱20.78 billion, or 1.3%, to ₱1.54 trillion. **Other borrowed funds** at ₱137.10 billion, was up ₱39.60 billion or 40.6%, on new bond issuances. **Accrued taxes, interest and other expenses** at ₱14.97 billion, was up ₱4.38 billion, or 41.4%, on higher accrued interest on time deposits, income tax and performance bonus. **Manager's checks and demand drafts outstanding** at ₱8.46 billion, was up ₱1.7 billion or 25.1%, on higher non-negotiated manager's checks issued. Meanwhile, **derivative financial liabilities** at ₱2.82 billion, declined by ₱1.48 billion, or 34.4%, due to lower market valuation of certain derivative products. **Due to Bangko Sentral ng Pilipinas and other banks** at ₱1.88 billion, was also lower by ₱1.01 billion or 34.9% on lower marginal cash deposit.

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

On the asset side, **loans and advances, net,** at ₱1.88 trillion, grew by ₱179.02 billion, or 10.5%, on increases in all portfolios. **Financial assets at fair value through other comprehensive income** at ₱218.65 billion, increased by ₱123.38 billion or 129.5%, due to purchase of government and private securities. **Due from Bangko Sentral ng Pilipinas** at ₱199.62 billion, was also up ₱16.75 billion or 9.2% on higher placements in BSP deposits. **Interbank loans receivable and securities purchased under agreements to resell** at ₱20.64 billion, grew by ₱8.26 billion or 66.7%, on increase in reverse repurchase agreement. **Other resources, net,** at ₱19.92 billion was also up ₱3.09 billion or 18.4% on higher miscellaneous assets. **Financial assets at fair value through profit or loss** increased by ₱1.52 billion or 6.9% to ₱23.65 billion due to increase in holdings of securities intended for trading. **Deferred income tax assets, net** was also up by ₱1.44 billion or 8.6% to ₱18.19 billion on account of the impairment losses set up for the period. **Investment in subsidiaries and associates, net** at ₱8.29 billion, grew by ₱1.06 billion or 14.7% on account of the Bank's share in the net income and market valuation of investment securities of BPI AIA. **Assets held for sale, net** increased by ₱983 million or 26.1% to ₱4.74 billion due to an increase in ROPA bookings.

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

Asset Quality

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

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

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

Funding and Liquidity

Customer deposits account for 91% of BPI's total funding, while 9% is attributable to other borrowings. The Bank's liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio) are comfortably above the regulatory minimum of 100%.

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

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

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

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

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

In 2023, the Bank posted a **net income** of ₱51.69 billion, up ₱12.08 billion, or 30.5%, from the ₱39.61 billion recognized in the prior year. The increase was driven by revenue growth of ₱19.80 billion and lower **impairment losses** by ₱5.17 billion, partly tempered by higher operating expenses and taxes of ₱11.12 billion and ₱1.77 billion, respectively.

Net of last year's one-off gains from the sale of a property, net income would have been higher by ₱15.82 billion or 44.1%.

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

- **Interest income** increased by ₱42.30 billion, or 41.0%, to ₱145.57 billion. Interest income **on loans and advances** at ₱120.90 billion, was up ₱35.99 billion, or 42.4%, owing to higher average volume and higher yields. Interest income **on financial assets** at ₱21.74 billion, was also higher by ₱4.87 billion or 28.9%, due to higher yields, and higher average volume for financial assets at fair value through OCI and PL. Interest income **on deposits with BSP and other banks** at ₱2.94 billion, was also up by ₱1.44 billion or 96.2% on higher yields, despite lower average volume.

- **Interest expense** of ₱41.22 billion increased by ₱23.02 billion, or 126.5%, on higher cost with higher volume. Interest expense **on deposits** of ₱36.03 billion, was up ₱21.21 billion or 143.1%; while interest expense **on bills payable and borrowings** grew by ₱1.81 billion or 53.8%, to ₱5.20 billion on new bond issuances.

Other income at ₱33.97 billion, was up by ₱512 million or 1.5%. **Fees and commissions** at ₱12.72 billion were up ₱1.38 billion or 12.2% on higher service charges. **Trading gain on securities** at ₱1.92 billion was ₱1.06 billion or 124.0% higher due to realized gains from sale of securities. **Income from foreign exchange trading** at ₱3.22 billion was also up ₱606 million as there were more favorable opportunities for trading this year. **Income attributable to insurance operations** at ₱1.84 billion, was ₱464 million or 33.3% higher on higher investment income of BPI AIA. **Other operating income,** meanwhile, declined by ₱2.79 billion or 16.3% to ₱14.27 billion, on last year's one-off gains from sale of property.

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

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

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

Provision for income tax at ₱13.30 billion, was higher by ₱1.77 billion, compared to the ₱11.53 billion from last year. **Current taxes** at ₱13.93 billion, higher by ₱1.50 billion or 12.0% on higher taxable revenue. **Deferred taxes** was at ₱635 million, lower by ₱270.59 million, on lower loss provisioning.

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

COMPREHENSIVE INCOME

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

Net change in fair value reserve on FVOCI securities, net of tax effect at ₱556 million, was higher by ₱2.08 billion from last year's loss of ₱1.53 billion, on account of higher market valuation of the Bank's investment securities. **Share in other comprehensive income of associates** at ₱405 million was higher by ₱1.42 billion or 140.1%, from last year's ₱1.02 billion loss, due to higher accumulated fluctuation reserves of the Bank's insurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at ₱90 million, was higher by ₱315 million or 140.0% from last year's ₱225 million loss, as a result of higher market valuation of the insurance subsidiaries' investment funds. **Currency translation differences** at ₱54 million loss was lower by ₱11 million from last year's ₱65 million loss, on currency translation losses from the Bank's foreign subsidiary.

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

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

Key Performance Indicators

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

[1] Using daily average method
[2] Basel III Framework

The same ratios are also used to evaluate the performance of the Bank's subsidiaries.

Return on equity (ROE), the ratio of net income to average equity, and **return on assets (ROA)**, the ratio of net income to average assets, were higher at 15.4% and 1.9%, respectively, because of the 30.5% increase in net income.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, was also higher at 4.1% by 50 basis points than the 3.6% in 2022, on higher earning asset yields, partially offset by higher cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, was higher at 50.0% from 48.9% in 2022, on faster acceleration of operating expenses as against revenue.

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

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

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

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

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 reviewed information should be read together with the Bank's financial statements included in this Offering Circular as well as "Selected Statistical Data", "Risk Management" and "Description of the Bank".

Funding

Overview

The Bank's funding is primarily provided by time, savings and demand deposits. Of the total amount of deposits of ₱2.61 trillion as of 31 December 2024, these categories amounted to 36.8%, 46.9% and 16.3%, respectively. The Bank also sources part of its funding requirements from the interbank market and occasionally from the BSP rediscount facility, which generally results in lower overall funding cost.

Sources of Funding

The Bank's principal source of deposits is affluent individuals. As of 31 December 2024, these persons accounted for 46.1% of total deposit liabilities.

In addition, the Bank has successfully expanded its depositor base by attracting new-to-bank customers within its Core Mass Market segments, contributing to the growth of its low-cost CASA deposits. For the years ended 31 December 2022, 2023 and 2024, the Bank's cost of deposits was 0.6%, 1.5% and 1.9%, respectively. While the average cost of deposits increased due to the prevailing interest rate environment in the Philippines—prompting some affluent customers to seek higher-yielding alternatives—the Bank remains focused on expanding its CASA portfolio. This strategy includes product bundling, deeper penetration into broader mass market segments, enhancements to digital banking platforms, and the introduction of new product offerings.

The Bank's diversified funding portfolio and well-managed maturity structure provide stability and liquidity, ensuring alignment with its targeted loan and deposit mix. Furthermore, the Bank benefits from a high depositor retention rate, as customers typically roll over their deposits at maturity, reinforcing its base of core liquidity.

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

	For the year ended 31 December					
	2022		2023		2024	
	Volume	Average Cost of Funding[(1)]	Volume	Average Cost of Funding[(1)]	Volume	Average Cost of Funding[(1)]
	(₱ millions, except percentages)					
Deposits by type:						
Demand	376,337	0.1%	379,076	0.1%	426,789	0.1%
Savings	1,182,071	0.2%	1,158,548	0.1%	1,225,451	0.2%
Time	537,593	2.8%	757,482	4.7%	962,562	5.3%
Total	**2,096,001**	**0.7%**	**2,295,106**	1.5%	**2,614,802**	**1.8%**
Deposits by currency:						
Peso	1,792,115	0.8%	2,002,947	1.6%	2,292,072	2.0%
Foreign	303,886	0.2%	292,159	0.8%	322,730	1.3%
Total	**2,096,001**	**0.7%**	**2,295,106**	1.5%	**2,614,802**	**1.8%**
Deposits by classification:						
Low Cost	1,558,408		1,537,624		1,652,240	
Term	537,593		757,482		962,562	
Total	**2,096,001**		**2,295,106**		**2,614,802**	
Bills Payable:						
Peso	30,345		83,607		78,054	
Foreign	67,158		53,497		85,128	
Total	**97,503**	**3.9%**	**137,104**	**4.9%**	**163,182**	**6.2%**
Acceptances Payable:						
Peso	128		116		431	
Foreign	8,972		7,746		2,807	
Total	**9,100**		**7,862**		**3,238**	

Note:

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

As of 31 December 2024, 63.2% 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		
	2022	2023	2024
	(₱ millions)		
Demand	376,337	379,076	426,789
Savings	1,182,071	1,158,548	1,225,451
Time	537,593	757,482	962,562
Up to 1 year	452,843	704,229	890,927
> 1 year to 5 years	84,750	53,253	71,635
Total	**2,096,001**	**2,295,106**	**2,614,802**

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 ₱1.0 million per depositor, as of 15 March 2025. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

Liquidity

As of the date of this Offering Circular, Peso deposits and deposit substitutes of universal and commercial banks are subject to a 5.0% reserve requirement ratio (**RRR**). 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 2024, the Bank's liquid assets amounted to ₱1.55 trillion, or 46.8% of the Bank's total assets. The Bank's liquid assets consisted largely of government securities and cash and other liquid assets to cover primary reserves requirement for deposits as well as to maintain a significant level of secondary reserves to fund any potential increase in loan demand. The following table sets forth information with respect to the Bank's liquidity position as of the dates indicated:

	As of 31 December		
	2022	2023	2024
	(₱ millions, except percentages)		
Liquid Assets[(1)]	1,033,103	1,197,457	1,237,422
Cash and other cash items	39,613	34,843	49,762
Due from BSP	182,869	199,619	164,571
Due from other banks	45,190	36,292	72,060
Interbank loans receivable and securities purchased under agreements to resell, net	12,382	19,124	15,004
Derivative financial assets	7,147	3,802	5,856
Financial assets at fair value through profit or loss.	14,986	19,852	41,452
Financial assets at fair value through OCI	7,959	40,551	55,200
Investment securities at amortised cost	41,813	64,063	30,866
Loan and advances, gross	678,738	776,788	798,681
Other financial assets	2,451	2,523	3,970
Total Assets	**2,603,961**	**2,888,372**	**3,318,813**

Total Deposits	**2,096,001**	**2,295,106**	**2,614,802**
Net Loans[2]	**1,702,990**	**1,882,007**	**2,238,765**
Financial Ratios			
Liquid Assets to Total Assets............................	39.7%	41.5%	37.3%
Liquid Assets to Total Deposits	49.3%	52.2%	47.3%
Net Loans to Total Deposits...............................	81.2%	82.0%	85.6%

Notes:

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

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

Liquidity Management

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investments in securities, trade financing and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines and the maintenance of repurchase facilities.

Liquidity risk on funding mainly comes from mismatches in asset, liability and exchange contract maturities. The Bank manages liquidity risk by setting and maintaining a minimum cumulative liquidity gap (**MCLG**, which is the smallest net cumulative cash inflow or the largest net cumulative cash outflow), conducting internal and regulatory stress tests and testing the Bank's contingency funding plan. The Bank's market and liquidity risk exposures are generally well within the Board-approved value-at-risk (**VaR**), stop loss and other risk limits set by the Bank and its subsidiaries.

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

Securities Portfolio

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

As of 31 December 2024, the Bank's investments (exclusive of derivatives) comprised 20% of its total assets. The table below shows the balances of the Bank's securities as of the dates indicated:

	As of 31 December					
	2022		2023		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets at FVTPL......	14,986	14,986	19,852	19,852	41,452	41,452
Investment Securities, net Financial Assets at FVOCI ..	95,267	95,267	218,654	218,654	268,202	268,202
Financial Assets at Amortised Cost	420,533	391.540	382,711	364,286	343,108	328,793
Total	**530,786**	**501,793**	**621,217**	**602,792**	**652,762**	**638,447**

Loan Portfolio

As of 31 December 2024, the Bank's total loan portfolio amounted to ₱2.29 trillion, representing 69.1% of total assets. Large corporate loans, SME loans and consumer loans make up 70.6%, 4.5% and 24.7% of the Bank's total loan portfolio as of 31 December 2024.

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

	As of 31 December		
	2022	2023	2024
	(₱ millions)		
Corporate Entities			
Large Corporate Customers	1,348,210	1,446,426	1,618,027
Small-and-Medium-Sized Enterprise	76,046	79,097	103,138
Retail Customers			
Credit Cards	99,680	137,889	180,830
Real Estate Mortgages	158,137	171,495	236,089
Auto Loans	58,009	71,896	98,166
Others	16,675	28,536	50,797
Total	**1,756,757**	**1,935,339**	**2,287,047**
Accrued interest receivable	11,189	12,943	18,115
Unearned discount/income	(7,189)	(8,801)	(12,295)
	1,760,757	**1,939,481**	**2,292,867**
Allowance for impairment	(57,767)	(57,474)	(54,102)
Loans and Advances, net	**1,702,990**	**1,882,007**	**2,238,765**

Industry concentration

The largest sectors of the Bank's loan portfolio are (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) transportation, storage and communications and (v) wholesale and retail trade, representing 22.7%, 14.2%, 13.3%, 11.1% and 10.8%, respectively, of the Bank's loan portfolio as of 31 December 2024.

Under guidelines established by the BSP, loan concentration is considered to exist when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. BSP regulations require banks to allocate 25% of their loanable funds to a range of borrowers in the agriculture, fisheries, and agrarian reform sectors. Prior to RA 11901, Philippine banks were mandated to set aside 10% of their lending portfolio for agrarian reform beneficiaries and 15% for agricultural activities. For the years ended 31 December 2021 and 2022, the Bank was fined ₱797.9 million and ₱829.9 million, respectively, for its failure to fully comply with mandated lending. The amount of loans extended by the Bank under the AFRD Financing amounts to approximately ₱330.28 billion as of 31 December 2024. Given the greater flexibility in allocating the combined 25% mandatory credit quota to eligible borrowers, the Bank is deemed compliant with the prescribed percent of funds extended to eligible sectors and expanded type of financing aligned with the BSP regulations (BSP Circular 1159).

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

	As of 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Consumer	161,282	9.2%	220,408	11.4%	302,974	13.3%
Manufacturing	287,220	16.4%	298,463	15.5%	322,504	14.2%
Real estate, renting and other related activities	401,850	23.0%	445,452	23.1%	517,703	22.7%
Wholesale and retail	191,244	10.9%	216,400	11.2%	252,695	10.8%
Agriculture, fishing and forestry	33,602	1.9%	33,408	1.7%	35,782	1.6%
Electricity, gas and water	221,756	12.7%	175,932	9.1%	184,617	8.1%
Transport and storage	40,724	2.3%	42,096	2.2%	55,274	2.4%
Information and communication	151,332	8.7%	175,908	9.1%	190,248	8.4%

Construction	29,375	1.7%	33,838	1.8%	53,202	2.3%
Financial intermediaries	162,332	9.3%	187,331	9.7%	240,258	10.6%
Others	68,851	3.9%	97,302	5.1%	119,495	5.4%
Total	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,274,752**	**100.0%**

Loan Maturity Profile

As of 31 December 2024, 34.9% 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					
	2022		**2023**		**2024**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(₱ millions, except percentages)					
Within one year[1]	675,706	38.6%	773,010	40.1%	794,190	34.9%
More than one year	1,073,862	61.4%	1,153,528	59.9%	1,480,562	65.1%
Total	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,274,752**	**100.0%**

Note:
(1) Includes past due loans.

Foreign Currency Denominated Loans

As of 31 December 2024, 93.8% of the Bank's loan portfolio was denominated in Pesos while 6.2% was denominated in a foreign currency, 91.8% 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					
	2022		**2023**		**2024**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(₱ millions, except percentages)					
Philippine Peso	1,603,780	91.7%	1,805,930	93.7%	2,133,455	93.8%
Foreign Currency	145,788	8.3%	120,608	6.3%	141,297	6.2%
U.S. Dollars	*139,617*	*95.8%*	*115,324*	*95.6%*	*129,768*	*91.8%*
Others	*6,171*	*4.2%*	*5,284*	*4.4%*	*11,529*	*8.2%*
Total	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,274,752**	**100.0%**

Interest Rates

As of 31 December 2024, 84.6% of the Bank's total loan portfolio are subject to repricing. The Bank sets interest rates for floating rate Peso-denominated loans based on market rates for Philippine government securities and for floating rate U.S. dollar-denominated loans based on U.S. dollar LIBOR. The floating rate loans are repriced for interest periods of typically 30 to 90 days.

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

	As of 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Repricing	1,560,086	89.2%	1,671,429	86.8%	1,924,275	84.6%
Up to one year	*979,374*	*62.8%*	*1,090,478*	*65.2%*	*1,324,692*	*68.8%*
Over 1 up to 3 years	*290,057*	*18.6%*	*325,383*	*19.5%*	*288,940*	*15.0%*
Over 3 years	*290,655*	*18.6%*	*255,568*	*15.3%*	*310,643*	*16.2%*
Non-repricing	189,482	10.8%	255,109	13.2%	350,477	15.4%
Total Loans	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,274,752**	**100.0%**

Sizes and concentration of loans

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's net worth or unimpaired capital and surplus, which includes combined capital accounts, paid-in-capital and surplus, but excludes unbooked reserves for valuation purposes, liabilities and deferred income tax. As of 31 December 2024, the Bank is in compliance with this borrower's limit with all of its loans.

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 31 December 2024, the Bank's ten largest individual borrowers accounted for 12.3% of the Bank's total outstanding loan portfolio. As of 31 December 2024, the Bank's ten largest borrower groups in the aggregate accounted for 24.1% 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					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Secured	525,500	30.0%	543,945	28.2%	653,873	28.7%
Real estate mortgage	*281,974*	*53.7%*	*304,090*	*55.9%*	*348,232*	*53.3%*
Chattel mortgage	*58,862*	*11.2%*	*75,028*	*13.8%*	*94,493*	*14.5%*
Others	*184,664*	*35.1%*	*164,827*	*30.3%*	*211,148*	*32.3%*
Unsecured	1,224,068	70.0%	1,382,593	71.8%	1,620,879	71.3%
Total	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**	**2,274,752**	**100.0%**

As of 31 December 2024, 71.3% of the Bank's total loans are unsecured.

Loans to Directors, Officers, Shareholders and their Related Interests

The Bank extends loans to its directors, officers, shareholders and their related interests (collectively referred to as **DOSRI**) in the normal course of business and on equal terms with those offered to unrelated third parties. The BSP imposes an aggregate ceiling of 15% of the bank's loan portfolio for these types of loans or 100% of net worth, whichever is lower with the unsecured portion limited to 30% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. As of 31 December 2024, DOSRI loans amounted to 1.39% of the Bank's total loans and advances.

Loan Classification and Loan Loss Provisioning

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

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

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

- Unclassified Loans – these are loans that do not have a greater-than-normal risk and do not possess the characteristics of loans classified below. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated;

- Loans especially mentioned – these are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase the credit risk of the Bank;

- Substandard Loans – these are loans which appear to involve a substantial degree of risk to the Bank because of unfavourable records or unsatisfactory characteristics. Further, these are loans with well-defined weaknesses which may include adverse trends or development of a financial, managerial, economic or political nature, or a significant deterioration in collateral;

- Doubtful Loans – these are loans which have weaknesses similar to those of the substandard classification with additional facts, conditions and values that make collection or liquidation in full highly improbable and substantial loss is probable; and

- Loss Loans – these are loans which are considered uncollectible and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value.

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

	As of 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Classified	53,961	3.1%	60,555	3.1%	74,739	3.3%
Especially mentioned	*7,648*	*0.4%*	*8,722*	*0.4%*	*10,004*	*0.4%*
Substandard secured	*18,209*	*1.0%*	*18,726*	*1.0%*	*16,017*	*0.7%*
Substandard unsecured	*6,757*	*0.4%*	*12,229*	*0.6%*	*20,014*	*0.9%*
Doubtful	*15,623*	*0.9%*	*15,270*	*0.8%*	*19,615*	*0.9%*
Loss	*5,724*	*0.3%*	*5,608*	*0.3%*	*9,089*	*0.4%*
Unclassified	1,706,796	96.9%	1,878,927	96.9%	2,218,150	96.7%
Total	**1,760,757**	**100.0%**	**1,939,482**	**100.0%**	**2,292,889**	**100.0%**

Non-Performing Assets

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

	As of December 31		
	2022	2023	2024
	(₱ millions, except percentages)		
Total Loans (gross)	1,749,568	1,926,538	2,274,752
Non-performing loans (NPLs), gross[(1)]	30,879	35,435	48,364
Non-performing loans (NPLs), net[(1)]	9,464	12,709	18,424
ROPA, Gross	7,139	7,921	12,755
ROPA, Net	3,760	4,743	8,411
Total non-performing assets (NPAs), net	13,224	17,452	26,835
Total assets	2,603,961	2,888,372	3,318,813
NPAs to total assets	0.5%	0.6%	0.8%
Allowance for impairment and credit losses (total)	57,767	57,474	54,102
Allowance for credit losses (loans)	55,566	55,308	51,370
Allowance for impairment losses (ROPA)	3,379	3,178	4,344
Allowance for credit losses (loans) to total non-performing loans, gross	180.0%	156.1%	106.2%
Allowance for impairment and credit losses (total) to total non-performing assets	151.9%	132.6%	88.5%
Total restructured loans	28,970	26,143	28,619
Restructured loans to total loans (gross)	1.7%	1.4%	1.3%
Loans – written off	3,998	4,026	8,371

Note:
(1) NPL are based on BSP circular 941.

Sectoral analysis of non-performing loans

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

	As of 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Consumer	6,463	20.9%	9,077	25.6%	12,926	26.8%
Manufacturing (various)	2,024	6.5%	3,612	10.2%	6,732	13.9%
Real estate, renting and other related activities	9,188	29.8%	8,878	25.1%	11,093	22.9%
Wholesale and retail	3,605	11.7%	4,106	11.6%	6,107	12.6%
Agriculture, fishing and forestry	1,127	3.6%	1,705	4.8%	1,620	3.3%
Electricity, gas and water	356	1.2%	202	0.6%	351	0.7%
Transport and storage	326	1.1%	291	0.8%	239	0.5%
Information and communication	352	1.1%	199	0.6%	174	0.4%
Construction	4,532	14.7%	4,550	12.8%	4,968	10.3%
Financial intermediaries	152	0.5%	157	0.4%	733	1.5%
Others	2,754	8.9%	2,658	7.5%	3,472	7.3%
Total	**30,879**	**100.0%**	**35,435**	**100.0%**	**48,364**	**100.0%**

Credit Management Policies and Procedures

The credit management process involves all levels of the organisation, from line personnel up to the Board of Directors. This section discusses the broad responsibilities of the various functions in the credit management process.

(a) ***Board of Directors***

The Board of Directors (**BOD**) represents the shareholders and provides overall guidance in the execution of the Bank's vision. The BOD is responsible for:

- approving and regularly reviewing the credit strategy and credit policy of the Bank;
- approving the Bank's overall strategy for selecting risks and maximising profits;
- reviewing the financial results of the Bank and determining action plans;
- approving write-offs and ratifying restructured loans;
- approving the minimum amount of valuation reserves to be set up for bank-wide assets;
- determining the adequacy of capital levels vis-a-vis the risks assumed; and
- approving DOSRI loans.

(b) ***Executive Committee***

The Executive Committee (**EXCOM**) is, after the Board, the highest credit decision-making body in the Bank. As mandated by the Board of Directors, its main purpose is to review and approve credit proposals that may pose material risks to the Bank's business strategy or reputation and to work closely with the Risk Management Committee (**RMC**) in managing the overall credit risk of the Bank. In addition, the EXCOM is responsible for approving the sale of investment properties as recommended by management.

(c) ***Risk Management Committee***

The Risk Management Committee (**RMC**) of the Board is tasked to articulate and convey the risk management expectations of the Board to Management. The Board has also delegated the development, implementation, and oversight of the Bank's risk management framework to the RMC. The RMC is responsible for:

- providing guidance on and oversight over the implementation of the Bank's risk management program for managing and controlling the Bank's major financial and non-financial risks, preventing losses, and minimising the impact of losses when they occur;
- establishing the Bank's overall risk capacity, risk appetite, metrics, and limits system;
- approving risk management frameworks, policies and implementing guidelines as may be recommended for risk management purposes;
- overseeing the system of credit, market, and operational risk limits to discretionary authority that the Board delegates to management, ensuring that the risk limits are observed and immediate escalation and corrective actions are undertaken whenever limits are breached;
- reporting regularly to the Board the Bank's over-all risk exposure, necessary actions taken to reduce the risks and recommending further actions and plans whenever necessary;
- reviewing and ensuring the proper implementation of the Bank's risk and capital management plan;

- establishing risk strategies taking into consideration the overall business environment, regulatory landscape, and the Bank's business strategy; and

- overseeing the management, methods, and processes of the Bank's Chief Risk Officer and the Risk Management Office.

(d) ***Credit Committee***

The Credit Committee at the management level is responsible for executing and managing the credit strategy of the Bank as defined by the Board and the EXCOM, by:

- maintaining a sound and effective credit risk management system;

- participating in Bank-wide portfolio planning and strategy;

- reviewing and approving exceptions to standard credit policies up to its authority limit;

- keeping aggregate credit risk levels within established risk appetite and limits;

- reviewing the effectiveness of credit standards and guideline across the Bank and communicating the same across the key business and operational levels of the organisation;

- ensuring the completeness and validity of information contained in all credit media presented to the EXCOM for approval, notation, and/or ratification;

- approving and reviewing credit proposals, which include large or complex credit risk exposures and potential transactions, within its authority as established by the Board of Directors; and

Special Accounts Management

The Bank has a special accounts management division (**SAMD**) under its Institutional Banking segment that manages and administers problem loan accounts. SAMD is responsible for the handling of remedial management of the major NPLs of Institutional Banking's corporate accounts. The Bank's relationship officers identify and transfer accounts that, in their assessment, exhibit early warning signals of a deteriorating credit or have been classified as substandard or worse.

SAMD performs the evaluation, review and monitoring of problem accounts through analysis of business/financial issues, likelihood of loss or recovery and determining documentary deficiencies, if any. It formulates and implements appropriate remedial strategies to revive and recover the credits. Remedial strategies include the restructuring and renegotiating of credit agreements and terms, rescheduling of payments and filing of collection suits and extrajudicial foreclosures. SAMD provides evidentiary support to all items in litigation by acting as witness and providing evidentiary documents to support the Bank's cases. SAMD seeks to maximise the recovery of the loan through continued payments, rehabilitation of the problem account, or through alternative means of payment. In cases of accounts involving a consortium of banks, the SAMD strives to take a lead role in the recovery efforts to protect the Bank's interest.

SHAREHOLDERS, DIRECTORS, AND MANAGEMENT

Shareholders

The following table shows the principal shareholders of the Bank and the corresponding number of shares held as at 31 December 2024:

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

Board of Directors

The overall management and supervision of the Bank is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. The articles of incorporation of the Bank, as amended (the **Articles of Incorporation**) currently provide for a Board of Directors of not more than 15 Directors, at least nine of whom must be citizens of the Philippines. Directors are elected at the annual meeting of shareholders which is, in accordance with the Bank's by-laws, as amended (**By-Laws**), held on 15 April of every year. The 15 candidates receiving the highest number of votes through cumulative voting will be declared elected. Each elected Director has a term of office of one year and is eligible for re-election the following year. Currently, the Board consists of 15 Directors as of 31 December 2024.

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

Name	Position	Citizenship	Age
Jaime Augusto Zobel de Ayala	Chairman	Filipino	66
Cezar P. Consing	Vice-Chairman	Filipino	65
Jose Teodoro K. Limcaoco	President and Chief Executive Officer	Filipino	63
Janet Guat Har Ang	Independent Director	Singaporean	65
Rene G. Bañez	Director	Filipino	69
Karl Kendrick T. Chua	Director	Filipino	46
Wilfred T. Co	Director	Filipino	60
Emmanuel S. de Dios	Independent Director	Filipino	70
Rizalina G. Mantaring	Lead Independent Director	Filipino	65
Aurelio R. Montinola III	Director	Filipino	73
Mario Antonio V. Paner	Independent Director	Filipino	66
Cesar V. Purisima	Independent Director	Filipino	65
Jaime Z. Urquijo	Director	Filipino	36
Maria Dolores B. Yuvienco	Independent Director	Filipino	77
Fernando Zobel de Ayala	Director	Filipino	65

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

Mr. Jaime Augusto Zobel de Ayala, Filipino, 66, is a member of the Board of Directors of BPI since March 1990 and chairman since March 2004. He is currently the chairman of the Bank's Executive Committee, Personnel and Compensation Committee and a member of the Nomination Committee. Mr. Zobel likewise served as the Vice Chairman of the Bank from 1995 to March 2004.

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

Outside the Ayala group, he is a director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP

Morgan Asia Pacific Council, and LeapFrog Investments Global Leadership Council. He sits on various advisory boards of Harvard University, including the Global Advisory Council, and he previously served as the Chair of the HBS Asia-Pacific Advisory Board. He is Chairman Emeritus of the Asia Business Council, a Trustee of Endeavor Philippines, the Philippine Representative to the Asia Pacific Economic Cooperation Business Advisory Council from 2010-2015, a Steering Committee Member and Steward of the Council for Inclusive Capitalism, and a Trustee Emeritus of Eisenhower Fellowships. He has been a director of the US-Philippines Society since 2012 and assumed the Co-Chair position in 2024. He is a Steering Committee member of the Indo-Pacific Partnership for Prosperity.

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

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

Mr. Cezar P. Consing, Filipino, 65 years old, is a director of the Bank since February 1995. He is currently the Vice-Chairman of the Bank's Board and Executive Committee and member of the Risk Management Committee, Personnel and Compensation Committee, and Nomination Committee. Mr. Consing is currently the President & CEO of Ayala Corporation. He is Chairman of ACEN Corporation, and Vice Chairman of Ayala Land Inc. and Globe Telecom. Ayala Corporation, Bank of the Philippine Islands, Ayala Land Inc., and Globe Telecom are among the most valuable public companies in the Philippines. He is Chairman or Vice Chairman of many of the Ayala Group's unlisted companies, including AC Health, AC Logistics, AC Mobility, AC Industrials, AC Infrastructure and AC Ventures. Mr. Consing is Chairman of the Philippine Dealing System and the College of St. Benilde. He is a member of the Trilateral Commission. He is a member of the boards of trustees of the Philippine-American Educational (Fulbright) Foundation, the Philippines – Japan Economic Cooperation Committee and the Manila Golf Club Foundation. Mr. Consing was President & CEO of Bank of the Philippine Islands from 2013-2021. He was a Partner & Co-Head for Asia of the Rohatyn Group from 2004-2013. He was an investment banker with J.P. Morgan & Co. from 1985-2004. For 7 years, Mr. Consing was the Head or Co-Head of Investment Banking for Asia Pacific and President of J.P. Morgan Securities Asia. He worked for Bank of the Philippine Islands from 1981-1985.

Mr. Consing has previously served as Chairman and President of the Bankers Association of the Philippines, President of Bancnet, and Chairman of the National Reinsurance Corporation. He has previously served as an independent director of Jollibee Foods Corporation, CIMB Group Holdings Berhad and First Gen Corporation. Mr. Consing has previously served as a board director of the Asian Youth Orchestra, the US-Philippines Society, La Salle Greenhills, Endeavor Philippines, and International Care Ministries.

Mr. Consing is a director of the following publicly-listed companies: Ayala Corporation, Globe Telecom, Inc., Ayala Land, Inc., and ACEN Corporation.

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

Mr. Jose Teodoro K. Limcaoco, Filipino, 63 years old, has been a BPI Director since February 2019 and was appointed as President and Chief Executive Officer of BPI in April 2021.

He serves as chairman of BPI Wealth – A Trust Corporation, Bank of the Philippine Islands (Europe) Plc., BPI Capital Corporation, BPI MS Insurance Corporation, BPI AIA Life Assurance Corporation and ALFM Mutual Funds. He is Vice Chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation. He is also President and Vice Chairman of BPI Foundation, Inc.

Outside of BPI, he is the Chairman and President of the Bankers Association of the Philippines, Chairman of Philippine Payments Management Inc., and a Director of AC Mobility Holdings, Inc. He is also a Director of Just for Kids, Inc., a homegrown business of his family. From 2015 to 2021, he was a Senior Managing Director and the Chief Finance Officer of Ayala Corporation. He previously served as a Board Director of Globe Telecom, Inc., Integrated Micro-Electronics, Inc., and SSI Group, Inc. He also served as a director of several Ayala Group companies including those involved in healthcare, infrastructure, education, energy, and industrial technologies. Previously, he served as President of BPI Family Savings Bank from 2010-2015 and President of BPI Capital Corporation from 2007-2010. He was also Director of Ayala Life Assurance, Inc. in 2009, Director and Chairman of Ayala Plans, Inc. in 2010-2015, Director of Globe Fintech Innovations, Inc. in 2017-2022, and Director of AC Energy International Inc. in 2019-2022. He also worked at BPI from 1989 to 1992 as Senior Manager and at BPI Capital Corporation from 1995 to 1997 as Vice President / Treasurer.

Mr. Limcaoco joined Ayala Corporation as an Assistant Treasurer in 1998. His responsibilities prior to his secondment to BPI in 2007 included serving as Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, Inc., and Treasurer of Azalea Technology Investments, Inc. from 2001-2006. He was named as the ING-Finex CFO of the Year in 2018, and held prior positions with JP Morgan & Co. and with BZW Securities Philippines, Inc. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) degree in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Ms. Janet Guat Har Ang, Singaporean, 65 years old, was elected as an independent director of BPI in May 2021. She is the Chairman of the Bank's Related Party Transaction Committee, member of the Bank's Risk Management Committee, and the Bank's Board Representative in the IT Steering Committee.

Ms. Ang is currently the Chairperson of SISTIC Pte Ltd, NUS–ISS, National University of Singapore- Institute of Systems Science (NUS–ISS), Singapore Polytechnic, Public Transport Council, and Singapore Business Federation Foundation. In addition, she is a Member of the Board of The Esplanade Company Ltd and the Home Team Science & Technology Agency in Singapore.

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

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

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

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

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

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

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

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

Currently, he is a member of the Finance Board of the Archdiocese of Manila, Diocese of Pasig, and Commission on the Social Apostolate of the Philippine Province Society of Jesus. He also serves as a Trustee of Mirador Jesuit Villa & Retreat House Corporation, Loyola School of Theology Corporation, and Blessed Peter Faber Spirituality Center Inc. He is likewise a Director of Catholic Travel Inc., Unitas Asia Corp. (a subsidiary of Radio Veritas Asia), Board Advisor of LH Paragon, Inc. and Chairman of Multinational Foundation, Inc. Mr. Bañez earned his Bachelor of Laws degree in 1981 and his Bachelor of Arts degree in 1976 both from Ateneo de Manila University.

Mr. Karl Kendrick T. Chua, Filipino, 46, was elected as director of BPI in April 2023. He is a member of the Bank's Retirement/Pension Committee. Mr. Chua also serves as a board director of BPI Direct BanKo, Inc., A Savings Bank.

Mr. Chua is currently the Managing Director for Data Science and Artificial Intelligence in Ayala Corporation. He is also a Director of AC Ventures. AC Industrials Technology Holdings, Inc., AC Infrastructure Holdings, Corp. and an Independent Director of D&L Industries, Inc, and LH Paragon, Inc. Mr. Chua is likewise a Board Adviser for Golden ABC, Inc., Matimco, Inc., and Oakridge Realty Development Corporation. Previously, he served as Director in Manila Water Company, Inc. and an Independent Director of Golden ABC, Inc. Mr. Chua is a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He has extensive experience in the areas of economic and fiscal policy, statistical development, national identification, labor and social protection policy, poverty analysis, and digital transformation, among others.

He was formerly an adviser for the World Bank's World Development Report and a former member of the Selection Committee of the Asian Development Bank and International Economic Association Innovative Policy Research Award.

Mr. Chua was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the Covid-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program.

As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for 12 years and was the senior economist for the Philippines.

Mr. Chua graduated from the Ateneo De Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D. Economics (2011) from the University of the Philippines, and recently studied data science at the Asian Institute of Management. In 2018, he was awarded as one of the Ten Outstanding Young Men of the Philippines (TOYM) for economic development.

Mr. Wilfred T. Co, Filipino, 60 years old, was elected as director of BPI in April 2024. Outside BPI, he is the President of Coherco Securities, Inc. and Herco Trading, Inc. Mr. Co is also the Chairman of the following companies: Robinsons Handyman, Inc., Robinsons True Serve Hardware Philippines Inc., Robinsons Daiso, and Federal Chemicals, Inc. From 2013 to 2015, Mr. Co served as an advisory board member of Robinsons Bank.

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

Mr. Emmanuel S. de Dios, Filipino, 70 years old, was elected as Independent Director of BPI in April 2022 and is the Chairman of the Corporate Governance and Sustainability Committee. Mr. de Dios is currently a Professor Emeritus at the University of the Philippines School of Economics, where he has been a professor since 1980 until his retirement in 2019.

Mr. de Dios is currently a Trustee and the Chairman of Pulse Asia Research, Inc., an Independent Director of Rockwell Land Corporation, and of ABS-CBN Holdings Corporation. He is also a Trustee of Assisi Development Foundation, Inc. and Peace and Equity Foundation, Inc. He served as the Dean of the University of the Philippines School of Economics from 2007 to 2010, and was an Independent Director of ABS-CBN Corporation until 2023.

Mr. de Dios received his AB Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the

Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviews in economics.

Ms. Rizalina G. Mantaring, Filipino, 65, was elected as director of BPI in April 2023. She is a member of the Bank's Corporate Governance and Sustainability Committee, Retirement/Pension Committees, and Chairman of the Risk Management Committee. Moreover, she is the Bank's Board Representative in the IT Steering Committee. She also serves as a Board Director of BPI Asset Management and Trust Corporation (also known as BPI Wealth, A Trust Corporation).

Outside BPI, Ms. Mantaring is an Independent Director of Ayala Corporation, First Philippine Holdings Corporation, Universal Robina Corporation, PHINMA Corporation, Maxicare Healthcare Corporation, GoTyme Bank and East Asia Computer Center Inc. She also serves as a Director of Sun Life Grepa Financial Inc. Ms. Mantaring is likewise a Trustee of the Makati Business Club and Philippine Business for Education, and a Fellow of the Foundation for Economic Freedom.

Ms. Mantaring was CEO & Country Head of Sun Life Financial Philippines from 2009 – 2018. She was also Chief Operations Officer of Sun Life Financial Asia and was responsible for IT & Operations across the region from 2008-2009.

Ms. Mantaring was recognized by prestigious award-giving bodies, among which were the Asia Talent Management award at CNBC's 2017 Asia Business Leader Awards, the 2018 Executive Champion of the Year from the Asia Insurance Review and the Asia Pacific Entrepreneurship Award (Financial Services, Philippines) in 2016. In 2010, during the 100th anniversary of the UP College of Engineering, she was named one of the college's 100 Most Outstanding Alumni of the Past Century. In 2019, she received the PAX award - the highest award conferred by St. Scholastica's College on an outstanding alumna.

A graduate of the University of the Philippines with a B.S. Electrical Engineering degree (cum laude), Ms. Mantaring has an M.S. Computer Science from The State University of New York at Albany and is a Fellow of the Life Management Institute (with distinction).

Mr. Aurelio R. Montinola III, Filipino, 73 years old, has been a member of the Board of Directors of BPI since 2004. He is currently the Chairman of the Bank's Retirement/Pension Committee and a member of the Bank's Executive and Personnel and Compensation Committees. He served as BPI's President and CEO from 2005 to 2013, and as President and CEO of BPI Family Savings Bank, Inc. from 1992 to 2004. Mr. Montinola was also the Chairman of BPI/MS Insurance Corporation from 2005 to 2015, continuing as a Director until June 2022. Mr. Montinola also serves as a Director of BPI Capital Corporation and was previously a Board Member of BPI Direct BanKo, Inc., A Savings Bank and The Bank of the Philippine Islands Foundation, Inc.

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

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

Mr. Montinola is a director of the following publicly-listed companies: Far Eastern University, Inc. and Roxas and Company, Inc.

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

Mr. Mario Antonio V. Paner, Filipino, 66 years old, was elected as Independent Director of BPI in April 2024. He is currently a member of the Bank's Risk Management Committee and Audit Committee. Mr. Paner is also an Independent Director of ENEX Energy Corp. since April 2021. He was likewise an Independent Director of ACEN Corporation from April 2020 to April 2021 and ALFM Funds from January 2022 to March 2024.

Mr. Paner was formerly the Chairman of BPI's Asset & Liability Committee and was a member of the Management Committee and Asset Management Investment Council. Mr. Paner also served as a Director of BPI Europe Plc, Santiago Land, Citytrust Finance Corp., Citytrust Insurance Brokers, Citytrust Investment Phils., Citytrust Securities Corp., and Citytrust Realty Corporation. He was Treasurer and Trustee of Kaisahang Buhay foundation, a child and family welfare organization promoting support for unwed mothers, orphan care and adoption from 2015 to 2020. He likewise served as President of the Money Market Association of the Philippines (MART) in 1998 and was the Vice Chairman of the Bankers Association of the Philippines' (BAP) Open Market Committee until 2019. Mr. Paner was a faculty member of the BAP-ATENEO School of Banking until 2019.

After working with Ayala Investments and Development Corporation (1979-1981) and Family Savings Bank (1981-1985), Mr. Paner joined BPI in 1985 when the Bank acquired Family Bank & Trust Company, Inc. Later, in 1989, he became part of Citytrust, the consumer banking arm of Citibank in the Philippines, which BPI also acquired in 1996. He served as the Treasurer and Head of BPI's Global Markets Segment, where he was responsible for managing the Bank's interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution activities both in the Philippines and abroad, until his retirement in 2019. Prior to this, he was responsible for other businesses of the bank which included Risk Taking, Portfolio Management, Money Management, Asset Management, Remittance, Overseas Banking and Private Banking.

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

Mr. Cesar V. Purisma, Filipino, 65 years old, was elected as Independent Director of BPI in January 2021. He is the chairman of the Bank's Nomination Committee, and member of the Executive, Risk Management and Audit Committees. He also serves as an Independent Director of BPI Capital Corporation.

Mr. Purisima currently serves as an Independent Director of Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation, and Jollibee Foods Corporation. He is also a founding partner of Ikhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is an Independent Director of AlA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, a member of Singapore Management University's International Advisory Council in the Philippines, and member of the Board of Advisors of ABS-CBN Corporation. He is also a member of the Board of Trustees of the International School of Manila and an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank. In addition, he is a member of the Bloomberg Task Force on Fiscal Policy for Health since 2023.

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

He was a recipient of Centenary Award of Excellence by the Professional Regulatory Board of Accountancy on the 100th year of the Philippine accounting profession in 2023. He was conferred the Chevalier dans l'Ordre national de la 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 l'Ordre national du Merite (Knight of the National Order of Merit) by the President of the French Republic in 2001. He was also conferred the Marist of Champagnat Award by the Marist School in 2025.

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

Mr. Jaime Z. Urquijo, Filipino, 36 years old, was elected as director of BPI in September 2022. Mr. Urquijo is a member of the Bank's Corporate Governance and Sustainability Committee. He serves as a Director of ACEN Corporation, AC Ventures Holding Corp., AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings

Corporation, and Integrated Micro-Electronics, Inc., and Chairman of Klima 1.5 Corp. He is also Vice-Chairman of the Board of Trustees of Ayala Foundation and an Independent Advisor to the Board of Directors of Ayala Land, Inc.

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

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

Mr. Urquijo is a Trustee of the Asian Institute of Management, Hero Foundation, and World Wide Fund for Nature (WWF) Philippines. He also serves as Director of the European Chamber of Commerce of the Philippines.

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

Ms. Maria Dolores B. Yuvienco, Filipino, 77 years old, was elected as an independent director of BPI in April 2016. Mrs. Yuvienco currently serves as the chairman of the Audit Committee, a member of the Related Party Transactions Committee and the Personnel and Compensation Committee. In July 2019, Mrs. Yuvienco was elected as independent director of BPI Asset Management and Trust Corporation (doing business under the trade name and style of BPI Wealth - A Trust Corporation), and designated chairman of the AMTC Corporate Governance Committee and a member of the AMTC Risk Management Committee.

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

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

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

Mr. Fernando Zobel de Ayala, Filipino, 65 years old, has been a member of the board of directors (non-executive director) of BPI since September 2023. He also serves as member of the Bank's Personnel and Compensation Committee and Executive Committee.

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

Mr. Zobel is a Director of Ayala Corporation and Ayala Land, Inc., and serves as an Independent Director of Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation), all of which are publicly-listed companies. He is the Chairman of the Board of Alabang Commercial Corporation, Accendo Commercial Corp., Hero Foundation, Inc., Ayala Foundation, Inc., and AC Healthcare Holdings, Inc. He is likewise the Vice

Chairman of Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshire Holdings, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc. He was formerly a director of AG Holdings Ltd., The Manila Peninsula, and Georgetown University.

Mr. Zobel is a member of several organizations including Hispanic Society Museum & Library International Advisory Council, Chief Executives Organization, Young Presidents Organization, Habitat for Humanity International's Asia Pacific Development Council, Tate Museum Asia-Pacific Acquisitions Committee, Asia Philanthropy Circle, and The Metropolitan Museum International Council. In addition, he is also a member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation and Asia Society.

Mr. Zobel is a director of the following publicly-listed companies: Ayala Corporation, Ayala Land, Inc., and Shell Pilipinas Corporation.

He holds a liberal arts degree from Harvard College and a Certificate of International Management from INSEAD, France.

Key Executive Officers of the Bank

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

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

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

Position	Name	Age	Citizenship
President and Chief Executive Officer................................	Jose Teodoro K. Limcaoco*	62	Filipino
Executive Vice-President and Head of Consumer Banking	Maria Cristina L. Go	55	Filipino
Senior Vice-President, Chief Finance Officer and Chief Sustainability Officer..	Eric Roberto M. Luchangco	54	Filipino
Senior Vice-President and Head of Enterprise Operations.	Ricardo D. Pena	48	Filipino
Executive Vice-President and Head of the Mass Retail	Jenelyn Z. Lacerna	59	Filipino
Executive Vice-President …………………………………….	Elfren Antonio S. Sarte, Jr.	65	Filipino
Executive Vice-President and Head of Institutional Banking...	Juan Carlos L. Syquia	58	Filipino
Senior Vice-President and Chief Risk Officer....................	Ma. Cristina F. Asis	54	Filipino
Senior Vice-President, Treasurer and Head of Global Markets….	Dino Rudyardo F. Gasmen	58	Filipino

Note:
* also member of the Board of Directors

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

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

Ms. Maria Cristina L. Go, Filipino, 55, took leadership of the Consumer Banking segment comprised of the different businesses that primarily serve the needs of BPI's over 11 million individual customers in August 2021, following the merger of BPI and BPI Family Savings Bank (BFSB) where she served as its President since June 2017 and as a Board Director since 2015. Consumer Banking, which now includes former Robinsons Bank consumer businesses, is comprised of the branches, retail digital platforms, core retail products specifically deposits, auto loans, housing loans, motorcycle loans and bancassurance and the support services. Since the consolidation of these businesses into OneConsumer bank, Ms. Go has steadfastly focused on driving strategy focused on transforming the customer experience towards becoming what the bank refers to as "phygital", leveraging on the bank's vast physical presence to offer trusted advice through its close to 10,000-strong cadre of expert bank personnel complimented by best-in-class digital capabilities that make banking easier and more convenient, anytime, anywhere. In the past year, Consumer Banking has been able to aggressively expand the retail customer base with new digital product offerings, increase market shares in deposits and loans through enhanced customer engagements and business partnerships, and improve asset quality through innovative risk management and recovery initiatives.

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

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

Ms. Go graduated magna cum laude with a degree in BS Business Administration and Accountancy from the University of the Philippines Diliman, was awarded one of the Ten Outstanding Students of the Philippines, placed first in the CPA licensure exam in 1991, and earned a Master's degree from the Harvard Business School with honors in 1996. She was also awarded as one of the UP College of Business Administration's Distinguished Alumni in 2012 and one of the 100 Most Influential Filipina Women by the Global Filipina Women's Network in 2016 and PeopleAsia's Women of Style and Substance in 2019

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

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

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

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

Mr. Luchangco sits as a member of the Board of Directors of Legazpi Savings Bank. Inc, BPI Payments Holdings, Inc., Global Payments Asia-Pacific Philippines, Inc., Cartera Interchange Corporation, Zip Financial, and ICCP Managers, Inc. He also holds interlocking positions in family holding companies as a member of the Board of Directors of Mercato Central Inc. and Murray Hill, Inc, and the Treasurer of Cupertino Trading Corporation. Mr. Luchangco serves as the Treasurer of The BPI Foundation, Inc. and Director of Beacon International School Foundation.

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

Mr. Ricardo "Rico" D. Pena, Filipino, 48 years old, leads BPI's Enterprise Operations segment which serves as the backbone of the Bank's service delivery capabilities that include Core Banking Operations, Retail Banking Operations, the Contact Center, Enterprise Vendor Management, Enterprise Fraud Operations, Facilities Services

Management and the Central Security Office among many others. He also oversees the performance of major outsourcing partners related to our operations such as Brinks, ATPI, Unisys, Gemalto, Euronet and various security and courier agencies.

Mr. Pena has had a distinguished career spanning nearly 26 years, marked by significant achievements and extensive experience in the banking and financial services industry. Prior to joining BPI, he was a Senior Vice President and the Division Head of the Strategic Support and Transformation Division at Metrobank, where he oversaw their Clearing, Cash Management and Electronic Banking Divisions alongside managing their Operations Group's business transformation activities, involving process digitization and RPA solutions.

Prior to transitioning to local banking groups in 2020, he spent the first 22 years of his career with global and regional banking conglomerates such as JP Morgan Chase (JPM), the Australia & New Zealand Banking Group (ANZ) and Citibank (Citi). He concluded that period as an Executive Director at JPM, managing global operations teams in the Philippines and India and implementing automation and machine learning technologies to support JPM's Wholesale Payments businesses across multiple geographies. Prior to that he spent 9 years with ANZ Philippines as its Head of Operations and, later, as a Senior Vice President and its Chief Operating Officer where he had overall responsibility for all middle and back-office operations, technology, operational risk management, facilities, administration and security. He played a key role in major transformation projects, including ANZ's purchase of RBS Philippines, the rapid expansion of its Transaction Banking and Financial Markets capabilities and the implementation of a new core banking system. Prior to joining ANZ, he held various positions at Citibank Manila's Global Corporate and Investment Bank over a 10-year period. He managed different teams within its Operations & Technology function after graduating from Citi's Management Associate program. He started his career with Citi as a sales and product manager under their Financial Markets business in the Philippines. His career reflects his expertise in strategic support, transformation, operational excellence, and product management in the banking sector.

Mr. Pena earned his master's degree in business management at the Asian Institute of Management in 2005 and graduated from the Ateneo de Manila University in 1998 with a degree in Economics.

Ms. Jenelyn Z. Lacerna, Filipino, 59 years old, is the Head of Mass Retail segment of BPI. She oversees the Bank's Unsecured Lending and Cards businesses, and sits on the board of directors of BPI Direct BanKo, Inc. and Legazpi Savings Bank. Ms. Lacerna is also a member of the Board of Directors and President of BPI Payments Holdings, Inc. (formerly BPI Card Finance Corporation).

She started her career in BPI as Vice President and Division Head for Credit Cards and Personal Loans in 2015, where she has successfully propelled the business volumes, credit card loans, revenues and income. It is also in this role where she won the prestigious BPI Excellence Award – as the Senior Management Unibanker of the Year in 2018.

In 2019, Ms. Lacerna's role expanded as she became a Senior Vice President and the group head for Unsecured Lending and Cards' Product and Sales. Under her leadership, the various businesses continue to significantly contribute to BPI's overall revenue and income, while also growing BPI credit cards' market share in the Credit Card Association of the Philippines.

Prior to joining BPI, Ms. Lacerna was already an esteemed financial institution veteran – with an extensive career in Citibank, where she had a 15-year career in Credit Cards, Retail Banking and Personal Loans. She also worked in American Express gaining 8 years of experience in Card Sales and Marketing. She also led the Global Remittances Group as First Vice President in Philippine National Bank from 2014 to 2015.

Ms. Lacerna received her Bachelor of Science in Business Administration at the University of Santo Tomas in 1986.

Mr. Elfren Antonio S. Sarte, Filipino, 65 years old, is a highly accomplished executive with over 30 years of experience in the banking industry. He became part of Bank following the merger between BPI and RBC. Currently, he serves as a Chairman & Director of Legazpi Savings Bank, and UNICON Insurance & Reinsurance Brokers Corporation and BPI Payments Holdings, Inc. He is also the Vice-Chairman of the Philippine Clearing House Corporation. Mr. Sarte is a Director of Galleria Corporate Center Condominium Corporation, BPI Direct BanKo, Inc., Global Payments Asia-Pacific Philippines, Inc. and AF Payments, Inc. (AFPI) and is a member of the Board of Trustees of The Grove by Rockwell Condominium Corporation.

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

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

Mr. Juan Carlos L Syquia, Filipino 58 years old, is the Head of Institutional Banking. Mr. Syquia's responsibilities include managing the Corporate Banking Relationship Management, Commercial Banking Relationship Management, Corporate & Commercial Credit Products, Transaction Banking (Cash Management and Trade), Remittance & Fund Transfer, and Investment Banking (which includes Equity Brokerage) units of the Bank. Mr. Syquia also serves as a member of the Board of Directors of BPI's investment banking subsidiary, BPI Capital Corporation. He is also a Director of BPI Century Tokyo Lease and Finance Corporation, and BPI Tokyo Century Rental Corporation. Mr. Syquia was a former Director of BPI Direct BanKo, Inc., A Savings Bank and Chairman of the Board of Directors of BPI's merchant acquiring joint venture company, Global Payments Asia-Pacific Philippines Incorporated.

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

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

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

Ms. Ma. Cristina F. Asis, Filipino, 54 years old, has held the position of BPI's Chief Risk Officer Since July 2023. Within BPI, she serves as the Chairperson of the Fraud and Irregularities Committee, Co-Chairperson of the Data Governance Steering Committee, and Deputy Commander of the Crisis Resiliency Committee. Additionally, she is a member of the IT Project Steering Committee and the Operational Risk Management Committee, and holds positions as a member of the Sustainability Council and the IT Infrastructure Governance Committee in non-voting and non-regular capacities, respectively. Furthermore, she provides advisory support to the Finance Committee and the Information Technology Steering Committee, and is a Resource Person on the Money Laundering Evaluation Committee in a non-voting capacity.

Ms. Asis has a distinguished 29-year career with BPI and has held key roles in Institutional/Corporate Banking before joining Risk Management in 2017 as Head of Credit Policy and Risk Management (CPRM), that oversees risks for both corporate and retail lending activities of the Bank. Ms. Asis holds a Bachelor's degree in Business Economics and a Master's degree in Economics from the University of the Philippines Diliman. Currently, she is a member of the Bankers Association of the Philippines (BAP), Bankers Institute of the Philippines (BAIPHIL), and Pan-Asia Risk & Insurance Management Association (PARIMA).

Mr. Dino R. Gasmen, Filipino, 58 years old, is currently the Bank's Treasurer and Head of the Bank's Global Markets. He is responsible for optimizing the Bank's resources through management of interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution capabilities. Mr. Gasmen is Chairman of the Bank's Asset & Liability Committee and is a member of the Management Committee.

Mr. Gasmen serves as member of the Board of Director of the Bank of the Philippine Islands (Europe) Plc and member of the Finance Committee of the Ayala Multi-Purpose Cooperative. He is also the Head of the Interest-Rate Sub Committee of the Bankers Association of the Philippines Open Market Committee.

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

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

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

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

Compensation of Executive Officers

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

	For the year ended 31 December		
	2022	**2023**	**2024**
		(₱)	
Chief Executive Officer and four other most highly compensated executive officers as a group:			
Salary	230,079,237.00	159,826,417.40	168,859,851
Bonuses	78,575,300.00	122,900,000.00	178,170,000
Total	**308,654,537.00**	**282,726,417.40**	**347,029,851**
All other unnamed Officers as a group:			
Salary	9,869,329,389.00	12,093,369,267.69	15,192,600,228
Bonuses	1,110,535,100.00	1,815,260,345.97	2,488,504,500
Total	**10,979,864,489.00**	**13,908,629,613.66**	**17,681,104,728**

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

Compensation of Directors

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

The compensation structure of the directors, as approved by the Board of Directors on 20 April 2022, and by the stockholders during the 2023 Annual Stockholders' Meeting dated 27 April 2023, consists of an annual retainer fee in the amount of ₱4.2 million and per diem in the amount of ₱70,000.00 per board meeting and ₱30,000.00 per committee meeting attended.

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

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

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

Involvement of the Bank, the Directors and Executive Officers in Certain Legal Proceedings

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. In its letter dated 3 February 2023, the SEC assessed penalties against the Bank for violation of Section 8.1 of the SRC in the amount of ₱134,622,017.59, for omitting to secure SEC's confirmation of exemption from registration for its 7-year Executive Stock Purchase Plan and Executive Stock Option Plan (ESPP/ESOP) launched in 2013. The PSE also cited the Bank for possible trading of unlisted shares in connection with the 2013-2019 ESPP/ESOP. The Bank was fined, and paid, ₱30 million in penalties each to the SEC and the PSE.

The current Directors and the Executive Officers are not, presently or during the last five years, involved or have been involved in any material legal proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

Board Committees

Specific responsibilities of the Board are delegated to its sub-committees: the Executive Committee, the Nomination Committee, the Personnel and Compensation Committee, the Audit Committee, the Corporate Governance and Sustainability Committee, the Retirement/Pension Committee, the Related Party Transaction Committee and the Risk Management Committee. A brief description of the functions and responsibilities and composition/membership of each are set out below:

A. Executive Committee

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

B. Nomination Committee

The Nomination Committee ensures that all Directors of the Board to be nominated meet the qualifications and that their nominations are fair, transparent and in compliance with applicable laws, rules and regulations as well as the Bank's Amended By-Laws and Manual on Corporate Governance. It is also tasked to encourage the selection of a mix of competent Directors in accordance with the Board Diversity Policy, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies. The Nomination Committee vets candidates for nomination to ensure that they are individuals of proven integrity and competence, and that each possesses the ability and resolve to effectively oversee the Bank in his or her capacity as Director and member of board-level committees. The Nomination Committee also guides election activities, appointments and re-composition of committee memberships as part of the succession planning process to align with best practices. The committee is chaired by Cesar V. Purisima and its other members are Jaime Augusto Zobel de Ayala and Cezar P. Consing.

C. Personnel and Compensation Committee

The Personnel and Compensation Committee directs and ensures the development and implementation of Human Resources strategies and plans based on the Board's vision of the organization, particularly those relating to the Bank's core values, human resource policies, employee compensation, recognition and rewards initiatives, and succession and talent development plans. The committee is chaired by Jaime Augusto Zobel de Ayala and its other members are Cezar P. Consing, Fernando Zobel de Ayala, Aurelio R. Montinola III and Maria Dolores B. Yuvienco.

D. Audit Committee

The Audit Committee monitors and evaluates the adequacy and effectiveness of the Bank's internal control system, risk management, compliance, and governance practices. It provides oversight on the integrity of the Bank's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with bank policies, applicable laws, and regulatory requirements. The Audit Committee also approves the external auditor's annual audit plan and scope of work, and assesses its overall performance and effectiveness. In consultation with management, the Audit Committee also approves the external auditor's terms of engagement and audit fees. The committee is chaired by Maria Dolores B. Yuvienco and its other members are Mario Antonio V. Paner and Cesar V. Purisima.

E. Corporate Governance and Sustainability Committee

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

F. Retirement/Pension Committee

The Retirement/Pension Committee oversees the fiduciary, administrative, investment portfolio, and other non-investment aspects of the Bank's retirement plan. The committee is chaired by Aurelio R. Montinola III and its other members are Rene G. Banez, Karl Kendrick T. Chua and Rizalina G. Mantaring.

G. Related Party Transaction Committee

The Related Party Transaction Committee is charged with ensuring that the Bank's dealings with the public and various stakeholders are imbued with the highest standards of integrity. In conjunction with the Executive, Audit, Risk, and Corporate Governance and Sustainability Committees, the Related Party Transaction Committee endeavours to ensure compliance with BSP regulations and guidelines on related party transactions. It independently reviews, vets, and endorses significant and material related party transactions above the transactions qualifying under directors, officers, shareholders, and related interest restrictions in order to ensure that these transactions are dealt on terms no less favourable to the Bank than those generally available to an unaffiliated third party under the same or similar circumstances. The committee is chaired by Janet Guat Har Ang and its other members are Maria Dolores B. Yuvienco and Rene G. Banez.

H. Risk Management Committee

The Risk Management Committee implements and oversees the enterprise risk management program to assist the board in fulfilling its corporate governance and sustainability responsibilities relating to the management of risks, oversees and manages exposure to risks, and monitors regulatory and internal capital adequacy vis-a-vis the exposures to risks. The committee sets risk appetite indicators and is also responsible for approving the capital policy and plan, and the various risk models and methodologies. The committee is chaired by Rizalina G. Mantaring and its other members are Janet Guat Har Ang, Cezar P. Consing, Mario Antonio V. Paner and Cesar V. Purisima.

Compliance with Corporate Governance Practices

The Bank believes that compliance with the principles of good corporate governance begins with the Board. It is the Board's duty and responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibilities, which must be exercised in the best interests of the Bank, and in proper cases, its shareholders.

The Bank is led by a Board which is the highest authority in matters of governance and in overseeing the business of the Bank. The Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Bank, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Board is currently composed of 15 directors, six of whom are Independent Directors. The roles of the Chairman and the President & CEO are separate and clearly defined while the Independent Directors are a strong source of independent advice and judgment. They bring considerable knowledge and experience to the Board's deliberations.

The Board meets regularly on a monthly basis to ensure a high standard of business practice for the Bank and its stakeholders and to ensure soundness, effectiveness, and adequacy of the Bank's internal control environment. As part of corporate measures to ensure compliance with the principles and policies embodied in the Bank's manual on corporate governance (the Manual on Corporate Governance), the Board of Directors designated Ms. Maria Paz. A. Garcia as the Bank's chief compliance officer. Ms. Garcia is responsible for, among other matters, determining and measuring compliance with the Manual, appearing before the SEC upon summons on matters relating to the Manual on Corporate Governance, identifying, monitoring, and controlling compliance with corporate governance matters and recommending to the Board the review of the Manual on Corporate Governance. Ms. Garcia works closely with the Board through the Audit Committee and the Bank's management to evaluate and monitor compliance with the Manual. Specifically, Ms. Garcia is responsible for ensuring that the Bank's compliance systems are up to date and in line with regulatory requirements and recommends the adoption of measures to improve such compliance. Likewise, the various Board committees perform oversight duties and functions to ensure proper compliance with the Manual on Corporate Governance and other corporate policies. The Bank also submits governance reports required by the SEC and the PSE to determine compliance with their rules and regulations and the Manual on Corporate Governance.

There has been no material deviation from the company's Manual on Corporate Governance. Areas for improvement noted during the accomplishment of the ASEAN CG Scorecard to match best practices will be addressed with positive action. The Bank's Manual on Corporate Governance is also being reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body

RELATED PARTY TRANSACTIONS

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

For further information on the Bank's related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 25 to the Bank's audited financial statements as of and for the years ended 31 December 2022, 2023 and 2024.

DOSRI Loans and Deposits

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

	As of 31 December		
	2022	2023	2024
	(₱ millions, except percentages		
Total outstanding DOSRI loans	19,571	18,701	31,588
Percentage of DOSRI loans to total loans	1.1%	1.0%	1.4%
Percentage of unsecured DOSRI loans to total DOSRI loans	2.4%	2.3%	1.6%

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		
	2022	2023	2024
Total outstanding DOSRI accounts (in ₱ millions)	19,571	18,701	31,588
Percent of DOSRI accounts to total loans	1.1%	1.0%	1.4%
Percent of DOSRI accounts to total capital	6.2%	5.2%	7.3%
Percent of unsecured DOSRI accounts to total DOSRI loans	2.4%	2.3%	1.6%
Percent of past due DOSRI accounts to total DOSRI loans	0.02%	0.04%	0.02%
Percent of nonperforming DOSRI accounts to total DOSRI loans	0.03%	0.02%	0.03%

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

	As of 31 December		
	2022	2023	2024
Loans and receivables	34	87	75
Deposit liabilities	5,923	6,365	5,383

The income and expenses for the years ended 31 December 2022, 2023 and 2024 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

For the year ended 31 December		
2022	2023	2024

Interest income...	5	19	21
Interest expense..	5	19	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.

THE PHILIPPINE BANKING INDUSTRY

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

OVERVIEW

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

According to statistics published on the official website of the BSP, as of 31 December 2024 the commercial sector consisted of 44 universal and commercial banks, of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 22 commercial banks, two were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks. As of 31 December 2024, the 44 universal and commercial banks had a total of 7,058 branches, including head offices.

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

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for mid-market corporates and individuals. As of 31 December 2024, there were 41 thrift banks according to the BSP.

Rural banks are organised primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 31 December 2024, there were 383 rural and cooperative banks, according to the BSP.

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

Foreign bank entry was initially liberalised in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. The General Banking Law enacted in 2000 (**General Banking Law**) further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% of the voting stock of one domestic bank within seven years from the effectivity of said law on 13 June 2000 or until 13 June 2007. Under the General Banking Law, any foreign bank, which, prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014, which amended the relevant provisions of the BSP Manual implementing RA 10641, further liberalised foreign bank entry by allowing foreign banks to own up to 100% of the voting stock of an existing bank, a branch, or a subsidiary.

Under such laws, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely owned and publicly listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to the granting of new licenses to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank and the allowance of equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As of 31 December 2024, there were eighteen (18) foreign banks with branches and two foreign banks with subsidiaries in the Philippines.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalisation, and to the mergers and consolidation trend, the BSP issued BSP Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. As provided in the Circular, the suspension of the grant of new banking licences or the establishment of new banks under the MORB was lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking licence was allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions were fully liberalised from 1 January 2018.

As of 31 December 2024, six digital banks have been granted a Certificate of Authority by the BSP to operate in the Philippines: Tonik Digital Bank Inc. (**TONDB**), Maya Bank Inc. (**MAYA**), Overseas Filipino Bank Inc. (**OFBank**), UNObank Inc. (**UBI**), UnionDigital Bank Inc. (**UDB**) and GoTyme Bank Corporation (**GTYME**). The BSP has recently lifted the moratorium on granting digital bank licenses.

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

	Market Capitalisation[(2)]	Total Equity[(2)]	Total Assets[(2)]	Loans and Advances/ Receivables[(2)]	Total Deposits[(2)]
			(₱ in millions)		
Bank of the Philippines Islands[(1)]	759,205	432,690	3,318,813	2,238,765	2,614,802
BDO Unibank, Inc.[(1)]	643,196	577,395	4,876,050	3,229,885	3,789,950
Metropolitan Bank & Trust Company[(1)]	323,814	396,405	3,520,355	1,816,010	2,573,878

Notes:
(1) Data is provided on a consolidated basis as of 31 December 2024.
(2) Source: Bank, Audited Financial Statements, based on Published Balance Sheet as of 31 December 2024

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

	As of and for the year ended 31 December		
	2022[(2)]	2023[(2)]	2024[(2)]
Bank of the Philippines Islands[(1)]	13.1%	15.3%	15.1%
BDO Unibank, Inc.[(1)]	12.9%	15.0%	15.0%
Metropolitan Bank & Trust Company[(1)]	10.3%	12.5%	13.0%

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Bank, Audited Financial Statements

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

	As of and for the year ended 31 December		
	2022[(2)]	2023[(2)]	2024[(2)]
Bank of the Philippines Islands[(1)]	3.6%	4.1%	4.3%
BDO Unibank, Inc.[(1)]	4.1%	4.6%	4.4%
Metropolitan Bank & Trust Company[(1)]	3.6%	3.9%	3.8%

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Bank, Audited Financial Statements

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

	For the year ended 31 December		
	2022[(2)]	2023[(2)]	2024[(2)]
Bank of the Philippines Islands[(1)]	48.9%	50.0%	49.3%
BDO Unibank, Inc.[(1)]	59.4%	58.0%	55.5%
Metropolitan Bank & Trust Company[(1)]	54.3%	52.1%	68.0%

Notes:
(1) Data is provided on a consolidated basis.
(2) Source: Bank, Audited Financial Statements, Investor Presentations

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

According to BSP, the Philippine Banking System (**PBS**) sustained its solid performance demonstrated by continued uptrend in assets, loans, deposits, and earnings, as well as ample provisions for credit losses. This was supported by strong capital and liquidity positions, cushioning banks from potential shocks. Total assets and the gross total loan portfolio (**TLP**) of the PBS as of 31 December 2024 grew by 9.0% to 27.4 trillion and 10.6% to ₱15.3trillion year-on-year, respectively. BSP noted that the assets expansion was mainly funded by deposits used for operations, lending and investment activities. However, the Philippines remains relatively under-banked with domestic credit to private sector as a percentage of gross domestic product (**GDP**) of 48.3% for the year ended 31 December 2023 according to the World Bank, compared to other Southeast Asian peers including Thailand, Singapore, and Indonesia, which were at 154.3%, 129.1% and 36.0%, respectively. In addition, household debt as a percentage of GDP in the Philippines was 11.7% as of December 2024 according to CEIC Data compared to Southeast Asian peers including Thailand, Singapore, and Indonesia, which were at 88.4%, 51.9% and 10.0%, respectively.

The table below sets outs information for the periods indicated.

Country	Domestic Credit to Private Sector as % of GDP (2023)	Household Debt as % of GDP (as of December 2024)
Philippines	48.3%	11.7%
Thailand	154.3%	88.4%
Singapore	129.1%	51.9%
Indonesia	36.0%	10.0%

Source: CEIC for Domestic Credit to Private Sector as % of GDP as of 2023, CEIC and Reuters for Household Debt as % of GDP as of December 2024.

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

Region	Loans Outstanding as of 31 December 2024 (*in ₱ millions*)	% mix	Growth (year-on-year)
Metro Manila	11,364,133.08	81.39%	12.97%
Luzon (ex- Metro Manila)	1,175,574.75	8.42%	21.68%
Visayas	702,557.77	5.03%	(0.67%)
Mindanao	618,013.81	4.43%	7.31%
Overseas	102,702.54	0.74%	30.65%

Source: BSP

Restrictions on Branch Opening

Opening of branches by Philippine banks within or outside the Philippines requires BSP's prior approval, subject to certain conditions such as meeting the minimum capital requirements set by the BSP. Upon BSP's approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. For more information, see "*Banking Regulation and Supervision—Regulation Relating to Capital Structure*" and "*Banking Regulation and Supervision—Regulations with Respect to Branches.*"

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 2014, a number of foreign banks, which may have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer lending products such as credit cards. The foreign banks have not only increased competition in the corporate market, but have, as a result, caused more domestic banks to focus on the commercial mid-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system to create more globally competitive banking institutions. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business. The BSP offered various incentives available for merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were insufficient to pose a challenge to the overall competition levels since market share remained relatively well dispersed among the remaining players.

In the pursuit of liberalisation and to sustain the mergers and consolidations, the BSP issued Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The suspension of the grant of new banking licenses or the establishment of new banks under the Manual of Regulations for Banks is lifted under a two-phased approach. Under Phase 1, the grant of new universal and commercial banking licenses was allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions were fully liberalised starting 01 January 2018.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See "*Banking Regulation and Supervision—Philippine Competition Act*."

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

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

BANKING REGULATION AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. 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.

Banking Regulation and Supervision

Introduction

Republic Act No. 8791, otherwise known as the **General Banking Law** provides that the operations and activities of banks are subject to the supervision of the BSP. Likewise, Republic Act No. 7653 (the **New Central Bank Act**), as amended, which created the BSP, provides that the BSP shall have supervision over the operations of banks and shall exercise such regulatory powers over the operations of finance companies and non-bank financial institutions performing quasi-banking functions. The BSP exercises its powers through the Monetary Board.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock is directly or indirectly owned, controlled or held with power to vote by a bank or quasi-bank. The New Central Bank Act generally defines an affiliate as a corporation whose voting stock, to the extent of 50% or less, is owned by a bank or quasi-bank or which is related or linked directly or indirectly to such institution or intermediary through common stockholders or such other factors as may be determined by the Monetary Board. In this regard, the BSP Manual of Regulations for Banks (**MORB**) defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the BSP MORB), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the BSP MORB), or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning 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; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favour of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

Under the General Banking Law, the BSP, in the exercise of its supervisory powers, may: (a) issue rules of conduct or standards of operation for uniform application; (b) conduct examination to determine compliance with laws and regulations; (c) oversee compliance with such rules and regulations; and (d) inquire into the solvency and liquidity of the covered entities. Furthermore, Section 7 of the General Banking Law provides that the BSP, in examining a bank, shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. The refusal of any officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act.

Furthermore, Republic Act No. 9160 (**Anti-Money Laundering Act of 2001**), as amended, provides, among others, that banks must, in addition to the general laws such as the General Banking Law and the Anti-Money Laundering Act of 2001, likewise comply with letters, circulars and memoranda issued by the BSP, some of which are contained in the BSP MORB. On 29 January 2020, the AMLC issued AMLC Regulatory Issuance ("**ARI**") A, B and C No. 1 (2020), which amends certain provisions of the 2018 Implementing Rules and Regulations of Republic Act No. 9160, as amended.

The ARI added provisions on immediate family members and close associates of politically-exposed persons and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

The BSP MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The BSP MORB contains regulations that include those relating to the organisation, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the BSP MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

All regulations pertaining to banks are then implemented by the Financial Supervision Sector (**FSS**) of the BSP. The FSS is responsible for ensuring the observance of applicable laws, rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act.

Permitted Activities

A universal bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise (i) the powers of a regular commercial bank; (ii) the powers of an investment house; and (iii) the power to invest in non-allied enterprises. In addition, a universal bank may own up to 100% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorised by the General Banking Law and the MORB, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects; (ii) rent out safety deposit boxes; (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities; and (iv) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business. Financial intermediaries are also allowed to a certain extent to invest in allied (both financial and non-financial) or non-allied undertakings (applicable only to universal banks), or both.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small- and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP.

Regulation Relating to Capital Structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine Securities and Exchange Commission will not register the incorporation documents of any bank or any amendments thereto without a certificate of authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. All treasury shares of a bank must be sold within six months from the time of purchase or acquisition thereof.

In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for a bank with only a head office, ₱6 billion for a universal bank with up to 10 branches (inclusive of head office), ₱15 billion for a universal bank with 11 to 100 branches (inclusive of head office), and ₱20 billion for a universal bank with more than 100 branches (inclusive of head office). On the other hand, commercial banks are required to have capital accounts of at least ₱2 billion for a commercial bank with only a head office, ₱4 billion for a commercial bank with up to 10 branches (inclusive of head office), ₱10 billion for a commercial bank with 11 to 100 branches (inclusive of head office), and ₱15 billion for a commercial bank with more than 100 branches (inclusive of head office). Thrift banks which maintain only a head office in the National Capital Region are required to have capital accounts of at least ₱500 million, ₱750 million for a thrift bank with up to 10 branches (inclusive of head office), ₱1 billion for a thrift bank with 11 to 50 branches (inclusive of head office) and ₱2 billion for a thrift bank with more than 50 branches (inclusive of head office).

In August 2022, the BSP issued Circular No. 1151 wherein the BSP adjusted the minimum capitalisation for rural banks. Under these new guidelines, rural banks with head office only (without regard to the location of the head office) are required to have capital accounts of at least ₱50 million, ₱50 million for head office with up to four branches, ₱120 million for head office with five to nine branches, and ₱200 million for head office with more than nine branches. Further, in April 2023, the BSP issued Circular No. 1173 wherein the BSP modified the minimum capitalisation of conventional banks with Islamic banking units. This BSP Circular provides that the minimum capitalisation requirements for a universal bank shall apply to an Islamic Bank. A conventional bank that is a commercial bank or a subsidiary of a universal or commercial bank, which complies with the minimum capital requirements applicable to its respective banking category, may be allowed to operate an Islamic banking unit within a reasonable transitory period not exceeding five years reckoned from the date of BSP approval; provided, that, after the transitory period, such conventional bank shall have the minimum capitalisation requirement applicable to an Islamic Bank. These minimum levels of capitalisation may be changed by the Monetary Board from time to time.

For purposes of these requirements, the BSP issued BSP Circular No. 1027 on 28 December 2018, which states that the term "capital" shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

1. treasury stock;

2. unbooked allowance for probable losses (including allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;

3. total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;

4. total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;

5. total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties as defined in item "n", Section 131 of the MORB, that are not at an arm's length terms as determined by the appropriate supervising department of the BSP;

6. deferred tax assets that rely on future profitability of the bank to be realized net of any (i) allowance for impairment and (ii) associated deferred tax liability if the conditions cited in PAS 12 on income taxes are met, provided that, if the resulting net figure is a net deferred tax liability, such excess cannot be added to net worth;

7. reciprocal investment in equity of other banks or enterprises, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank, the deduction shall be the (i) investment of the bank; or (ii) the reciprocal investment of the other bank or enterprises, whichever is lower; and

8. in the case of rural banks and cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

Under said BSP Circular No. 1027 dated 28 December 2018, deposits for stock subscription recognised as equity pursuant to Section X128 of the MORB shall be added to capital.

As discussed under the Philippine Banking Industry section, RA 10641 provides that established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system though any one of the following modes of entry: (i) by acquiring, purchasing or owning up to one hundred percent (100%) of the voting stock of an existing bank; (ii) by investing in up to one hundred percent (100%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (iii) by establishing branches with full banking authority. The foreign bank applicant must be established, reputable and financially sound. Additionally, such foreign bank must be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. On the other hand, locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board is authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 06 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the BSP MORB with respect to the entry and operations of foreign banks, accordingly. On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Stockholdings of family groups or related interests in banks are also regulated. Under the General Banking Law, the stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, are considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons are considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends if at the time of declaration:

1. its clearing account with the BSP is overdrawn;
2. it is deficient in the required liquidity floor requirement for government funds;
3. it is not compliant with the minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
4. the CCB requirement as defined in Appendix 59, Part III of the MORB for universal and commercial banks and their subsidiary banks and quasi-banks;
5. it is not compliant with the higher loss absorbency (**HLA**) requirement, phased-in starting 01 January 2017 with full implementation by 01 January 2019, in accordance with the DSIB framework as provided under Sec. X128 of the BSP MORB, for universal and commercial banks and their subsidiary banks and quasi-banks that are identified as DSIBs; or
6. it has committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by the BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor of the SES.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with Respect to Branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of the law also allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks (inclusive of the head office) to a maximum of ₱20 billion for more than 100 branches of universal banks (inclusive of the head office). For a discussion on the breakdown of minimum capital requirements for banks, please see "—*Regulation Relating to Capital Structure*."

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP's branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or "restricted areas" in Metro Manila until 30 September 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the "restricted" areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (**Republic Act No. 9178**) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank. At present, pursuant to BSP Circular No. 932 (2016), all banks, including rural and cooperative banks, as a general rule, are allowed to establish branches anywhere in the Philippines, including in cities previously considered restricted areas.

Regulations with Respect to Management of Banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232, or the Revised Corporation Code, the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. Under the MORB, which makes reference to the General Banking Law, in case of merged or consolidated banks, the number of directors shall not exceed 21.

An independent director is a person who is not an officer or employee of a bank, its subsidiaries or affiliate or related interests during the past three (3) years counted from the date of his election/ appointment. Foreigners are allowed to have board seats to the extent of the foreign equity in the bank.

Material contracts of a corporation vested with public interest with one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least two-thirds (2/3) of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits to perform an act which renders him unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act and BSP Circular No. 1076, Series of 2020, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued BSP Circular No. 971, prescribing the Guidelines on Risk Governance for *Bangko Sentral* Supervised Financial Institutions (**BSFIs**), and requiring the appointment of a Chief Risk Officer (**CRO**) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. Pursuant to this Circular, prospective directors have the burden of proving that they possess all the qualifications and none of the disqualifications listed in the MORB and must submit proof to the BSP of their qualifications. An elected director must be fit and proper for the position, taking into consideration his integrity/probity, physical/mental fitness, educational/financial literacy/training and other competencies relevant to the job. Each director must also have attended a seminar on corporate governance, subject to certain exemptions. Members of the board of directors may not be appointed as corporate secretary or chief compliance officer of the institution.

On the same date, the BSP also issued BSP Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (**CCO**). The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular's requirements.

Regulations with Respect to Bank Operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices are treated as one unit. A bank, with prior approval of the BSP, may likewise use any of its branches as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise, and prescribe the composition and the manner of determining the net worth and total risk assets of such bank and its subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to exercise and perform: (a) activities allowed for commercial banks; (b) powers of an investment house; (c) investment in non-allied enterprises.

On 7 February 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licences/authorities based on the types of licences issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C licence is required for the issuance of bonds and commercial paper.

Capital Adequacy Requirements

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord.

BSP Circular No. 538, which took effect on 01 July 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision (the **Basel Committee**) containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers and short and medium-term quantitative liquidity ratios. To align with international standards, the BSP issued BSP Circular No. 709 effective 01 January 2011, which adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 capital.

In January 2012, the BSP announced that the Philippine's universal and commercial banks, including their subsidiary banks and quasi-banks, were required to adopt in full the capital adequacy standards under Basel III which took effect from 1 January 2014. It aims to replace Basel II, further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

BSP Memorandum No. M2012-002 outlines BSP's proposed new minimum ratios and conservation buffers. The revised risk-based capital adequacy framework (which will also cover risk measurement enhancement and provisions concerning the use of third party credit assessment agencies) took effect on 01 January 2014. In March 2012, the BSP also circulated a discussion paper providing draft guidelines for Basel III implementation in the Philippines starting 01 January 2014. Philippine banks were invited to comment on the discussion paper until June 2012, after which the BSP finalised the guidelines for Basel III in the Philippines. Notable provisions include: (i) new categorisation of the capital base with Tier 1 being composed of Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital and elimination of the subcategories of Tier 2 capital; (ii) revised eligibility criteria for the different categories of regulatory capital; (iii) regulatory adjustments to be deducted from CET1 in a full deduction approach; (iv) higher minimum capital requirements; (v) loss absorbency of regulatory capital at the point of non-viability; (vi) introduction of a framework to promote the conservation of capital and the build-up of adequate buffers above the minimum that can be drawn down in times of periods of stress; and (vii) additional disclosure requirements.

On 21 September 2012, BSP Circular No. 768 was issued, which provides, among others, that Hybrid Tier 1 and Lower Tier 2 capital must have loss absorption features providing that the instrument would be written off or converted into common equity upon the occurrence of a trigger event determined by the BSP.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which is made up of CET1 capital. Under BSP Circular No. 1027 dated 28 December 2018, net due from head office, branches and subsidiaries outside the Philippines of foreign banks branches, excluding accumulated net earnings is required to be deducted from CET1 capital.

On 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress test (**REST**) while setting prudential limits for banks' Real Estate Exposures (**REE**s) to ensure that they have adequate capital to absorb potential losses to the property sector. 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.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on DSIBs by the BSP under Basel III. Banks deemed DSIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the DSIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their DSIB statuses in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the DSIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%. Aside from the added capital pressure, DSIBs may be put at an undue disadvantage compared to Global Systemically Important Banks (**GSIBs**) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks' Tier 1 capital over its total on-book and off-book exposure. Under the BSP Circular No. 881, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 01 January 2017. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. Additional requirements imposed under Basel III included the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**). The LCR requires banks to hold a sufficient level of High-Quality Liquid Assets (**HQLAs**) to enable them to withstand a 30 day-liquidity stress scenario. Banks have been required to meet an LCR threshold of 100% beginning on 1 January 2019. The NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. As of 01 January 2020, the minimum 100% NSFR became effective for subsidiary banks and quasi-banks of universal and commercial banks. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spill-overs to the real economy, compliance with these ratios may further increase competition among banks for deposits as well as HQLAs.

In addition, Basel III capital rules for banks include setting up a countercyclical capital buffer (**CCyB**) wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. On 06 December 2018, the BSP issued guidelines on CCyB. BSP Circular No. 1024 imposes a capital conservation buffer (**CCB**) of 2.5% and a CCyB of 0% subject to upwards 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 will be effective immediately. The circular further provides that the HLA requirement is required to be on top of the combined requirement for CCB and CCyB. Under the Bank for International Settlements (**BIS**), the CCB became fully effective on 01 January 2019.

BSP Circular No. 1051, issued on 27 September 2019, amended the framework for dealing with D-SIBs. For the lower bucket, a minimum HLA requirement of 1.5% of risk-weighted assets at all times was imposed. For the higher populated bucket, the HLA requirement ranges from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

A. CCyB rate is at 0%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	0%	2.5%	5%	11.0%
2*	6.0%	2.5%	0%	2%	4.5%	10.5%
1	6.0%	2.5%	0%	1.5%	4.0%	10.0%

*assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.0%	2.5%	2.5%	2.5%	7.5%	13.5%
2*	6.0%	2.5%	2.5%	2.0%	7.0%	13.0%
1	6.0%	2.5%	2.5%	1.5%	6.5%	12.5%

*assuming an HLA requirement of 2.0%

Transitional arrangements for the HLA requirement will be implemented. In the case of banks included in the first list of D-SIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement was phased-in on 1 January 2017, with full compliance on 1 January 2019. Under BSP Circular No. 856, BSP should have issued a list of D-SIBs by 31 December 2021. However, in 2022, the BSP decided not to issue the list of D-SIBs to minimise potential misrepresentation of the list as an endorsement of selected banks. After the phase-in period, banks identified as D-SIBs will have 18 months to comply with the required HLA.

Data Cut-Off	Release of D-SIBs List	Compliance Period
December 2014	June 2015	Phased in: 1 January 2017 – 1 January 2019
December 2015	June 2016	Phased in: 1 January 2018 – 1 January 2019
December 2016	June 2017	1 January 2019 – 31 December 2019
December 2017	June 2018	1 January 2020 – 31 December 2020
December 2018	June 2019	1 January 2021 – 31 December 2021

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

A. CCyB rate is at 0%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>9.25%. – 10.0%	>9.50%. – 10.5%

*assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with.	>11.75%. - 12.50%	>12.00%. - 13.00%

*assuming an HLA requirement of 2.0%

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

- Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;
- Has CET1 capital of more than the total required before the distribution; and
- Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and
- Compliance with minimum capital ratios after distribution.

D-SIBs are also subjected to greater supervisory requirements such as additional disclosures and reports in its ICAAP. These requirements may lead to such banks to hold even higher minimum levels of capital compared with the levels above, should it be designated as a D-SIB by the BSP.

Reserve Requirements

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve requirement during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency.

Universal and commercial banks are required to maintain reserves against deposits and deposit substitute liabilities are imposed at the following rates: (a) 5% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 1.0% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market issued within one year from 6 January 2024; (e) 0% for bonds mentioned in (d) issued one year after 6 January 2024, effective for another 12 months, (f) 3.0% against bonds other than those in (d) and (e); and (g) 0% against basic deposit accounts as defined under Section 213 of the MORB and for interbank call loan transactions (**IBCL**).

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.

As discussed above in the Investments Considerations section of this Offering Circular, the BSP announced that effective 25 October 2024, it will reduce RRRs to support its continuing efforts to reduce distortions in the financial system, lower intermediation costs, and promote better pricing for financial services. Accordingly, the RRR against demand deposits, NOW accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank) applicable to rural and cooperative banks was reduced from 1.0% to 0.0%.

On the other hand, the BSP announced that effective 28 March 2025, it will reduce the RRRs by 200 bps for universal and commercial banks and non-bank financial institutions with quasi-banking functions; 150 bps for digital banks; and 100 bps for thrift banks. Such reduction shall being the RRRs of universal and commercial banks to 5.0%, digital banks to 2.5%, and thrift banks to 0.0%. The new ratios shall apply to local currency deposits and deposit substitute liabilities of banks and non-bank financial institutions with quasi-banking functions.

Agricultural and Fisheries Financing

As earlier discussed under the Investment Considerations section, RA 11901, which lapsed into law on 28 July 2022 and repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009, mandated all banking institutions, whether private or government, to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general.

Banks may comply with this requirement by lending to rural community beneficiaries to finance agricultural and fishery-related activities. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law. Banks may also comply through the following methods:

1. Actual extension of loans to rural community beneficiaries (gross of allowance for credit losses), for purposes of financing agricultural, fishery and rural development activities;

2. Purchase of eligible loans listed above on a “without recourse” basis from other banks and financial institutions;

3. Purchase of eligible securities (gross of allowance for credit losses but net of unamortized premium or discount), to wit:

a. Invest in debt securities, provided that the proceeds therefrom will be used to finance agricultural, fishery and rural development activities;

b. Investments in sustainable finance instruments;

c. Invest in shares of stock of the rural finance institutions (**RFIs**), Philippine Crop Insurance Corporation or in companies that primarily engage in agricultural, fishery or rural development;

d. Investments in unsecured subordinated debt securities that meet the definition of regulatory capital and are issued by banks that are RFIs;

e. Investments in MSMEs of farmers, fisherfolk, agrarian reform beneficiaries, agrarian reform communities, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner cultivators, compact farmers, and tenant farmers by way of purchase of their securities through an organized market, initial public offering, follow-on offering, or through registered crowdfunding intermediaries;

4. Grant of loans and other credits (gross of allowances for credit losses), to wit:

   a. Placements in deposit accounts and/or fixed term deposit products with RFls;

   b. Wholesale lending granted by banks to RFIs;

   c. Rediscounting facility granted by banks to other banks covering eligible AFRD financing;

   d. Actual extension of loans intended for the construction and upgrading of infrastructure;

   e. Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified rural community beneficiaries;

   f. Agricultural value chain financing (**AVCF**), including financing to electronic platforms that will facilitate AVCF and supply chain financing transactions among actors in agriculture that benefits rural communities;

   g. Actual extension of sustainable finance in the form of loans; or

   h. Purchase of eligible loans listed under (4)(d) to (4)(g) on a "without recourse" basis from other banks and Fls.

Banks which fail to comply or only partially comply with the minimum requirements shall be penalized by the BSP with an annual monetary penalty of 0.5% of the amount of non-compliance or under-compliance computed on a quarterly basis. Additionally, the BSP may impose administrative sanctions. The provisions related to the mandatory credit quota of 25% shall cease to be effective ten years from the approval of Republic Act No. 11901 or in 2032.

The law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others.

Liquidity requirements

Other than as discussed elsewhere in this Offering Circular, local banks face liquidity requirements, namely, the LCR and the NFSR, under Basel III. The LCR requires banks to hold sufficient levels of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spillovers to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, banks were required to meet the LCR threshold that banks of 90%, which was increased to 100% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework, including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks; (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period; and (iii) amendment of the formula for the minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003, which provided guidelines for the electronic submission of the Basel III NSFR Report and LCR Report. It mandated that all subsidiary banks and quasi-banks adhere to these guidelines for the live implementation of the NSFR and LCR reports starting with the reporting period ending 31 January 2020. This directive aligns with BSP Circular Nos. 1034 and 1035, both dated 15 March 2019, concerning amendments to the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio and the amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework.

Banks and quasi-banks have been given a reasonable period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Non-compliance with the minimum CAR and NSFR requirements due to the pandemic will be assessed by the BSP on a case-by-case basis.

Credit risk management

As earlier discussed, BSP issued BSP Circular No. 855 provides for new guidelines on sound credit risk management practices. It mandates banks to establish appropriate credit risk strategy and policies, processes and procedures, including a cashflow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (**CV**) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value, which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures to include mortgages and loans extended to the following: individuals, to finance the acquisition/construction of residential real estate for own occupancy, as well as land developers and construction companies, for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

As earlier discussed, BSP issued BSP Circular No. 839 which requires banks to undergo real estate stress tests while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans; investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities; and investments in equity securities issued by land developers/ construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Notably, under this circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing which was included in previous regulations of the BSP. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On 23 November 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of 0% beginning the first week of December 2017.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034, which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those meeting the criteria, and current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, reduced from the previous 75%. This relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks was effective until 30 June 2023, as stipulated by Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

Limitations on Operations

The Single Borrower's Limit

Consistent with the national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation or other entity shall at no time exceed twenty-five percent (25%) of the net worth of such bank. The basis for determining compliance with the single borrower's limit (**SBL**) is the total credit commitment of the bank to or on behalf of the borrower. The total amount of loans, credit accommodations and guarantees above may be increased for specific circumstances as laid out in the relevant provision of the BSP MORB.

BSP Circular 779 issued on 09 January 2013, amended the BSP MORB provisions on Regulations on Single Borrower's Limit. The amendments allowed for increases (on top of the 25% as already mentioned) on the amount of loans, credit accommodations and guarantees that a bank may issue to a borrower. The following are the increases that are conditional: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under PDP/PIP; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 06 December 2010; and (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation, for a period of three years from 3 March 2011 or until 3 March 2014; (d) an additional 25.0% of the net worth of the bank, provided that the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain, which shall only be for a period of three years from 14 March 2016, subject to review after said period; and (e) an additional 15% of the net worth of the bank, provided that the additional loans, credit accommodations and guarantees are used to finance eligible green or sustainable projects that meet any of the principles or categories in (i) Tier II of the 2022 Strategic Investment Priority Plan (green ecosystems, health related activities, defence related activities, industrial value chain, and food security related activities) approved in Memorandum Order No. 61 dated 24 May 2022; (ii) Republic of the Philippines Sustainable Finance Framework; (iii) Philippine Sustainable Finance Guiding Principles; (iv) ASEAN Taxonomy for Sustainable Finance; or (v) implementing regulations of the Philippine Sustainable Finance Taxonomy Guidelines, among other requirements.

The SBL limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items. On 5 July 2017, the BSP issued BSP Circular No. 965, approving the guidelines on the exclusion from the SBL of banks and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions.

On 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts and assignment of project documents; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091, excluding debt securities held by market makers from the SBL 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.

On 5 January 2023, the BSP issued Circular No. 1164, outlining minimum operational requirements for credit risk transfer agreements. This BSP Circular provides for the definition of credit risk transfer and clarifies that loans and other credit accommodations or portions thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the SBL. Meanwhile, the portion of the loans and other credit accommodations that is not covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

Limitation on DOSRI Transactions

A director or officer of any bank may not directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor may become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director will be subject to the penal provisions of the New Central Bank Act. The total outstanding loans, other credit accommodations, and guarantees to each of the bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank, provided that unsecured loans, other credit accommodations and guarantees to each of the bank's DOSRI shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees. The limitation excludes (a) loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk; (b) loans, other credit accommodations and advances to officers in the form of fringe benefits granted in accordance with existing regulations; (c) loans, other credit accommodations and guarantees extended by a Coop Bank to its cooperative shareholders; and (d) he portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On 02 June 2016, the Monetary Board approved the revisions to prudential policies on loans, other credit accommodations and guarantees granted to DOSRIs. The Monetary Board allowed the exclusion of loans granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided that the lending bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include a pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts and assignment of project documents.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposure of subsidiaries and affiliates of banks to priority programs, particularly infrastructure projects under the Philippine Development Plan / Public Investment Program (**PDP/PIP**) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to certain conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

Limitations on Loans and Credit Accommodations

As a general rule, loan and other credit accommodation against real estate by a bank shall not exceed 70% of the appraised value of the real estate security plus 70% of the appraised value of the insured improvements and such loans shall not be made unless title to the real estate rests with the mortgagor. In the case of universal and commercial banks, the loan values of real estate given as security for any loan granted will be reduced from 70% to not more than 60% of the appraised value of the real estate security and the insured improvements, except the following which are allowed a maximum value of 70% of the appraised value (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the expanded housing loans program of the home development mutual fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 04 February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

As earlier discussed, BSP issued Circular No. 976 approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 27 October 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) interbank call loans; and (3) the portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of the net worth of the said universal bank. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on the any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate is considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board. In addition, the Monetary Board, on 25 July 2019, approved BSP Circular No. 1042, series of 2019, containing the guidelines on sound risk management practices pertaining to investment activities of a bank.

On 26 November 2019, the BSP issued Memorandum No. M-2019-028, requiring all BSFIs to take the enumerated preventive measures against illegal investment schemes, including "Ponzi Scheme(s)."

On 23 August 2022, the BSP issued Circular No. 1149 which provides guidelines on the integration of sustainability principles in investment activities of banks. This Circular requires banks to consider environmental and social risks in defining credit risk appetite and ensure that such investment does not contribute to sectors considered to have harmful effects to the environment or society. The Circular covers all of a bank's investments in the trading and banking books but does not apply to a bank's (a) investments that grant control over an enterprise and are accounted for using the equity method; (b) transactions in derivatives involving stand-alone contracts; and (c) receivables arising from repurchase agreements.

Prohibition to Act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

1. receive in custody funds, documents and valuable objects;

2. act as financial agent and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities;

3. upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and

4. rent out safety deposit boxes.

BSP Circular No. 1003, issued on 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

BSP Circular No. 1049, Series of 2019, which implements RA No. 11127 on The National Payment Systems Act, allows banks to function as an Operator of Payment Systems ("**OPS**"). Banks can register as an OPS by notifying the BSP of their OPS activities.

An OPS is a person that performs any of the following functions:

- maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;

- operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;

- provides a system that processes payments on behalf of any person or the government; and

- such other activities similar to the foregoing.

On 19 July 2024, the BSP issued Circular No. 1198 on the Regulatory Framework for Merchant Payment Acceptance Activities. Under this Circular, entities, including banks, are required to secure an authority from the BSP prior to engaging in merchant acquisition in the Philippines or providing the service of accepting and processing payment transactions on behalf of a merchant under an agreement, resulting in a transfer of funds to the merchant. Based on this Circular, banks with concurrent OPS licences that are engaged in or intending to engage in merchant payment acceptance activities are expected to adhere to the more stringent requirements between the guidelines under BSP Circular 1198 and the applicable provisions of the MORB.

Anti-Money Laundering Act 2001 and Related Laws

The Anti-Money Laundering Act of 2001, as amended, (**AMLA**) requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, keep records and report covered and suspicious transactions.

While the Philippines enacted the AMLA to introduce more stringent anti-money laundering regulations, these regulations did not initially comply with the standards set by the Financial Action Task Force (**FATF**). However, following pressure from the FATF, an amendment to AMLA became effective on 23 March 2003. In January 2005, the Philippines was removed from the list of Non-Cooperative Countries and Territories (**NCCTs**) and the anti-money laundering systems (including strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering) were all identified to be of a satisfactory nature. Currently, the Philippines is on the "grey list," as the FATF, in news reports, noted a "high level political commitment" from local authorities to address noted deficiencies in its anti-money laundering regime. Republic Act No. 10168 enacted on 18 June 2012 expanded the AMLA to include the crime of financing terrorism.

A more recent amendment to the anti-money laundering regime, Republic Act No. 10365, was approved on 15 February 2013. This amendment expanded the coverage of the AMLA, which now talks about "covered persons, natural or juridical." Additions to the enumeration of covered persons include jewellery dealers for transactions in excess of ₱1.0 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client's money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organise funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves or relates to the proceeds of any unlawful activity defined under the law:

1. transacts said monetary instrument or property;

2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;

3. conceals or disguises the true nature, source, location, disposition, movement or ownership or of rights with respect to said monetary instrument or property;

4. attempts or conspires to commit money laundering offences referred to in paragraphs (a), (b), or (c);

5. aids, abets, assists in or counsels the commission of the money laundering offences referred to in paragraphs (a), (b) or (c);

6. performs or fails to perform any act as a result of which he facilitates the offence of money laundering referred to in (a), (b) or (c); and

7. knowingly fails to disclose and file with Anti-Money Laundering Council (**AMLC**) any monetary instrument or property required to be disclosed and filed.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (**Court of Appeals**), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which is effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order is deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets. Further, a freeze order or asset preservation order is limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank's attention, transactions and/or accounts that qualify either as "covered transactions" or "suspicious transactions" as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 04 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (**ARRS**), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

In July 2017, Republic Act No. 10927 was signed into law, and it further expanded the coverage of AMLA to include cash transactions with or involving real estate developers or brokers exceeding ₱7.5 million, and casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. Furthermore, the law provides that: (a) a freeze order issued by the Court of Appeals pursuant to an *ex parte* petition by the AMLC is effective immediately and such effective period shall not exceed six months and if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order is deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets; and (b) a freeze order or asset preservation order is limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime and will not apply to amounts in the same account in excess of the amount or value of the proceeds of the predicate offense.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one Banking Day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

1. there is no underlying legal or trade obligation, purpose or economic justification;

2. the customer or client is not properly identified;

3. the amount involved is not commensurate with the business or financial capacity of the client;

4. the transaction is structured to avoid being the subject of reporting requirements under the AMLA;

5. there is a deviation from the client's profile or past transaction;

6. the transaction is related to an unlawful activity or offence under AMLA; or

7. similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one year imprisonment and/or fine of ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity the fact that a report was made to the AMLC and any information relating to such report. A violation of the said rule is deemed a criminal act.

On 22 November 2018, the AMLC approved the 2018 Implementing Rules and Regulations of the AMLA prescribing, among others, the guidelines on identifying and recording beneficial ownership. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitisation of customer records and identification of beneficial owners. On 18 July 2020, Republic Act No. 11479 or the Anti-Terrorism Act of 2020 (**Anti-Terrorism Act**) became effective. The Anti-Terrorism Act repealed Republic Act No. 9372 or the Human Security Act to provide stricter penalties and regulations against the inimical acts of terrorism. Section 35 of the Anti-Terrorism Act authorizes the Anti-Money Laundering Council (**AMLC**), either upon its own initiative or at the request of the Anti-Terrorism Council, to investigate: (a) any property or funds that are in any way related to financing of terrorism or violation of Sections 4, 6, 7, 10, 11, or 12 of the Anti-Terrorism Act; and (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of the aforementioned sections. In this regard, the AMLC is authorized to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order. It also provides penalties to any person who maliciously, or without authorization, examines deposits, placements, trust accounts, assets, or records in a bank or financial institution and any employee, official, or a member of the board of directors of a bank or financial institution, who after being duly served with the written order of authorization from the Court of Appeals, refuses to allow the examination of the deposits, placements, trust accounts, assets, and records of a terrorist or an outlawed group of persons, organization, or association.

On 23 November 2020, the BSP issued Memorandum No. M-2020-084, which introduced the money laundering/terrorist/proliferation financing risk assessment system (**MRAS**) for BSP-supervised financial institutions. The MRAS employs a four-point rating scale to categorise the net risk of money laundering, terrorist financing, and proliferation financing, ranging from low, moderate, above average, to high. The MRAS replaces the previous ARRS that was used for BSP-supervised financial institutions. On 29 April 2024, the BSP issued Circular No. 1193 which amended the relevant regulations of the BSP on money laundering/terrorist/proliferation financing reporting and notification requirements. The Circular was issued to enable the BSP to have timely and accurate information on significant risk events arising from money laundering/terrorist/proliferation financing-related activities and/or transactions, as part of its risk-based anti-money laundering and countering terrorism and proliferation financing supervision.

On 29 January 2021, the AMLA was further amended to include violations under the SRC and Strategic Trade Management Act. It also includes tax deficiencies in excess of ₱25,000,000. The AMLC is also empowered to issue ex parte freeze orders in cases of violations involving terrorist financing.

On 30 March 2023, the BSP issued Circular No. 1170 which provided amendments on the regulations relating to the banks' conduct of customer due diligence. Under this Circular, banks are required to use a risk-based approach in conducting customer due diligence. It also provides regulations on eKYC using digital identity (lD) systems.

On 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This strategy outlines seven strategic objectives designed to address the risks and deficiencies in the Philippines' AML/CFT systems. Each objective includes action plan items to be completed by relevant government agencies. The strategy aims to respond to findings from the Asia Pacific Group on Money Laundering and the FATF, which placed the Philippines on the Grey List, or "Jurisdictions Under Increased Monitoring," after a 12-month observation period due to the country's failure to make tangible progress on key FATF recommendations. By reorganising the National AML/CTF Coordinating Committee and implementing the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027, the Philippine government aims to enhance the effectiveness of its AML, CTF, and CPF measures and facilitate the country's removal from the FATF Grey List.

Revised Corporation Code

Revised Corporation Code was signed into law on 20 February 2019 and became effective on 8 March 2019.

Aside from the discussions above relative to the management of banks, included among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (**NSSLA**), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the SRC. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.

- The Code allows the creation of a "One Person Corporation." However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect to incorporations as Close Corporation.

- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders' meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.

- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation; or any voluntary dissolution.

- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Philippine Competition Act

Republic Act. No. 10667, or the Philippine Competition Act (**PCA**), is the primary competition statute of the Philippines The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of the Philippine Competition Commission (**PCC**), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition; (b) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and (c) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the implementing rules and regulations of the PCA (the **PCA IRR**) without notice to the PCC. The PCA, the PCA IRR, as amended, and the Rules on Merger Procedure (collectively, the **Merger Rules**) provide for mandatory notification to the PCC of any merger or acquisition, including joint venture transactions, within 30 days of signing any definitive agreement relating to the transaction, where the transaction value exceeds ₱3.2 billion; and where the size of the ultimate parent entity of either party exceeds ₱7.8 billion, effective 1 March 2024.

These thresholds are adjusted on the 1st of March every year, using as index the Philippine Statistics Authority's official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million.

Parties may not consummate a notifiable transaction prior to receiving PCC approval or the lapse of the period stated in the Merger Rules.

Under the PCA and the PCA IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent to five percent of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

Financial Institutions Strategic Transfer Act

Pursuant to Republic Act No. 11523 or the financial institutions strategic transfer (**FIST Act**), a FSITC 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; and
(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 31 December 2022.

The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 (**Data Privacy Act**), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (**ICT**), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law provides that it does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognises the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of "personal information", which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors". It also provides for penal and monetary sanctions for violations of its provisions.

On 24 August 2016, the National Privacy Commission issued the Implementing Rules and Regulations of the Data Privacy Act.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

On 01 September 2006, the BSP released new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorised transactions in electronic banking.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted are treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities. BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (**EMV**) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 01 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 09 June 2017, BSP-supervised financial institutions are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offence and will subject these institutions to monetary sanctions provided under relevant provision of the BSP MORB.

On 22 February 2019, the BSP issued Circular No. 1033, which amended the BSP MORB by adding regulations on Electronic Payment and Financial Services (**EPFS**). This allows BSP-supervised institution to offer products or services that would enable its customers to receive payments or initiate financial transactions and other related services through an electronic device such as computer, mobile phone, ATM and other devices. EPFS allow customers to electronically access information on their transactions, move or receive funds from one account to another, or avail of credit, investment, trust, or other banking products and/or services. Transactions can include online loan applications, electronic investment of funds, and the like. To be able to offer this kind of service, the bank must obtain a license from BSP and comply with its corresponding reportorial requirements.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (**API**) and the good practices for API management.

The BSP through Circular no. 1205 series of 2024 lifted the moratorium on the grant of digital bank licenses, including the conversion of an existing bank's license into a digital bank license. A maximum of ten digital banks shall be allowed to operate in the country starting on 1 January 2025.

Applications for the establishment of other types of banks that will primarily offer financial products and services that are processed end-to-end through a digital platform shall be treated and evaluated as a digital banking license application.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (**NRPS**) Framework in line with the BSP's goal to ensure the efficiency of payment systems in the country. Under this Circular, the BSP requires BSFIs participating in an Automated Clearing House (**ACH**) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

On 7 February 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money (**E-Money**) and operations of E-Money issuers (**EMIs**) in the Philippines. The Circular clarified that the E-Money issued under closed-loop electronic wallet systems is not covered by the regulations and provides additional guidelines which shall govern the issuance and operations of E-Money, including the regulations on minimum systems and controls required from EMIs, consumer protection regulations, minimum disclosure requirements, liquidity requirements and capital requirements, among others.

National Payment Systems Act

On 30 October 2018, Congress enacted RA No. 11127 or the *Act Providing for the Regulation and Supervision of Payment Systems*. R.A. No. 11127 seeks to regulate payment systems, recognising that they are crucial parts of the financial infrastructure of the country. The law defines payment systems as the set of payment instruments, processes, procedures, and participants that ensures the circulation of money or movement of funds. Meanwhile, the same law defines operators as persons who provide clearing or settlement services in a payment system, or define, prescribe, design, control, or maintain the operational framework of the payment system.

Under RA No. 11127, all OPS must register with the BSP. Furthermore, the Philippine SEC can no longer register the charter documents of any operator of a designated payment system (**DPS**), or any amendment thereto, or otherwise issue to an operator a licence to do business in the Philippines, unless accompanied by a certificate of authority from the Monetary Board under its seal. The law also grants the BSP the power to designate a new payment system if it determines that an existing payment system is posing or has the potential to pose a systemic risk, or the designation is necessary to protect the public interest.

As discussed earlier, BSP issued BSP Circular No. 1049 which requires banks, acting as payment systems operators, to register with the BSP through notification without having to separately file an application or pay registration fees. The BSP will then issue the registering bank with a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, provided that the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068, issued on 26 December 2019, extended the deadline for the registration of existing payment systems operations from 1 October 2019, as originally provided in Circular No. 1049, to 1 April 2020.

The BSP implemented the Payment System Oversight Framework (**PSOF**) on 7 July 2020 through the issuance of BSP Circular No. 1089, which addresses the need for comprehensive regulation over payment systems and other financial market infrastructures through cooperative oversight and periodic assessment. The PSOF follows a risk-based oversight approach mainly through the designation of payment systems. In the event that the operator of a DPS fails to satisfy regulatory expectations, resulting in a threat to the safety, efficiency and reliability of the system, the PSOF empowers the BSP to appoint a manager to administer the operation of the DPS. On 14 September 2021, the BSP mandated the adoption of the Principles for Financial Market Infrastructures (**PFMI**) pursuant to the PSOF. The PFMI is a set of international standards designed to strengthen financial market infrastructures and make them more resilient to financial crises and participant defaults.

In line with the phased-in implementation of RA No. 11127, the BSP issued BSP Circular No. 1127 on the *Governance Policy for Operators of Payment Systems* on 17 September 2021, which is patterned after its other existing corporate governance standards. It prescribes the regulatory expectations on governance arrangements and standards of OPS as well as the criteria for qualification of its directors and officers.

On 1 March 2022, the BSP issued Circular No. 1138 which establishes the regulatory reporting standards for OPS. The circular requires an OPS to establish a reporting system that will aggregate all pertinent data and produce the reports required by the BSP under both business-as-usual and stressed conditions (i.e., emergency conditions for OPS such as a crisis, national or public health emergencies, weather-related events, or sudden closures of markets and/or clearing agencies where the transactions therein are processed through an OPS for eventual settlement) in a timely manner. The circular also specifies sanctions that may be imposed on an OPS for non-compliance with reporting requirements. It also prescribes non-monetary penalties such as the disqualification or suspension of the Chief Executive Officer for at least one month to one year in the case of unsubmitted reports. The top official and members of the board may also be disqualified from the industry for further offenses and the Monetary Board will have the power to designate a manager to take over the operations.

The Financial Products and Services Consumer Protection Act

RA No. 11765 or the *Financial Products and Services Consumer Protection Act* (**FCPA**) was signed into law on 6 May 2022. The FCPA expanded the powers of financial regulators such as the BSP and imposed duties on financial service providers such as banks. Violation of the FCPA will result in the imposition of enforcement actions, penalties and/or administrative sanctions from the BSP.

On 28 November 2022, the Monetary Board issued Circular No. 1160 which provides for the implementing guidelines for the FCPA with respect to BSFIs. Based on this Circular, banks must meet the following standards in dealing with financial consumers:

- Disclosure and Transparency;
- Protection of Client Information;
- Fair Treatment;
- Effective Recourse; and
- Protection of Consumer Assets against Fraud and Misuse.

Pursuant to the FCPA, the BSP may, in addition to the enforcement actions under the MORB, restrict the ability of banks to collect excessive or unreasonable interests, fees or charges, including other interests, fees and charges that are covered under Republic Act No. 10870, otherwise known as the Philippine Credit Card Industry Regulation Law, and order required accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, its IRR and other existing laws, rules, and regulations under its jurisdiction, including reasonable interest.

The Anti-Financial Account Scamming Act

RA No. 12010, or the Anti-Financial Account Scamming Act (**AFASA**), was signed into law on 20 July 2024 to combat financial cybercrimes, safeguard the interests of financial consumers, and uphold the integrity of the financial system.

The AFASA authorises the BSP to investigate violations of the law, apply for cybercrime warrants, and collaborate with law enforcement agencies in the investigation of cases covered by the law. It also provides the BSP with limited authority to examine and investigate bank accounts, e-wallets, and other financial accounts that are involved in the prohibited acts under the law, which includes engaging in money muling activities and social engineering schemes.

Under the AFASA, money muling activities are prohibited, which includes the following acts for the purpose of obtaining, receiving, depositing, transferring, or withdrawing proceeds that are known to be derived from crimes, offences, or social engineering schemes:

- using, borrowing or allowing the use of a Financial Account;
- opening a financial account under a fictitious name or using the identity or identification documents of another;
- buying or renting a Financial Account;
- selling or lending a Financial Account; or
- recruiting, enlisting, contracting, hiring, utilising or inducing any person to perform the acts mentioned in the first to fourth bullets of this subsection.

Meanwhile, social engineering schemes are committed by a person who obtains sensitive identifying information of another person, through deception or fraud, resulting in unauthorised access and control over the person's financial account, by performing any of the following acts:

- misrepresenting oneself as acting on behalf of an institution, or making false representations to solicit another person's sensitive identifying information; or
- using electronic communications to obtain another person's sensitive identifying information.

The aforementioned acts shall be considered as economic sabotage when committed under any of the following circumstances:

- by a group of three or more persons conspiring or confederating with one another;
- against three or more persons individually or as a group;
- using a mass mailer; or
- through human trafficking.

Under the AFASA, financial institutions have the obligation to employ adequate risk and fraud management systems to ensure that their clients' financial accounts are protected and temporarily hold funds subject of a disputed transaction within a period prescribed by the BSP, which shall not exceed 30 days, unless otherwise extended by a court of competent jurisdiction.

Related Party Transactions

On 14 December 2015, the BSP announced that it approved guidelines strengthening oversight and control standards for managing related party transactions. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasised that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

On 25 April 2019, the SEC issued Memorandum Circular No. 10-2019 regarding the Rules on Material Related Party Transactions for Publicly-Listed Companies (**SEC MC 10-2019**). Under SEC MC 10-2019, when the related party transactions amount to 10% or higher of a company's total assets, it is considered a material related party transaction and is disclosable and reportable to the SEC.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable income refers to items of income specified under Section 32 (A) of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended (the **Tax Code**) less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A minimum corporate income tax (**MCIT**) equivalent to 2% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax computed on taxable income. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over (**NOLCO**) can be claimed as a deduction against taxable income within three years after NOLCO is incurred.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction is reduced by an amount equal to 20% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

1. an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank; or

2. a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Similarly, Section 36 (B) of the Tax Code disallows the deduction of bad debts in the case of related party transactions as mentioned in the case of interest expense.

Pursuant to Revenue Regulation 05-99 (as amended by Revenue Regulation 25-02), in order for banks to claim bad debts as tax deductions, they must secure a certification from the BSP that the accounts are worthless and can be written off, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. Relatedly and as discussed earlier in this Offering Circular, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within 30 business days after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that the write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

FCDU transactions with non-residents of the Philippines, OBUs, FCDUs of local banks and branches of foreign banks (i.e., offshore income) are tax-exempt, while interest income from foreign currency loans granted by FCDUs of depositary banks to residents other than OBUs or other depository banks under the expanded system is subject to 10% final tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which will be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except for bonds, debentures or other certificate of indebtedness with maturity of more than five years. The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or gross receipts tax (**GRT**), which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of the GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that banks, non-bank financial intermediaries performing quasi-banking functions, financing companies, and other financial intermediaries not performing quasi-banking functions doing business in the Philippines are directly liable for GRT on gross receipts derived by them from business operations. However, if under a contract the GRT is passed on to the client, such passed-on GRT paid by the client to the bank or other financial intermediary shall be treated as receipt of gross income, and shall itself be subject to a GRT of 7% under Section 121 of the Tax Code.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranche.

Interbank call loans with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes. The interbank call loans are not subject to documentary stamp tax except if they have a maturity of more than seven days.

Real and other acquired properties (**ROPA**) of banks are considered as ordinary assets. The income derived from their sale is subject to regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which is withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realised.

Republic Act No. 12001, otherwise known as the Real Property Valuation and Assessment Reform Act (**RPVARA**) took effect on 5 July 2024. The RPVARA aims to standardize real property valuation based on market value, enhance local government revenue generation, and improve transparency through an electronic database of property transactions. Key provisions include the creation of the Real Property Valuation Service under the Bureau of Local Government Finance, establishment of a unified valuation system, mandatory updates to Schedule of Market Values (**SMVs**) every three years, and a 6% cap on real property tax increases in the first year. While PIFITA aims to lower the rate of transaction taxes on land, centralize and rationalize valuation of properties, increase valuation of properties closer to market prices, the review and adjustment property valuations contemplated by RPVARA may lead to an increase in valuation of real property,

On 19 December 2017, then President Duterte signed into law the Tax Reform for Acceleration and Inclusion (**TRAIN**) or Republic Act No. 10963.On 14 February 2019, then President Duterte signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (Tax Amnesty Law), which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before 31 December 2017 and whose estate taxes have remained unpaid or have accrued as of 31 December 2017 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years.

On 26 March 2021, then President Duterte signed into law the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE**) or Republic Act No. 11534. The amendments under the CREATE include the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. The regular corporate income tax rate may be further reduced to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100.0 million. The rate of the minimum corporate income tax (**MCIT**) was also lowered to 1%, effective 01 July 2020 to 30 June 2023.

Currently pending in the Senate is the Package 4 of the CTRP (HB No. 4339 or the PIFITA) a proposed tax reform measure which aims to: (1) adopt a single gross receipts tax (**GRT**) of 5% imposed on banks, quasi-banks, and certain financial intermediaries; (2) harmonize business taxes on financial intermediaries; and (3) rationalize documentary stamp tax (**DST**) rates. However, before HB No. 4339 can become effective, it must be considered and approved by the Senate.

Also pending in the Senate is SB No. 2865 or the **CMEPA**, which was carved out from the original PIFITA proposal. The CMEPA seeks to enhance capital markets, improve investment competitiveness, and equalize the tax treatment of debt and stock securities. Notably, it proposes reducing the stock transfer tax on listed shares from 0.60% to 0.10% and removing the preferential tax treatment of nonresidents transacting with FCDUs. On 5 January 2024, President Marcos signed into law RA No. 11976 or the Ease of Paying Taxes Act (**EOPTA**). The EOPTA provides for amendments to the Tax Code relating to the filing and payment of taxes, shifting the value-added tax base for sale of services and use or lease of properties, from gross receipts to gross sales, and creation of new classifications of taxpayers depending on gross sales, among others.

The BIR issued Revenue Regulations No. 03-2025, setting the implementing rules for Republic Act No. 12023, otherwise known as the VAT on Digital Services Law, which imposes a 12% value-added tax (**VAT**) on digital services and goods consumed in the Philippines. Covered transactions include automated digital services and intangible digital goods, while exemptions apply to educational services, government-recognized institutions, and financial service providers. Non-resident digital service providers (**DSPs**) must comply with registration and reporting requirements, using specified exchange rate sources for foreign currency transactions.

BSP Regulations on Issuances of Securities

Additional Requirements for the Issuance of Bonds and Commercial Papers

On 09 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial papers without prior BSP approval, provided that the following conditions are met:

1. the bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3";

2. the bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;

3. the bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and

4. the bonds issued are enrolled and/or traded in a market which is organised in accordance with the SEC rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or -controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, must be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

Amendments to Existing Requirements for Issuances of Bank Securities

On 26 November 2019, the BSP issued Circular No. 1062 amending the provisions of the BSP MORB to relax certain requirements on the issuance of Long-Term Negotiable Certificates of Time Deposit, Bonds and Commercial Papers. Under the amendments, a universal bank or commercial bank that is a related party of the issuing bank, may serve as the underwriter or arranger of the issuance, subject to the following conditions:

(a) that there are other third party underwriters or arrangers that are not related in any manner to the issuing bank;

(b) that the objective conduct of the due diligence review is not undermined; and

(c) that the appropriate safeguards and controls as provided under Section 136 of the BSP MORB on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

Further, the underwriter or arranger that is a related party of the issuing bank may be a holder of the bonds or commercial papers, provided that it is part of the underwriting agreement.

Moratorium on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs)

BSP Circular No. 1059 dated 15 November 2019 amended the Manual imposing an indefinite moratorium on the issuance of LTNCTDs beginning 01 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.

Other Laws and Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

The Philippine Deposit Insurance Act, as amended. The PDIC through Republic Act No. 3591, as amended, has the authority to insure the deposits of all banks which are entitled to the benefits of insurance and impose penalties against those who engage in unsafe and unsound banking practices. The PDIC is mandated to provide deposit insurance coverage for the depositing public to help promote public confidence and stability in the economy. Its most recent amendment took effect on 20 July 2022. The amendment attaches the PDIC to the BSP for policy and program coordination, optimizing regulatory coordination efficiency. Further, the PDIC may now adjust the maximum deposit insurance coverage without need of legislation. Effective 15 March 2025, the maximum deposit insurance coverage provided by the PDIC will increase to ₱1 million per depositor, per bank.

*Guidelines for Virtual Asset Service Providers (**VASP**) in the Philippines.* On 26 January 2021, the BSP issued Circular No. 1108, relating to the Guidelines for Virtual Asset Service Providers (VASP) in the Philippines, which amends in its entirety Section 902-N of the Manual of Regulations for Non-Bank Financial Institutions (**MORNBFI**). In particular, Section 902-N on Virtual Currency Exchanges shall be replaced by VASP, as the BSP recognizes that once fiat currency is exchange or converted into a virtual asset, the same becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. As such, VASPs were considered as money service businesses which were subject to the regulatory authority and examination powers of the BSP. Under said guidelines, the covered entities are required to secure a Certificate of Authority to operate as a Money Service Business and are required to observe the capitalization requirements of either ₱50.0 Million or ₱10.0 Million, for VASPs with or without safekeeping and/or administration services aa define in said Circular, respectively.

Ceiling on Interest or Finance Charges for Credit Card Receivables. On 24 September 2020, the BSP issued Circular No. 1098 which provides for a ceiling on annual interest rates of 24%, except credit card instalment loans which shall be subject to a monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing 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 ₱200 per transaction. Further, the rate of interest 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 instalment purchases and the maximum processing fee for credit card cash advances.

Sustainable Finance Framework. On 29 April 2020, the BSP issued Circular No. 1085 relating to the Sustainable Finance Framework that sets out the expectations of the BSP on the integration of sustainability principles, including those covering environmental and social (**E&S**) risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of banks. Pursuant to said guidelines, the Framework shall apply to all banks, and branches of foreign banks may adopt the relevant policies and strategies of their Head Office, which are consistent with the applicable provisions in Circular. Banks were provided three (3) years from the effectivity of the Circular to fully comply with the same. On 21 October 2021, the Monetary Board approved the guidelines that shall govern the integration of E&S risks in the enterprise-wide risk management frameworks of banks that shall amend the provisions of the Sustainable Finance Framework. Pursuant to BSP Circular No. 1128, banks shall consider E&S risks in defining credit risk strategy and shall integrate E&S risks in operational risk management framework.

Regulations Governing the Derivatives Activities of Banks. In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, Circular No. 594 was issued by the BSP in 08 January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk-weighted assets for banks that will engage in derivatives activities as end users for hedging purposes and/or under limited-use authority. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations.

The BSP also issued Circular No. 891 on 09 November 2015 amending the sales and marketing guidelines for derivatives under the Manual. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitisation structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees.

In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives are subject to margin requirements pursuant to the policy framework adopted by the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in times of distress. Variation margin requirements were phased in from 01 September 2016 to 01 March 2017, while initial margin requirements are being phased in from 01 September 2016 to 01 September 2020.

Amendments to UITFs Regulations. On 3 September 2004, the BSP issued Circular No. 447 (as amended by BSP Circular No. 675 dated 22 December 2009) which provided guidelines for the launching and offering of new products to be known as unit investment trust funds (**UITFs**), and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in Pesos or any acceptable currency that are to be operated and administered by trust entities and made available by participation. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organised exchange, loans traded in an organised market and such other tradable instruments as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued Circular No. 593 to improve risk disclosure on investing in UITFs, to require banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in and to update client's profile at least every three years. In December 2009, the BSP issued Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued Circular No. 767 to include investments by UITFs in units or shares in collective investment schemes as an allowable investment and recognising UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the key information and investment disclosure statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued Circular 907 to amend certain exposure limits and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (i.e., target fund, exchange traded fund), subject to target fund not being structured nor similarly structured as a feeder fund or fund-of-funds.

Exemption of Paired ROP Warrants from Capital Charge for Market Risk. In connection with the Government's Paired Warrants Program, the BSP issued Circular No. 605 in 5 March 2008 exempting warrants paired with Government bonds from capital charges for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50% of total qualifying capital.

Guidelines on Securities Borrowing and Lending Transactions. Guidelines by the PSE on securities borrowing and lending govern securities borrowing and lending transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008 provides guidelines on securities borrowing and lending transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors and lenders. In May 2008, the Monetary Board authorised the issuance of BSP Registration documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from securities borrowing and lending transactions, i.e. rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso-denominated Government securities and PSE-listed shares used as collateral.

Reclassification of Financial Assets between Categories. The BSP issued Circular No. 628 dated 31 October 2008, amending Circular No. 626 dated 23 October 2008 and Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial institutions are allowed to reclassify all or a portion of their financial assets from "held for trading" or "available for sale" categories to the "available for sale" or "held to maturity" or "unquoted debt securities classified as loans" categories effective 01 July 2008 Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made.

Valuations of Government Securities Held by Banks. In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed deals is used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids are used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP-approved guidelines is used.

Segregation of Customer Funds and Securities Received by Banks. On 14 August 2015, the BSP issued Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.

Creation of Personal Management Trust. On 18 August 2016, the BSP issued Circular No. 920 allowing for the creation of the personal management trust (**PMT**), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual's financial affairs. Upon the effectivity of the circular, all living trust accounts (**LTAs**) were discontinued and all those that remained valid were automatically considered as PMT.

Clearing of Checks via Electronic Presentment. On 7 September 2016, the BSP issued Circular No. 924, amending the Manual in view of the clearing of checks via electronic presentment, which is implemented by the Philippine Clearing House Corporation (**PCHC**). On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information are required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

Effective Reporting System Generation and Timely Submission of Reports. On 26 June 2017, the BSP amended the Manual through Circular No. 963, series of 2017, which issuance instituted governance processes in accordance with the BSP's expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.

Guidelines on the Adoption of PFRS 9. On 14 August 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:

5. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries is required to be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries will be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures will be accounted for using the equity method in accordance with the provisions of PAS 28.

1. In preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, is required to be accounted for using the equity method as described in PAS 28.

Banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP MORB.

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 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.

Marking to market of financial instruments. BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 required to be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission.

Enhanced Guidelines in Information Security Management. On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e., identify, prevent, detect, respond, recover and test phases). The new guidelines also recognise that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: "Complex", "Moderate" and "Simple" to provide greater flexibility in complying with the requirements.

Technology and Cyber-Risk Reporting and Notification Requirements. On 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI’s technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.

Basic Deposit Accounts. BSP Circular No. 992, issued on 01 February 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement. On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least 1% of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least 1% of the book value of the total investment management assets, and at no time less than ₱500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorised to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 15 February 2019, the BSP issued Circular No. 1032 amending the guidelines on the basic security deposit requirement. The circular provided that the trustee or fiduciary/investment manager shall ensure compliance with the required basic security deposit. Any deficiency must be corrected through the immediate posting of additional securities. Trustees or fiduciary/investment managers shall submit quarterly reports on compliance with the basic security deposit requirement and report on the basic security deposit transactions.

Amendments to the FX Manual. On 5 February 2019, the BSP issued Circular No. 1030, which amended provisions of the Manual of Regulations on Foreign Exchange Transactions in furtherance of the BSP’s aim of liberalising the regulations applicable to (among others) inward investments. The issuance expanded the scope of the categories of inward foreign investments such that the presence of control and significant degree of influence between the investor and the investee firm is considered for certain types of investments to be categorised as direct investment or portfolio investment. It also established a grace period to register existing investments that are unregistered as of the effectivity date of the issuance. On 11 April 2024, the Monetary Board approved amendments to the Manual of Regulations on Foreign Exchange Transactions (**FX Manual**) to facilitate access to FX resources and streamline procedures. The amendments under BSP Circular No. 1192 includes, among others: (a) the clarification that applications and registration of foreign/foreign currency loans/borrowings, inward investments and other FX transactions filed with the BSP shall be free of charge; (b) the grant of authority to authorised agent banks and authorised agent bank forex corporations (AABs) to sell FX to non-resident tourists and balikbayan to the extent of the amount of FX shown to have been sold for Pesos by the non-residents to AABs; and (c) allowing foreign investments registerable with registering AABs (e.g., non-resident investments in government securities, securities listed at the Philippine Stock Exchange) to be registered upon reporting by the registering authorised agent bank to the BSP, subject to compliance with the applicable guidelines under FX Manual; (d) dispensing with the issuance of the Bangko Sentral Registration Document (**BSRD**) for the aforesaid foreign investments registered with the BSP through the registering AABs; and (e) streamlining the reporting forms/procedures pertaining to these foreign investments.

Revised Framework on the Selection of External Auditors. On 20 May 2019, the BSP issued Circular No. 1040, which revised the framework on selection of external auditors for BSP Supervised Financial Institutions in accordance with the cooperative arrangement among the BSP, SEC, Insurance Commission and the PDIC.

*Reserves against trust and other fiduciary accounts (**TOFA**).* BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA -others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (**PERA**); (13) legislated and quasi-judicial trust; and (l4) specialised institutional accounts under trust.

*Guidelines on the Management of Interest Rate Risk in the Banking Book (**IRRBB**) and Market Risk Management.* BSP Circular No. 1044 dated 6 August 2019 approved the adoption of guidelines for managing IRRBB and amendments to the guidelines on market risk management. Under the circular, all banks and quasi- banks must adequately identify their IRRBB exposures, take appropriate steps to measure, monitor and control the risk, and ensure that the IRRBB management system is integrated into the overall risk management framework and strategic business planning process. The circular also requires active board and senior management oversight. The BSP will evaluate the adequacy and effectiveness of the IRRBB management framework, taking into account the size, complexity and nature of a bank or quasi-bank's business.

*Currency Rate Risk Protection program (**CRPP Facility**) and the Implementing Guidelines*. On 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable U.S. dollar/Peso forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorised Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in Pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the U.S. dollar, the CRPP contract shall be denominated in U.S. dollar equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including wilful delay in the submission, non-submission and/or wilful making of a false or misleading statement in the notarised certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.

Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/Quasi-Banks Affected by Calamities. On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/quasi-banks affected by calamities. Under the framework, banks/quasi-banks may avail of the regulatory relief packages, including the provision of financial assistance to officers who are affected by the calamity even in the absence of BSP approved purposes, for a period of one year from the date of declaration of state of calamity.

Circular 1067 dated 13 December 2019 approved the minimum disclosure requirements on IRRBB and required the following disclosures in the bank's annual reports:

(a) A description of how the bank defines IRRBB for purposes of risk control and measurement;
(b) A description of the bank's overall IRRBB management and mitigation strategies;
(c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB;
(d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and/or in earnings;
(e) A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment; and
(f) A high-level description of key modelling and parametric assumptions used in IRRBB measurement.

Guidelines on Voluntary Surrender of a Banking License. BSP Circular No. 1050 dated 18 September 2019 amended the rules on voluntary liquidation in the Manual by formulating guidelines in the event that a bank decides to surrender its banking license either with a view to proceed to voluntary dissolution and liquidation or with the intention to convert into a non-bank entity. The circular lays down the criteria that the BSP must consider in deciding whether to approve the surrender of a bank's banking license. The circular also outlines the application procedure for the cessation of a bank's operations and the documents that the bank must submit to the BSP in support of its application. Once the bank has received notice of the BSP's approval of its voluntary surrender of its banking license, the bank shall immediately cease its operations.

Amendments to the Prudential Requirements and Guidelines on the Public Offering and Listing of Bank Shares for Universal Banks. On 15 November 2019, Circular No. 1060 was issued amending the prudential requirements on the public offering and listing of bank shares for universal banks. The amendments are aimed at supplementing the enhanced corporate governance frameworks of the BSP by encouraging dispersed shareholdings on banks.

Amendments to the Regulations on Investment Management Activities. The BSP issued Circular No. 1109 Series of 2021, which reduced the minimum size of an account under investment management. It further allows the commingling of funds subject to certain conditions and expanded the securities eligible under as investment outlet for commingled funds. Previously, the minimum size of an investment management account was ₱1.0 million. Under the Circular, BSP-Supervised Financial Institutions (**BSFIs**) may determine the minimum amount that should be maintained by a client in an investment management account (**IMA**), which shall be at least ₱100,000.00. Moreover, prior to this Circular, commingling of IMAs was not allowed except for the purpose of investing in government securities or in duly registered commercial papers. Under the Circular, funds from IMAs may be commingled subject to the following conditions:

a. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.00;

b. The commingled funds shall only be invested in (i) securities directly issued by the Philippine National Government, (ii) exchange-traded equities and fixed income securities and commercial papers registered with the SEC, (iii) securities issued by banks incorporated in the Philippines, except those issued through the trust units, or (iv) securities issued by other sovereigns that are exempt from registration under Section 9(b) of the Securities Regulation Code;

c. The commingling of funds and the manner of termination of the same shall be specifically agreed in writing by the clients. The investment manager should ensure that the agreement to commingle funds with other IMAs is legally binding and enforceable. Furthermore, the risks associated with commingling of funds, such as market liquidity risk, shall be fully disclosed to the clients;

d. The investment manager shall determine that it possesses the operational capability to manage the accounts participating in commingled funds. In doing so, the investment manager shall undertake an assessment taking the following into consideration: (i) sufficiency of personnel handling commingled IMAs; (ii) capability of existing systems to accurately and readily identify the allocation of each investor in a commingled fund and generate the following information on a per IMA basis, at a minimum: accruals, coupons received, dividends received, market-to-market gains or losses and required reports; and (iii) ability to conduct periodic reconciliation of relevant records; and

e. The maximum number of IMAs that can be commingled into one fund shall be determined by the investment manager based on its own operational capability to commingle IMAs.

Amendments to the Rules on Cross-Border Transfer of Local and Foreign Currencies. The BSP issued Circular No. 1146 Series of 2022 which allows a person to import or export, or bring into or take out of the Philippines, or electronically transfer legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in peso against banks operating in the Philippines in an amount not exceeding ₱50,000.00 without prior authorization by the BSP. In excess of such ₱50,000.00 limit, a prior written authorization from the BSP is required. In case of physical cross-border transfer of Philippine currency, there must be a declaration of the whole amount brought into or taken out of the Philippines. For foreign currency, a person who brings into or takes out of the Philippines foreign currency or other foreign-currency denominated bearer monetary instruments in excess of $10,000.00 or its equivalent must declare the whole amount brought into or taken out of the Philippines.

*Report on Intraday Liquidity of Universal and Commercial Banks (**UBs/KBs**) and their Subsidiary Banks/Quasi-Banks (**QBs**).* On 3 December 2019, Circular No. 1064 was issued amending the Manual to implement and adopt the report on intraday liquidity for universal banks and their subsidiary thrift banks/quasi-banks. The report is aimed at appropriately monitoring the intraday liquidity position of BSP supervised financial institutions, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The reporting requirements are also intended to facilitate the sound management of intraday liquidity risk as well as provide sufficient understanding and allocation of resources to effectively manage the same.

Amendments to Regulations on Financial Audit of Banks. On 7 February 2020, Circular No. 1074 was issued amending regulations on the financial audit of BSP supervised financial institutions which aim to enhance the quality of information channelled to the supervisory process and ultimately promote fairness, transparency, and accuracy in financial reporting. Amendments pertain to changes in prescribed formats of statements in the financial statements, changes in deadline of report submissions to the BSP, new and amended disclosure requirements to the financial statements, among others.

Guidelines on Reputational Risk Management. On 16 April 2021, the BSP issued Circular No. 1114 which sets out the guidelines on the supervising expectations and minimum prudential requirements in managing reputational risk. BSFIs shall comply with the standards within a period of one year from the effectivity of this issuance.

Expansion of Eligible Participants for Monetary Operations and for BSP Securities in the Secondary Market. On 23 November 2021, the BSP issued Circular No. 1130 to operationalise the inclusion of digital banks as eligible participants for the BSP's monetary operations and of trust entities as eligible participants of BSP Securities in the secondary market.

Maharlika Investment Fund Act of 2023. On 18 July 2023, RA No. 11954 was enacted which provides that for the first and second fiscal years upon effectivity of the law, 100% of the BSP's total declared dividends will be remitted to the National Government for the capitalisation of the Maharlika Investment Corporation (**MIC**), in the amount not exceeding ₱50,000,000,000.00 for the initial subscription of the National Government to the capitalisation of the MIC. Thereafter, the dividends of the BSP shall be remitted to the National Government to fund the increase in the capitalisation of the BSP.

Guidelines on Disclosure to the Public. On 21 December 2023, the BSP issued Circular No. 1186, Series of 2023 amending Section 175 of the MORB on public disclosures. Under this issuance, domestic banks have the option to publish their quarterly balance sheets and consolidated balance sheets in printed or online versions of newspapers of general circulation or upload them on their website and share for a period of at least one year. In addition, the banks may also display a tabletop standee with QR codes in a conspicuous place at their head offices, all their branches, and other offices, or through digital/electronic means. Each bank's board of directors is given the duty to ensure that information shared with the public is supported by an effective internal control structure, has undergone review and approval, and is compliant with the process and quality of reporting required under Section 171 of the MORB.

Creation of Manual of Regulations for Payment Systems. On 18 January 2024, the BSP issued Circular No. 1191, Series of 2024, creating the Manual of Regulations for Payment Systems (**MORPS**). This issuance consolidates regulations governing payment systems, providing a comprehensive framework to ensure their safety, efficiency, and reliability. It outlines the responsibilities of payment system operators, including risk management, consumer protection, and compliance with regulatory requirements. The MORPS aims to enhance the oversight and supervision of payment systems, aligning with international best practices and promoting the integrity and stability of the financial system.

*Consumer Redress Mechanism Standards for Account-to-Account Electronic Fund Transfers under the National Retail Payment System Framewor*k. On 1 June 2024, the BSP issued Circular No. 1195, establishing the Consumer Redress Mechanism Standards for account-to-account electronic fund transfers (**EFTs**) under the National Retail Payment System (**NRPS**) Framework. This Circular mandates all BSP-supervised institutions offering EFTs to provide timely recourse mechanisms for consumer issues, ensuring immediate credit within 2-3 seconds for instant EFTs and refunds within one hour for rejected transactions. It covers all domestic EFTs, including Person-to-Person (**P2P**), Person-to-Merchant (**P2M**), and Person-to-Biller (**P2B**) payments but excludes product/service delivery disputes. The Circular also details the requirements for EFT notifications, return of funds, collection, and return of EFT fees, and communication during service disruptions. Compliance is required by 31 December 2024, aiming to enhance trust in digital payments.

Amendments to foreign exchange regulations covering reporting guidelines and penalty provisions: On 17 July 2024, the BSP issued Circular No. 1197, introducing stricter penalties and new reporting guidelines for FX transactions. Banks can now face fines up to ₱1 million per transactional violation and ₱100,000 per day for ongoing violations. The guidelines define non-compliant reports as erroneous, delayed, or unsubmitted, with fines based on the classification of reports. The Circular also outlines the notification process for violations and appeals. These measures aim to ensure timely reporting, accountability, and protect the value of the Peso. Compliance with Circular No. 1197 is required by 31 December 2024.

PHILIPPINE 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 Notes. 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 Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. 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 Notes 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 Notes are advised to consult their own tax **advisors** as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any **national** or local taxes, under the tax laws **or regulations relevant thereto, and** 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 Notes. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended (**Tax Code**), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, 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 tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective Holder 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 Notes.

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.

The TRAIN Law, effective 01 January 2018, amended various provisions of the Tax Code, as amended, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor’s tax, and documentary stamp tax.

The CREATE Law, effective 11 April 2021 (with effective dates on specific provisions), included the salient provisions as follows: (1) reduction of regular corporate income tax rate from 30% to 25% (or 20% for corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 excluding land on which the office, plant, and equipment are situated) effective 01 July 2020; (2) reduction of minimum corporate income tax rate from 2% to 1% for 01 July 2020 until 30 June 2023, thereafter, the rate will revert to 2%; (3) repeal of improperly accumulated earnings tax (**IAET**).

On November 2022, the proposed fourth package of the CTRP through HB No. 4339 was approved by the House on its third and final reading under the 19th Congress as part of the Marcos administration’s Medium Term Fiscal Framework (**MTFF**). HB No. 4339 introduces reforms to the taxation of passive income, financial intermediaries, and financial transactions. However, before HB No. 4339 can become effective, it must be considered and approved by the Senate.

SB No. 2865 or the CMEPA was later introduced as a narrower version of the proposed reforms. Focused on enhancing capital markets and investment competitiveness, CMEPA includes key tax reductions, such as lowering the stock transaction tax from 0.6% to 0.1% and aligning dividend tax rates for non-resident aliens.

On 22 January 2024, Republic Act No. 11976 or the EOPTA was enacted. The EOPTA introduced administrative tax reforms aimed at modernizing tax administration, improving efficiency, and ensuring fair treatment of taxpayers, among others. The EOPTA requires the digitalization of Bureau of Internal Revenue services, such as the adoption of an integrated and automated system for basic tax services and setting up of electronic and online systems for data exchange. The EOPTA amends certain provisions of the Tax Code covering income tax, value-add tax, other percentage taxes, and tax compliance. The EOPTA now mandates all VAT-registered persons, whether engaged in the sale of goods or properties or sale of services, to issue a VAT invoice. VAT-registered persons who are engaged in the sale of services or lease of property are no longer required to issue a VAT official receipt. The relevant rules and regulations implementing the EOPTA took effect on 27 April 2024.

The CREATE MORE Law, which took effect on 28 November 2024, provides for further amendments regarding corporate income tax rates by giving registered business enterprises the option to choose between the special corporate income tax rate of 5% or the enhanced deduction regime at the beginning of their commercial operations. The enhanced deduction regime allows registered business enterprises to avail themselves of the 20% corporate income tax rate from registered projects or activities during each taxable year. Other amendments in the law include the increase in percentage of deductible expense items under the enhanced deduction regime, and the addition of new deductible expense items.

Documentary Stamp Taxes

Under the TRAIN Law a documentary stamp tax is imposed upon every original issue of debt instruments such as bonds and commercial papers, 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 Notes if there is no change in the maturity date or remaining term of the Notes.

Interest on the Notes

The Tax Code defines "deposit substitutes" as an alternative form of obtaining funds from the public, other than 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 Notes 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 Notes 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 corporations	25%

The aforementioned final withholding tax rates applicable to non-resident aliens not doing business in the Philippines and non-resident foreign corporations may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Holder. 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.

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

Tax Exempt Status

Holders 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 Holder 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: (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) and (2) cooperatives duly registered with the Cooperative Development Authority – 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; (b) For Holders claiming tax exemption under BIR-approved employees' trusts contemplated under Section 60(B) of the Tax Code– certified true copy of the Certificate of Qualification as a Reasonable Employee's Retirement Benefit Plan. For this purpose, such tax exemption certificate shall be deemed valid until revoked by the BIR; (c) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Holder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; (d) 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; (e) For entities claiming tax treaty relief pursuant to RMO 14-2021, prior to the payment of interest due: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Holder or, if the Holder is a fiscally transparent entity, each of the Holder'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 Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder'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 Holder or the Holder'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 Holder or the Holder'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 (5) an original or certified true copy of the Certificate of Entitlement (**COE**) issued by the BIR International Tax Affairs Division (**ITAD**) certifying the Holder entitlement to tax treaty relief in connection with the Notes. The Holder 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 Holder, 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 Holder 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 Holder 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 Holder fails to provide the updated TRC within the prescribed deadline; and (f) Any other document that the Bank or PDTC may require from time to time; (ii) a duly notarized declaration and undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Notes for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Notes pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Holder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, 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 of the required tax; and (iii) if applicable, 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; provided further that, all sums payable by the Bank to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Register of Holders after the Notes 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 Holder 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 Holder 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 Notes in the Philippines, equivalent to the gross selling price less the acquisition cost of the Notes sold, shall be subject to value-added tax of 12%.

"Dealer in securities" as defined under Section 20 (U) of the NIRC, 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:

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%

In case the maturity period is shortened through pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.

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

Sale or other Disposition of the Notes

Income Tax

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

If the Notes are considered ordinary assets of individual Holders (except non-resident aliens not doing business in the Philippines), gains from the sale or disposition of such Notes are included in the computation of taxable income, which is subject to the following graduated tax rates effective 01 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 doing business in the Philippines, the gain shall be subject to the 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.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Notes are included in the computation of taxable income which is subject to 25% income tax (or 20% for domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed). Gains derived by non-resident foreign corporations on the sale or other disposition of the Notes 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.

Capital Gains Tax

If the Notes are considered as capital assets of individual Holders, gains from the sale or disposition of such Notes shall be subject to the same rates of income tax as if the Notes were held as ordinary assets, except that if the gain is realized by an individual who held the Notes 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 Notes 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.

Estate and Donor's Tax

The Notes 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 Notes 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 Notes 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 donor's taxes will not be collected in respect of intangible personal property such as the Notes (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 Notes 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 Notes should consult its own tax advisor as to the particular tax consequences on such holder acquiring, owning and disposing of the Notes, including the applicability and effect of any state, local and national laws.

SUMMARY OF OFFER PROCEDURE

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular, the relevant Pricing Supplement, and the Agreements regarding the issuance, maintenance, servicing, trading, and settlement of the Notes. Prospective investors should read this entire Offering Circular, the relevant Pricing Supplement, and the Agreements fully and carefully. In case of any inconsistency between this summary and the more detailed information in this Offering Circular, the relevant Pricing Supplement, or the Agreements, then the more detailed portions and/or the Agreements, as the case may be, shall at all times prevail.

Offering Period Procedure

Pursuant to the Master Registry and Paying Agency Agreement and the relevant Issue Management and Placement Agreement for each Tranche, entered into by the Bank with the relevant counterparties, the Notes shall be offered for sale through the Selling Agents during the Offer Period.

The Offer Period

During the relevant Offer Period of each Series or Tranche of the Notes, the Bank, the Joint Lead Arrangers and Selling Agents shall solicit subscriptions for the Notes. There shall be no limitation on the amount of Notes that an Applicant may apply for. Each interested investor (an **Applicant**) will be required to execute an Application to Purchase in three copies and return the completed Applications to Purchase to the Bank or the relevant Selling Agent, as the case may be (with one duplicate to be provided to the Applicant).

Applications to Purchase must be accompanied by payment for the Notes applied for. Payment may be in the form of checks made out to the order of BPI as set out in the relevant Pricing Supplement, debit instructions or other instructions acceptable to the Bank or the relevant Selling Agents, and must cover the entire purchase price. Each of the Bank and the Selling Agents shall determine its own settlement procedure for its Applicants. Each of the Bank and the Selling Agents shall hold the purchase price received from their respective Applicants as deposit for the purchase of the Notes.

Each of the Bank and the Selling Agents shall prepare a Schedule of Applications to Purchase (the **Applications Schedule**), which sets out the aggregate amount of Notes applied for by their respective Applicants and summarizes the details of the latter. Each of the Bank and the Selling Agents shall deliver their Applications Schedule (together with a copy of each of the completed Applications to Purchase) to the Joint Lead Arrangers no later than 5:00 p.m. of the last day of the Offer Period.

Allocation Period

Based on the aggregate amount of Notes applied for, the Bank and the Joint Lead Arrangers shall consult with each other and agree on the total size of the issue.

Each of the Joint Lead Arrangers and Selling Agents may, at its discretion, reject any Application to Purchase. In addition, if the Notes are insufficient to accommodate all Applications to Purchase (or in any other case where the Bank and the Joint Lead Arrangers agree that a reduction in size is needed), each of the Joint Lead Arrangers and Selling Agents may, in consultation with the Bank, allocate the Notes among the Bank and the Selling Agents by accepting or reducing the aggregate amount of Notes covered by each Applications Schedule as the Joint Lead Arrangers and the Bank may mutually determine. The Joint Lead Arrangers, in consultation with the Bank, shall prepare a report which summarizes the total amount of Applications to Purchase accepted and the final allocation of Notes among the Bank and the various Selling Agents (the **Allocation Report** or, if the electronic-Notes Issue Portal (**e-SIP**) of the PDS Group shall be used, the **Final Allocation** which must be submitted to the Registrar through e-SIP) and provide the Registrar and the Selling Agents with a copy thereof by 5:00 p.m. on the second Banking Day following the end of the Offer Period.

Each of the Bank and the Selling Agents shall implement the allocation set out in the Allocation Report and establish its own policies and procedures regarding the allocation of Notes among their respective Applicants. The Bank, in its capacity as Selling Agent, and Selling Agents shall then accept the corresponding Applications to Purchase, prepare a schedule of purchase advices (each a **Sales Report**) which summarizes the allocations made among the various Applicants, and execute and issue Purchase Advices in accordance with the Sales Report to the corresponding Applicants. The Bank and Selling Agents shall: (a) deliver the Sales Report to the Registry and

Paying Agent no later than 5:00 p.m. of the third Banking Day (or, if e-SIP shall be used, no later than 9:00 a.m. of the first Banking Day) immediately preceding the Issue Date; and (b) deliver the executed Application to Purchase to the Registry and Paying Agent no later than 5:00 p.m. of the third Banking Day immediately preceding the Issue Date. (or, if e-SIP shall be used, shall be retained by the Selling Agent).

Issue Date

On the Issue Date, the Bank shall issue Notes with the aggregate Issue Price set out in the Allocation Report and complete and execute the Tranche Certificate (indicating therein the Issue Date and Interest Rate), and deliver such executed Tranche Certificate to the Trustee with a certified true copy to the Registrar. The Issue Date is indicative and may be adjusted at the determination of the Bank (following consultation with the Arranger) if necessary to achieve an orderly settlement with investors of the Notes.

The Registrar and Paying Agent shall record the initial issuance of the Notes in the Registry and thereafter issue and distribute the relevant Registry Confirmation to the Holders in accordance with the Sales Report issued by the Selling Agents.

The Bank and the Selling Agents shall refund any payments made by Applicants whose Applications were rejected or reduced, in full (in case of rejection) or in a proportionate sum (in case of reduction), in each case, without interest.

Method of Distribution

The Notes are being issued pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. M-2020-001, BSP Circular 1149 (Series of 2022), and other related circulars and issuances of the BSP (the **BSP Rules**). The issuance of the Notes is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

The Notes are being issued by the Bank with the Joint Lead Arrangers and Selling Agents and Philippine Depository & Trust Corp. as Registrar and Paying Agent.

No action has been or will be taken by the Bank, the Joint Lead Arrangers or the Selling Agents in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Notes, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers and Selling Agents are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Notes and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers and Selling Agents in connection therewith. Each of the Joint Lead Arrangers is authorized to operate as an investment house in the Philippines, is well capitalized and has adequate risk management. Except for BPI Capital Corporation, the Joint Lead Arrangers are third-parties in relation to the Bank, such that, (i) it has no subsidiary/affiliate relationship with the Bank; and (ii) it is not related in any manner to the Bank as would undermine the objective conduct of due diligence on the Bank. BPI Capital Corporation is a wholly owned subsidiary of the Bank; nevertheless, the objective conduct of its due diligence review was not undermined. Further, the appropriate safeguards and controls as provided under Section 136 of the MORB on related party transactions were observed.

The Registrar and Paying Agent and Trustee are likewise third-parties in relation to Bank, such that, (i) they have no subsidiary/affiliate relationship with Bank; (ii) they are not related in any manner to Bank as would undermine their independence.

The Notes are newly issued securities for which there currently is no market. A market maker will be appointed for the relevant Tranches and Series (**Market Maker**). The Market Maker will provide live bids good for the minimum denomination under the General Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEx Trading Rules, Conventions, and Guidelines. The Market Maker is not obligated to make a market for the Notes. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

The Joint Lead Arrangers and Selling Agents and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Arrangers and Selling Agents (including BPI Capital Corporation subject to compliance with relevant BSP Rules) or their respective affiliates may purchase the Notes for their own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, the Joint Lead Arrangers and Selling Agents or their respective affiliates may hold long or short positions relating to the Notes. The Joint Lead Arrangers and Selling Agents or their respective affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Bank or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each of the Joint Lead Arrangers and Selling Agents or their respective affiliates may, from time to time after completion of the offering of the Notes, engage in other transactions with, and perform services for, the Bank or its affiliates in the ordinary course of their business. The Joint Lead Arrangers and Selling Agents or their respective affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. While the Joint Lead Arrangers and Selling Agents and their respective affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Joint Lead Arrangers and Selling Agents or their respective affiliates or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. The Joint Lead Arrangers and Selling Agents may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

Applications to Purchase the Notes during the Offer Period

Applicants may purchase the Notes during the Offer Period by submitting fully and duly accomplished Applications to Purchase the Notes, in triplicate together with all the required attachments and the corresponding payments to the Selling Agents from whom such application was obtained no later than 5:00 p.m. of the last day of the Offer Period. Applications received after said date or without the required attachments will be rejected. The Bank and Joint Lead Arrangers reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

a. Copies of valid identification documents of the Applicant.

Any one (1) of the following valid identification documents bearing a signature and recent photo, and which is not expired: Passport, Driver's License, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, and company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or IC.;

b. Two (2) duly accomplished signature cards in the form attached to the application, containing the specimen signature of the Applicant, validated / signed by the Selling Agent's authorized signatory/ies, whose authority/ies and specimen signatures have been submitted to the Registrar;

c. Taxpayer Identification ID; and

d. Such other documents as may be reasonably required by the Selling Agents or the Registrar in implementation of its internal policies regarding "know your customer" and anti-money laundering.

If the Applicant is a corporation, partnership, trust, association or institution, the following documents must also be submitted:

a. An original notarized Certificate of the Corporate Secretary or an equivalent officer of the Applicant setting forth resolutions of the Applicant's Board of Directors, partners, or other equivalent body authorizing the purchase of the Notes and designating the signatories, with their specimen signatures, for the said purposes;

b. Copies of its Articles of Incorporation and By-laws and latest amendments thereof, together with the Certificate of Incorporation issued by the Notes and Exchange Commission (**SEC**) or equivalent government institution, stamped and signed as certified as true copies by such government institution or by the Applicant's Corporate Secretary, or by an equivalent officer/s who is/are authorized signatory/ies;

c. Two (2) duly accomplished signature cards containing specimen signatures of the Applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer/s who is/are authorized signatory/ies, and further validated/signed by the Selling Agent's authorized signatory/ies whose authority/ies and specimen signatures have been submitted to the Registrar;

d. BIR certificate of registration showing the applicant's Taxpayer Identification Number;

e. identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and

f. Such other documents as may be reasonably required by the Selling Agents or the Registrar in implementation of its internal policies regarding "know your customer" and anti-money laundering.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit at least two sets of the following requirements to the Registrar, subject to acceptance by the Bank as being sufficient in form and substance: (i) proof of tax exemption or entitlement to preferential tax rates: (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) and (2) cooperatives duly registered with the Cooperative Development Authority – 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; (b) For Holders claiming tax exemption under BIR-approved employees' trusts contemplated under Section 60(B) of the Tax Code– certified true copy of the Certificate of Qualification as a Reasonable Employee's Retirement Benefit Plan. For this purpose, such tax exemption certificate shall be deemed valid until revoked by the BIR; (c) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Holder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; (d) 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; (e) With respect to tax treaty relief, (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Holder or, if the Holder is a fiscally transparent entity, each of the Holder 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 Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder'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 Holder or the Holder'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 Holder's or the Holder 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 (5) an original or certified true copy of the Certificate of Entitlement (**COE**) issued by the BIR International Tax Affairs Division (**ITAD**) certifying the Holder's entitlement to tax treaty relief in connection with the Notes. The Holder 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 Holder, 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 Holder 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 Holder 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 Holder fails to provide the updated TRC within the prescribed deadline; and (f) Any other document that the Bank or PDTC may require from time to time. Only the originals should be submitted to the

Bank, Joint Lead Arrangers, relevant Selling Agent, or the Registrar; (ii) a duly notarized declaration and undertaking (in the prescribed form and substance by the Bank) declaring and warranting that the same Holder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation or modification of its tax exemption or treaty privileges, and agreeing to indemnify and hold the Bank and the Registrar free and harmless against any claims, actions, suits, and liabilities, or any tax or charge resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities to and such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent; provided further that, all sums payable by the Bank to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Holder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar. Holder

Allocation and Issue of the Notes

Applications to Purchase the Notes shall be subject to the availability of the Notes and acceptance by the Bank. The Joint Lead Arrangers, in consultation with the Bank, reserve the right to accept, reject, scale down or reallocate any Application to Purchase the Notes applied for.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant Applications to Purchase. The acceptance of the Application to Purchase shall ipso facto convert such Application to Purchase into a purchase agreement between the Bank and the relevant Holder, subject to a cooling-off period (as defined below) if the Applicant is a natural person.

Within two (2) business days from submission of the duly executed Application to the Bank (the **Cooling-Off Period**), the Applicant, who is a natural person, is allowed to cancel, in whole or in part, the Application by providing the relevant Selling Agent within the same period a written notice of such decision to cancel the Application (the **Written Notice of Cancellation**) indicating in such written notice: (a) the amount of the Notes to be cancelled, (b) the amount of the Notes to be retained (so long as the same complies with the minimum denomination requirements under the Terms and Conditions), and (c) the reason for such cancellation. In case the Applicant provides the relevant Selling Agents with a Written Notice of Cancellation in the manner set forth above, the cancellation shall be without penalty but shall entitle the Bank and the Selling Agents to charge and collect reasonable amount of fees (including, but not limited to, processing and/or administrative fees plus any mark-to-market costs) incurred from the time of submission of the duly executed Application up to time of cancellation of the purchase of the Notes.

Upon confirmation by the Bank of acceptance of the relevant Applications and the respective amount of the Notes, the Registrar and Paying Agent shall issue the relevant registry confirmation (the **Registry Confirmation**) to successful applicants confirming the acceptance of their purchase of the Notes and consequent ownership thereof and stating the pertinent details including the amount accepted, with copies to the Bank.

The Registrar shall be entitled to rely solely on the Final Sales Reports submitted by the Selling Agents to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Holder, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase. Within seven (7) Business Days from the Issue Date, the Registrar shall release the Registry Confirmations to the Holders in the mode elected by the Holder as indicated in the Application to Purchase.

Transactions in the Secondary Market

All secondary trading of the Notes shall be coursed through the trading facilities of PDEx, as applicable, subject to the payment by the Holder of fees to the connection with trading on PDEx, and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and PDEx, including but not limited to the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Bank shall list the Notes in PDEx for secondary market trading. Upon listing of the Notes with PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. The secondary trading of the Notes in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. Transactions on the Notes on PDEx will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Notes as may be prescribed by the BSP.

The Notes will be in minimum denominations as may be provided in the applicable Pricing Supplement and Notes Certificate for each Series or tranche of Notes, or such other minimum denominations as may be prescribed or approved by the BSP. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Holder of the Notes will hold less than the minimum denomination as prescribed or approved by the BSP.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Notes, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Series or Tranche of the Notes or during the period when any of the Series or Tranche of Notes have been previously called for redemption.

The Registrar shall register any transfer of the Notes upon presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade- Related Transfer Form or Non-Trade Transfer Form as the case may be, by the relevant PDEx Trading Participant, substantially in the form agreed upon between DBP and the Registrar;

- Investor Registration Form duly accomplished by the transferee Holder and endorsed by the relevant PDEx Trading Participant, in the form agreed upon between DBP and the Registrar;

- Tax exempt/Treaty Documents, if applicable, in accordance with the General Terms and Conditions; and

- such other documents that may be required by the Registrar to be submitted by the transferee Holder in support of the transfer or assignment of the Notes in its favor.

Transfers of the Notes made in violation of the restrictions on transfer under the General Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Interest and Principal Payment

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Holder the amounts due under the Notes, net of taxes and fees (if any), by way of credits to the bank accounts identified by the Holder in the Applications to Purchase.

SUMMARY OF REGISTRY FEES

The Registry shall be entitled to charge the Holders and/or their counterparties fees as the Registry shall prescribe in line with the services that the Registry shall perform such as, but not limited to, the opening and maintaining of accounts, the maintenance of the records of the Holders in the Registry Book, the issuance, cancellation and replacement of any Registry Confirmation. The Registry will charge the following fees to the Holders:

Transfer Fees in the Secondary Trading:

1. Transfer Fee of ₱100.00 to be paid each by the transferring Holder and the buyer/transferee prior to the registration of any transfer of the Notes in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.0 per transfer shall be charged to the transferring Holder.

2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry

3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a Holder

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring Holder and the requesting party prior to the registration of any transfer of the Notes in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.

2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Holder:

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Holders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application of a certification request of holding.

2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Holder free of charge).

3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.

4. The fee for Special Reports varies depending on request. A report that is not available from back-up CD-ROMs and will thus require system personnel intervention to generate.

Other Fees charged to the Selling Agent/ Underwriter:

For every day of delay in the submission of the requirements enumerated in Section 2.4.3.1 to 2.4.3.5 of the Registry and Paying Agency Agreement, the Registrar shall charge the Selling Agent an administrative fee of ₱10,000.00.

INDEX TO THE FINANCIAL STATEMENTS

Audited consolidated financial statements as at 31 December 2024 and 2023 and for each of the three years in the period ended 31 December 2022, 2023, and 2024.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W - 1 2 1

Company Name

B A N K O F T H E P H I L I P P I N E I S L A N D S

Principal Office (No./Street/Barangay/City/Town/Province)

2 2 / F - 2 8 / F A Y A L A T R I A N G L E
G A R D E N S T O W E R 2 , P A S E O D E
R O X A S C O R . M A K A T I A V E . ,
B E L - A I R , M A K A T I C I T Y 1 2 2 6

Form Type	Department requiring the report	Secondary License Type, if applicable
A A F S	S E C	N A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number(s)	Mobile Number
corporate.secretary@bpi.com.ph	8663-6525	+639958726360

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
11,641	04/21	December 31

CONTACT PERSON INFORMATION
The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number(s)	Mobile Number
Eric Roberto M. Luchangco	emluchangco@bpi.com.ph	8663-6740	N/A

Contact Person's Address

Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

BPI

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Bank of the Philippine Islands (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

[redacted]

Jaime Augusto Zobel de Ayala
Chairman of the Board

[redacted]

Jose Teodoro K. Limcaoco
President and Chief Executive Officer

[redacted]

Eric Roberto M. Luchangco
Senior Vice President
and Chief Finance Officer

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this 14 MAR 2025, affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala	[redacted]	[redacted]	[redacted]
Jose Teodoro K. Limcaoco	[redacted]	[redacted]	[redacted]
Eric Roberto M. Luchangco	[redacted]	[redacted]	[redacted]

Doc. No. 290;
Page No. 59;
Book No. VI;
Series of 2025

ATTY. CESAR Y VERANO
NOTARY PUBLIC MAKATI CITY
APPOINTMENT NO: M-029
VALID UNTIL DECEMBER 31, 2025
ISSUED ON: DECEMBER 15, 2023
PTR NO.: MKT 10465510 / 01-02-2025 / MAKATI CITY
IBP NO.: 484720 ROLL NO 29024
MCLE COMPLIANCE NO.: VII-0023845
VALID UNTIL DECEMBER 31, 2025
OFFICE ADDRESS: #2735 G/F CARREON BLDG
ZENAIDA ST., BRGY. POBLACION MAKATI CITY

Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as at December 31, 2024 and 2023, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements comprise:

- the consolidated and parent statements of condition as at December 31, 2024 and 2023;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2024;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2024;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2024;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2024; and
- the notes to the consolidated and parent financial statements, comprising material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the BPI Group and the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated and parent financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and parent financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and parent financial statements as a whole, taking into account the structure of the BPI Group and the Parent Bank, the accounting processes and controls, and the industry in which the BPI Group and the Parent Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the impairment losses on loans and advances, which applies to both the BPI Group's and the Parent Bank's financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and advances	
We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the provision for loan impairment. The calculation of impairment losses is inherently judgmental for any bank. As at December 31, 2024, the total allowance for impairment for loans and advances amounted to PHP54,102 million for the BPI Group and PHP50,379 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP4,693 million for the BPI Group and PHP1,513 million for the Parent Bank. Refer to Notes 10 and 26 of the financial statements for the details of the impairment losses on loans and advances. Provision for impairment losses on loans that are assessed to be individually credit impaired is determined in reference to the estimated future cash repayments and proceeds from the realization of collateral held by the BPI Group and the Parent Bank. For other loan accounts which are not individually credit impaired, these are included in a group of loans with similar risk characteristics and are collectively assessed on a portfolio basis using internal models developed by the BPI Group and the Parent Bank.	We assessed the design and tested the operating effectiveness of key controls over loan loss provisioning. These key controls included: • governance over the development, validation and approval of the BPI Group's ECL models to assess compliance with PFRS 9, including continuous re-assessment by the BPI Group that the impairment models are operating in a way which is appropriate for the credit risks in the BPI Group and the Parent Bank's loan portfolios; • review and approval of key judgments, assumptions and forward-looking information used in the ECL models; • review of data from source systems to the detailed ECL model analyses; • assessment of credit quality of loans and advances relative to the established internal credit risk rating system; • the review and approval process for the outputs of the impairment models; and • the review and approval process over the determination of credit risk rating, performance of credit reviews and calculation of required reserves for loans assessed as credit-impaired. Our work over the impairment of loans and advances included: • independent assessment of the methodology applied by the BPI Group and the Parent Bank in the development of the ECL models vis-a-vis the requirements of PFRS 9;

Key Audit Matter	How our audit addressed the Key Audit Matter
(cont'd.) Key elements in the impairment of loans and advances include: • the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, significant increase in credit risk, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD); and • the identification of credit-impaired loans, and estimation of cash flows (including the expected realizable value of any collateral held) supporting the calculation of individually assessed provisions. The impairment losses include both quantitative and qualitative components. In calculating the loan loss provisioning, the BPI Group and the Parent Bank applied the expected credit loss (ECL) calculation and post-model adjustments as allowed by Philippine Financial Reporting Standard (PFRS) 9, *Financial instruments*, which is a complex process that takes into account forward-looking information reflecting the BPI Group and the Parent Bank's view on potential future economic events.	• independent testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data, including segmentation. Our assessment included the involvement of our internal specialist. • assessment of the appropriateness of the BPI Group's and the Parent Bank's definition of significant increase in credit risk and staging of accounts through analysis of historical trends and past credit behavior of loan portfolios; • independent comparison of economic information used within, and weightings applied to, forward-looking scenarios in the ECL calculation which includes assumptions used in the post-model adjustments, against available macro-economic data; • testing of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems; • testing the accuracy and reasonableness of the outputs of the ECL models through independent recalculation; • for a sample of individually assessed loans identified as credit-impaired, examined relevant supporting documents such as the latest financial information of the borrower or valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and • recalculation of the loan loss allowance for selected accounts and portfolios at reporting date using the ECL methodology adopted by the BPI Group and the Parent Bank.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated and parent financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent financial statements, our responsibility is to read the other information identified above when these become available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with PFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent financial statements, management is responsible for assessing the ability of each entity within the BPI Group and of the Parent Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BPI Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BPI Group's and the Parent Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BPI Group's and of the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BPI Group and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the BPI Group and the Parent Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 31 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 32 to the financial statements is presented for the purposes of filing with the BSP and the BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of the BPI Group and the Parent Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Roderick M. Danao.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280; issued on January 3, 2025, Makati City
T.I.N. 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 19, 2025

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2024 and 2023
(In Millions of Pesos)

		Consolidated		Parent	
	Notes	**2024**	2023	**2024**	2023
A S S E T S					
CASH AND OTHER CASH ITEMS	4	**49,762**	34,843	**49,136**	34,444
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	4	**164,571**	199,619	**161,247**	192,246
DUE FROM OTHER BANKS	4	**72,060**	36,292	**68,439**	33,081
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	4,5	**16,715**	20,643	**9,093**	17,342
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	**47,308**	23,654	**39,757**	17,456
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	**268,202**	218,654	**263,212**	214,183
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	**343,108**	382,711	**336,233**	377,120
LOANS AND ADVANCES, net	10	**2,238,765**	1,882,007	**2,186,928**	1,849,840
ASSETS HELD FOR SALE, net		**8,411**	4,743	**8,154**	4,646
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	**21,209**	19,751	**19,759**	18,401
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	**10,904**	8,287	**19,165**	15,526
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**20,995**	19,067	**-**	-
DEFERRED INCOME TAX ASSETS, net	13	**18,201**	18,185	**17,183**	17,536
OTHER ASSETS, net	14	**38,602**	19,916	**38,772**	20,001
Total assets		**3,318,813**	2,888,372	**3,217,078**	2,811,822

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2024 and 2023
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2024	2023	**2024**	2023
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	**2,614,802**	2,295,106	**2,564,135**	2,264,133
DUE TO BSP AND OTHER BANKS		**3,135**	1,881	**3,135**	1,881
DERIVATIVE FINANCIAL LIABILITIES	7	**4,976**	2,821	**4,913**	2,774
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	**163,182**	137,104	**163,083**	133,726
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**9,941**	8,463	**9,935**	8,431
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**17,327**	14,973	**15,061**	13,543
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**16,541**	15,202	**-**	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	**56,219**	53,452	**53,050**	51,031
Total liabilities		**2,886,123**	2,529,002	**2,813,312**	2,475,519
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		**52,610**	49,307	**52,610**	49,307
Share premium		**143,278**	113,414	**143,248**	113,383
Treasury shares		**-**	-	**-**	-
Reserves		**10,889**	643	**43,217**	32,975
Accumulated other comprehensive loss		**(12,640)**	(11,127)	**(10,722)**	(9,076)
Surplus		**236,332**	204,967	**175,413**	149,714
		430,469	357,204	**403,766**	336,303
NON-CONTROLLING INTERESTS		**2,221**	2,166	**-**	-
Total capital funds		**432,690**	359,370	**403,766**	336,303
Total liabilities and capital funds		**3,318,813**	2,888,372	**3,217,078**	2,811,822

(The notes on pages 1 to 112 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME
For each of the three years in the period ended December 31, 2024
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2024**	2023	2022	**2024**	2023	2022
INTEREST INCOME							
On loans and advances		**159,594**	120,900	84,909	**148,062**	114,050	80,724
On investment securities		**27,251**	21,737	16,863	**26,834**	21,466	16,683
On deposits with BSP and other banks		**3,109**	2,935	1,496	**2,240**	2,460	1,385
		189,954	145,572	103,268	**177,136**	137,976	98,792
INTEREST EXPENSE							
On deposits	15	**53,181**	36,027	14,821	**50,659**	34,934	14,711
On bills payable and other borrowed funds	16	**9,187**	5,195	3,381	**9,045**	4,956	3,273
		62,368	41,222	18,202	**59,704**	39,890	17,984
NET INTEREST INCOME		**127,586**	104,350	85,066	**117,432**	98,086	80,808
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**6,600**	4,000	9,167	**3,428**	2,202	8,437
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**120,986**	100,350	75,899	**114,004**	95,884	72,371
OTHER INCOME							
Fees and commissions	19	**15,162**	12,717	11,339	**13,744**	11,166	9,516
Income from foreign exchange trading		**3,474**	3,223	2,617	**3,361**	3,205	2,511
Securities trading gain		**3,293**	1,919	857	**3,017**	1,827	831
Income attributable to insurance operations	2	**3,011**	1,843	1,379	**-**	-	-
Net gains on disposals of investment securities at amortized cost	9	**4**	2	214	**5**	2	214
Other operating income	19	**17,609**	14,267	17,053	**13,572**	12,741	14,565
		42,553	33,971	33,459	**33,699**	28,941	27,637
OTHER EXPENSES							
Compensation and fringe benefits	21	**28,939**	23,221	19,528	**25,214**	20,310	17,407
Occupancy and equipment-related expenses	11,20	**25,132**	22,012	18,761	**22,648**	20,139	17,124
Other operating expenses	21	**29,725**	23,877	19,701	**27,404**	22,142	18,195
		83,796	69,110	57,990	**75,266**	62,591	52,726
PROFIT BEFORE INCOME TAX		**79,743**	65,211	51,368	**72,437**	62,234	47,282
INCOME TAX EXPENSE	22						
Current		**16,757**	13,934	12,438	**14,993**	12,600	11,226
Deferred	13	**746**	(635)	(906)	**1,060**	(419)	(943)
		17,503	13,299	11,532	**16,053**	12,181	10,283
NET INCOME AFTER TAX		**62,240**	51,912	39,836	**56,384**	50,053	36,999
Attributable to:							
Equity holders of BPI		**62,049**	51,687	39,605	**56,384**	50,053	36,999
Non-controlling interests		**191**	225	231	**-**	-	-
		62,240	51,912	39,836	**56,384**	50,053	36,999
Basic and diluted earnings per share attributable to the equity holders of BPI during the year	18	**11.78**	10.90	8.78	**10.71**	10.56	8.20

(The notes on pages 1 to 112 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
For each of the three years in the period ended December 31, 2024
(In Millions of Pesos)

		Consolidated			Parent		
	Note	**2024**	2023	2022	**2024**	2023	2022
NET INCOME FOR THE YEAR		**62,240**	51,912	39,836	**56,384**	50,053	36,999
OTHER COMPREHENSIVE INCOME (LOSS)	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive (loss) income of associates		**(175)**	405	(1,015)	**-**	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		**(810)**	556	(1,525)	**(891)**	546	(1,480)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		**24**	90	(225)	**-**	-	-
Currency translation differences and others		**349**	(54)	(65)	**-**	-	-
Cash flow hedge, net of tax effect		**(1)**	-	-	**(1)**	-	-
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		**(474)**	(2,476)	(8)	**(397)**	(2,395)	120
Share in other comprehensive (loss) income of associates		**(45)**	49	687	**-**	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		**(360)**	4,609	(3,503)	**(357)**	4,616	(3,658)
Total other comprehensive (loss) income, net of tax effect		**(1,492)**	3,179	(5,654)	**(1,646)**	2,767	(5,018)
Total comprehensive income for the year		**60,748**	55,091	34,182	**54,738**	52,820	31,981
Attributable to:							
Equity holders of BPI		**60,536**	54,816	34,019	**54,738**	52,820	31,981
Non-controlling interests		**212**	275	163	**-**	-	-
		60,748	55,091	34,182	**54,738**	52,820	31,981

(The notes on pages 1 to 112 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2024
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 18)								
Consolidated	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total	Non-controlling interests	Total capital funds
Balance, January 1, 2022	45,131	74,934	-	564	(8,670)	181,101	293,060	2,096	295,156
Comprehensive income									
Net income for the year	-	-	-	-	-	39,605	39,605	231	39,836
Other comprehensive loss for the year	-	-	-	-	(5,586)	-	(5,586)	(68)	(5,654)
Total comprehensive income for the year	-	-	-	-	(5,586)	39,605	34,019	163	34,182
Transactions with owners									
Issuance of shares as consideration of the merger	4,062	28,981	(33,043)	-	-	-	-	-	-
Executive stock plan amortization	-	208	-	(8)	-	-	200	-	200
Cash dividends	-	-	-	-	-	(9,568)	(9,568)	(177)	(9,745)
Total transaction with owners	4,062	29,189	(33,043)	(8)	-	(9,568)	(9,368)	(177)	(9,545)
Other movements									
Transfer from surplus to reserves	-	-	-	73	-	(73)	-	-	-
Transfer from reserves to surplus	-	-	-	(2)	-	2	-	-	-
Others	-	-	-	17	-	(6)	11	-	11
Total other movements	-	-	-	88	-	(77)	11	-	11
Balance, December 31, 2022	49,193	104,123	(33,043)	644	(14,256)	211,061	317,722	2,082	319,804
Comprehensive income									
Net income for the year	-	-	-	-	-	51,687	51,687	225	51,912
Other comprehensive income for the year	-	-	-	-	3,129	-	3,129	50	3,179
Total comprehensive income for the year	-	-	-	-	3,129	51,687	54,816	275	55,091
Transactions with owners									
Executive stock plan exercise and amortization	114	342	-	(84)	-	-	372	-	372
Cash dividends	-	-	-	-	-	(15,934)	(15,934)	(191)	(16,125)
Dividends - treasury shares	-	8,949	33,043	-	-	(42,364)	(372)	-	(372)
Total transaction with owners	114	9,291	33,043	(84)	-	(58,298)	(15,934)	(191)	(16,125)
Other movements									
Transfer from surplus to reserves	-	-	-	13	-	(13)	-	-	-
Others	-	-	-	70	-	530	600	-	600
Total other movements	-	-	-	83	-	517	600	-	600
Balance, December 31, 2023	49,307	113,414	-	643	(11,127)	204,967	357,204	2,166	359,370
Comprehensive income									
Net income for the year	-	-	-	-	-	62,049	62,049	191	62,240
Other comprehensive loss for the year	-	-	-	-	(1,513)	-	(1,513)	21	(1,492)
Total comprehensive income for the year	-	-	-	-	(1,513)	62,049	60,536	212	60,748
Transactions with owners									
Issuance of shares as consideration of the merger	3,140	29,453	-	-	-	-	32,593	-	32,593
Executive stock plan exercise and amortization	163	411	-	(32)	-	-	542	-	542
Cash dividends	-	-	-	-	-	(20,878)	(20,878)	(157)	(21,035)
Total transaction with owners	3,303	29,864	-	(32)	-	(20,878)	12,257	(157)	12,100
Other movements									
Transfer from surplus to reserves	-	-	-	10,274	-	(10,274)	-	-	-
Others	-	-	-	4	-	468	472	-	472
Total other movements	-	-	-	10,278	-	(9,806)	472	-	472
Balance, December 31, 2024	**52,610**	**143,278**	**-**	**10,889**	**(12,640)**	**236,332**	**430,469**	**2,221**	**432,690**

(The notes on pages 1 to 112 are an integral part of the financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2024
(In Millions of Pesos)

Parent (Note 18)	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total capital funds
Balance, January 1, 2022	45,131	74,934	-	160	(6,825)	130,100	243,500
Comprehensive income							
Net income for the year	-	-	-	-	-	36,999	36,999
Other comprehensive loss for the year	-	-		-	(5,018)	-	(5,018)
Total comprehensive income for the year	-	-	-	-	(5,018)	36,999	31,981
Transactions with owners							
Issuance of shares as consideration of the merger	4,062	28,981	(33,043)	-	-	-	-
Executive stock plan amortization	-	208	-	(10)	-	-	198
Cash dividends	-	-	-	-	-	(9,568)	(9,568)
Total transactions with owners	4,062	29,189	(33,043)	(10)	-	(9,568)	(9,370)
Other movements	-	-	-	32,905	-	13	32,918
	4,062	29,189	(33,043)	32,895	-	(9,555)	23,548
Balance, December 31, 2022	49,193	104,123	(33,043)	33,055	(11,843)	157,544	299,029
Comprehensive income							
Net income for the year	-	-	-	-	-	50,053	50,053
Other comprehensive income for the year	-	-	-	-	2,767	-	2,767
Total comprehensive income for the year	-	-	-	-	2,767	50,053	52,820
Transactions with owners							
Executive stock plan exercise and amortization	114	342	-	(80)	-	-	376
Cash dividends	-	-	-	-	-	(15,934)	(15,934)
Dividends - treasury shares	-	8,918	33,043	-	-	(42,364)	(403)
Total transactions with owners	114	9,260	33,043	(80)	-	(58,298)	(15,961)
Other movements	-	-	-	-	-	415	415
	114	9,260	33,043	(80)	-	(57,883)	(15,546)
Balance, December 31, 2023	49,307	113,383	-	32,975	(9,076)	149,714	336,303
Comprehensive income							
Net income for the year	-	-	-	-	-	56,384	56,384
Other comprehensive loss for the year	-	-	-	-	(1,646)	-	(1,646)
Total comprehensive income for the year	-	-	-	-	(1,646)	56,384	54,738
Transactions with owners							
Issuance of shares as consideration of the merger	3,140	29,454	-	-	-	-	32,594
Executive stock plan exercise and amortization	163	411	-	(32)	-	-	542
Cash dividends	-	-	-	-	-	(20,878)	(20,878)
Total transactions with owners	3,303	29,865	-	(32)	-	(20,878)	12,258
Other movements							
Transfer from surplus to reserves	-	-	-	10,274	-	(10,274)	-
Others	-	-	-	-	-	467	467
Total other movements	-	-	-	10,274	-	(9,807)	467
Balance, December 31, 2024	**52,610**	**143,248**	**-**	**43,217**	**(10,722)**	**175,413**	**403,766**

(The notes on pages 1 to 112 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2024
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2024**	2023	2022	**2024**	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before income tax		**79,743**	65,211	51,368	**72,437**	62,234	47,282
Adjustments for:							
Impairment losses	26	**6,600**	4,000	9,167	**3,428**	2,202	8,437
Depreciation and amortization	11,14	**5,257**	6,615	5,445	**4,786**	6,195	4,871
Share in net income of associates	12	**(2,738)**	(1,372)	(1,055)	**-**	-	-
Dividend and other income	19	**(93)**	(100)	(60)	**(1,505)**	(3,066)	(1,810)
Share-based compensation	18	**(32)**	(84)	(8)	**(32)**	(80)	(11)
Profit from asset sold		**(134)**	(139)	(5,392)	**(134)**	(126)	(5,392)
Realized gain - investment securities		**(2,314)**	(949)	(189)	**(2,317)**	(949)	(189)
Interest income		**(189,954)**	(145,572)	(103,268)	**(177,136)**	(137,976)	(98,792)
Interest received		**183,606**	142,013	98,874	**178,854**	134,880	92,487
Interest expense		**62,740**	41,543	18,503	**59,997**	40,171	18,265
Interest paid		**(61,860)**	(38,683)	(17,238)	**(59,560)**	(37,801)	(17,061)
Decrease (increase) in:							
Interbank loans receivable and securities purchased under agreements to resell		**5,651**	4,117	(2,612)	**5,395**	4,058	(2,699)
Financial assets at fair value through profit or loss		**(23,569)**	(1,455)	(801)	**(22,288)**	(450)	(1,267)
Loans and advances, net		**(244,187)**	(181,412)	(231,573)	**(230,778)**	(170,155)	(221,575)
Assets held for sale		**(1,678)**	(761)	(914)	**(1,706)**	(773)	(927)
Assets attributable to insurance operations		**(1,504)**	254	(2,316)	**-**	-	-
Other assets		**1,061**	(5,752)	540	**219**	(6,564)	4,870
Increase (decrease) in:							
Deposit liabilities		**173,533**	199,096	140,855	**157,817**	181,540	132,034
Due to BSP and other banks		**1,126**	(1,151)	1,680	**1,126**	(1,075)	1,744
Manager's checks and demand drafts outstanding		**358**	1,708	(176)	**383**	1,680	(169)
Accrued taxes, interest and other expenses		**(587)**	798	1,382	**(882)**	730	1,133
Liabilities attributable to insurance operations		**1,346**	306	1,693	**-**	-	-
Derivative financial liabilities		**2,155**	(1,476)	665	**2,139**	(1,479)	708
Deferred credits and other liabilities		**(695)**	213	4,950	**(1,477)**	353	2,064
Net cash (absorbed by) from operations		**(6,169)**	86,968	(30,480)	**(11,234)**	73,549	(35,997)
Income taxes paid		**(16,084)**	(14,004)	(12,938)	**(14,379)**	(12,712)	(11,605)
Net cash (used in) from operating activities		**(22,253)**	72,964	(43,418)	**(25,613)**	60,837	(47,602)

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2024
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2024**	2023	2022	**2024**	2023	2022
(forwarded)							
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of bank premises, furniture, fixtures and equipment		**(3,416)**	(4,778)	(1,657)	**(3,267)**	(4,578)	(1,580)
Disposal of bank premises, furniture, fixtures and equipment		**849**	2,144	1,200	**835**	2,127	1,191
Placements in investment securities		**(201,348)**	(248,565)	(95,218)	**(200,635)**	(247,299)	(94,789)
Proceeds from:							
Maturities/sales of investment securities		**227,374**	171,331	49,008	**227,205**	171,332	49,008
Sale of investment properties		**-**	-	4,721	**-**	-	4,721
Decrease (increase) in:							
Investment in subsidiaries and associates, net		**53**	769	694	**(2,182)**	(120)	-
Assets attributable to insurance operations		**(418)**	(270)	474	**-**	-	-
Impact of merger	29	**22,071**	-	-	**20,572**	-	78,200
Dividends received		**93**	100	60	**1,505**	3,066	880
Net cash from (used in) investing activities		**45,258**	(79,269)	(40,718)	**44,033**	(75,472)	37,631
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	**(21,034)**	(16,125)	(9,745)	**(20,877)**	(15,934)	(9,568)
Issuance cost of treasury shares as dividends	18	**-**	(372)	-	**-**	(403)	-
Proceeds from share issuance	18	**573**	456	208	**573**	456	208
Increase in bills payable and other borrowed funds	16,29	**11,127**	39,601	2,464	**14,405**	40,724	868
Payments for principal portion of lease liabilities		**(2,066)**	(1,893)	(1,624)	**(1,803)**	(1,652)	(1,417)
Net cash (used in) from financing activities		**(11,400)**	21,667	(8,697)	**(7,702)**	23,191	(9,909)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**11,605**	15,362	(92,833)	**10,718**	8,556	(19,880)
CASH AND CASH EQUIVALENTS							
January 1	4,5	288,482	273,120	365,953	274,005	265,449	285,329
December 31		**300,087**	288,482	273,120	**284,723**	274,005	265,449

Non-cash financing and investing activities 11,16,18

(The notes on pages 1 to 112 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

Notes to the Financial Statements
As at December 31, 2024 and 2023 and for each of the three years
in the period ended December 31, 2024

1 General information

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

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

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution and insurance services. At December 31, 2024, the BPI Group has 22,062 employees (2023 - 18,982 employees) and operates 1,266 branches (2023 - 1,187 branches) and 1,876 automated teller machines (ATMs) and cash accept machines (CAMs) (2023 - 1,530) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

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

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation ("RBC") and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 29). The comparative figures presented in the financial statements and notes to financial statements as at December 31, 2023 and for the years ended December 31, 2023 and 2022 exclude RBC balances.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the BOD on February 19, 2025.

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

Subsidiaries	Country of incorporation	Principal activities	% of ownership 2024	% of ownership 2023
BPI Capital Corporation	Philippines	Investment house	100	100
BPI Direct BanKo, Inc., A Savings Bank	Philippines	Banking	100	100
BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth	Philippines	Asset management	100	100
BPI Wealth Hong Kong Ltd. (formerly BPI International Finance Limited)	Hong Kong	Financing	100	100
BPI Europe Plc.	England and Wales	Banking (deposit)	100	100
BPI Securities Corp.	Philippines	Securities dealer	100	100
BPI Payments Holdings Inc. (BPHI)	Philippines	Financing	100	100
Filinvest Algo Financial Corp.	Philippines	Financing	100	100
BPI Investments, Inc. (formerly BPI Investment Management, Inc.)	Philippines	Mutual fund distribution	100	100
Santiago Land Development Corporation	Philippines	Land holding	100	100
BPI Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Forex Corp.	Philippines	Foreign exchange	100	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	100	100
BPI Wealth Singapore Pte. Ltd.	Singapore	Asset management	100	100
First Far East Development Corporation	Philippines	Real estate	100	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	100	100
FEB Speed International	Philippines	Remittance	100	100
Legazpi Savings Bank, Inc. (LSB)	Philippines	Banking	99.94	-
Ayala Plans, Inc.	Philippines	Pre-need	98.93	98.93
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85

2 Assets and liabilities attributable to insurance operations

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

	Note	**2024**	2023
		(In Millions of Pesos)	
Assets			
Cash and cash equivalents	4	**175**	193
Insurance balances receivable, net		**7,137**	6,111
Investment securities			
Financial assets at fair value through profit or loss		**1,954**	1,814
Financial assets at fair value through other comprehensive income		**7,256**	6,905
Financial assets at amortized cost		**359**	353
Investment in associates		**167**	167
Accounts receivable and other assets, net		**3,856**	3,378
Land, building and equipment		**91**	146
		20,995	19,067

	2024	2023
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	**14,682**	13,240
Accounts payable, accrued expenses and other payables	**1,859**	1,962
	16,541	15,202

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

	2024	2023	2022
		(In Millions of Pesos)	
Premiums earned and related income	**3,481**	3,312	3,016
Investment and other income	**3,019**	1,675	1,070
	6,500	4,987	4,086
Benefits, claims and maturities	**1,673**	1,573	1,280
Decrease in actuarial reserve liabilities	**(208)**	(288)	(336)
Commissions	**1,053**	954	924
Management and general expenses	**946**	876	811
Other expenses	**25**	29	28
	3,489	3,144	2,707
Income before income tax and minority interest	**3,011**	1,843	1,379

3 Business segments

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

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

The BPI Group’s main operating business segments follow:

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

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

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

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 2.

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

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

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

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

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

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

The segment assets and liabilities as at December 31 and the results of the operations of the reportable segments of the BPI Group for the years ended December 31 follow:

	2024			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	82,975	33,246	16,955	133,176
Provision for (reversal of) credit and impairment losses	11,570	(5,058)	115	6,627
Net interest income after provision for credit and impairment losses	71,405	38,304	16,840	126,549
Fees, commissions and other income, net	24,616	3,584	10,710	38,910
Total income	96,021	41,888	27,550	165,459
Compensation and fringe benefits	20,876	3,587	2,152	26,615
Occupancy and equipment-related expenses	9,075	567	1,121	10,763
Other operating expenses	32,691	4,892	2,268	39,851
Total other expenses	62,642	9,046	5,541	77,229
Operating profit	33,379	32,842	22,009	88,230
Income tax expense				17,503
Net income				62,240
Share in net income of associates				2,738
Total assets	781,780	1,693,238	781,382	3,256,400
Total liabilities	1,890,077	787,196	175,303	2,852,576

	2023			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	65,271	28,108	15,117	108,496
Provision for (reversal of) credit and impairment losses	7,711	(3,837)	140	4,014
Net interest income after provision for credit and impairment losses	57,560	31,945	14,977	104,482
Fees, commissions and other income, net	20,328	2,932	8,749	32,009
Total income	77,888	34,877	23,726	136,491
Compensation and fringe benefits	19,375	3,314	1,786	24,475
Occupancy and equipment-related expenses	10,144	1,089	865	12,098
Other operating expenses	26,485	4,082	3,221	33,788
Total other expenses	56,004	8,485	5,872	70,361
Operating profit	21,884	26,392	17,854	66,130
Income tax expense				13,299
Net income				51,912
Share in net income of associates				1,372
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

	2022			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	49,614	26,746	12,281	88,641
Provision for credit and impairment losses	2,808	6,326	25	9,159
Net interest income after provision for credit and impairment losses	46,806	20,420	12,256	79,482
Fees, commissions and other income, net	17,017	2,847	7,064	26,928
Total income	63,823	23,267	19,320	106,410
Compensation and fringe benefits	14,698	2,459	1,162	18,319
Occupancy and equipment-related expenses	5,471	115	646	6,232
Other operating expenses	25,215	3,211	1,484	29,910
Total other expenses	45,384	5,785	3,292	54,461
Operating profit	18,439	17,482	16,028	51,949
Income tax expense				11,532
Net income				39,836
Share in net income of associates				1,056
Total assets	579,926	1,390,803	658,828	2,629,557
Total liabilities	1,534,471	618,008	142,236	2,294,715

Reconciliation of segment results to consolidated results of operations:

	2024		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	133,176	(5,590)	127,586
Provision for credit and impairment losses	6,627	(27)	6,600
Net interest income after provision for credit and impairment losses	126,549	(5,563)	120,986
Fees, commissions and other income, net	38,910	3,643	42,553
Total income	165,459	(1,920)	163,539
Compensation and fringe benefits	26,615	2,324	28,939
Occupancy and equipment-related expenses	10,763	14,369	25,132
Other operating expenses	39,851	(10,126)	29,725
Total other expenses	77,229	6,567	83,796
Operating profit	88,230	(8,487)	79,743
Income tax expense	17,503		17,503
Net income	62,240		62,240
Share in net income of associates	2,738		2,738
Total assets	3,256,400	62,413	3,318,813
Total liabilities	2,852,576	33,547	2,886,123

	2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	108,496	(4,146)	104,350
Provision for credit and impairment losses	4,014	(14)	4,000
Net interest income after provision for credit and impairment losses	104,482	(4,132)	100,350
Fees, commissions and other income, net	32,009	1,962	33,971
Total income	136,491	(2,170)	134,321
Compensation and fringe benefits	24,475	(1,254)	23,221
Occupancy and equipment-related expenses	12,098	9,914	22,012
Other operating expenses	33,788	(9,911)	23,877
Total other expenses	70,361	(1,251)	69,110
Operating profit	66,130	(919)	65,211
Income tax expense	13,299		13,299
Net income	51,912		51,912
Share in net income of associates	1,372		1,372
Total assets	2,867,080	21,292	2,888,372
Total liabilities	2,522,002	7,000	2,529,002

	2022		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	88,641	(3,575)	85,066
Provision for credit and impairment losses	9,159	8	9,167
Net interest income after provision for credit and impairment losses	79,482	(3,583)	75,899
Fees, commissions and other income, net	26,928	6,531	33,459
Total income	106,410	2,948	109,358
Compensation and fringe benefits	18,319	1,209	19,528
Occupancy and equipment-related expenses	6,232	12,529	18,761
Other operating expenses	29,910	(10,209)	19,701
Total other expenses	54,461	3,529	57,990
Operating profit	51,949	(581)	51,368
Income tax expense	11,532		11,532
Net income	39,836		39,836
Share in net income of associates	1,056		1,056
Total assets	2,629,557	(25,596)	2,603,961
Total liabilities	2,294,715	(10,558)	2,284,157

“Consolidation adjustments/Others” pertain to amounts of insurance operations and support units and inter-segment elimination in accordance with the BPI Group’s internal reporting.

4 Cash and cash equivalents

The account at December 31 consists of:

	Notes	Consolidated		Parent	
		2024	2023	**2024**	2023
		(In Millions of Pesos)			
Cash and other cash items		**49,762**	34,843	**49,136**	34,444
Due from Bangko Sentral ng Pilipinas (BSP)		**164,571**	199,619	**161,247**	192,246
Due from other banks		**72,060**	36,292	**68,439**	33,081
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	**13,519**	17,535	**5,901**	14,234
Cash and cash equivalents attributable to insurance operations	2	**175**	193	**-**	-
		300,087	288,482	**284,723**	274,005

5 Interbank loans receivable and SPAR, net

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
BSP	**7,500**	15,177	**-**	11,982
Other banks	**9,227**	5,483	**9,111**	5,379
	16,727	20,660	**9,111**	17,361
Accrued interest receivable	**31**	26	**25**	24
	16,758	20,686	**9,136**	17,385
Allowance for impairment	**(43)**	(43)	**(43)**	(43)
	16,715	20,643	**9,093**	17,342

As at December 31, 2024, interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P13,519 million (2023 - P17,535 million) for the BPI Group and P5,901 million (2023 - P14,234 million) for the Parent Bank are classified as cash equivalents in the statements of cash flows (Note 4).

Government bonds are pledged by the BSP as collateral under reverse repurchase agreements. The aggregate face value of securities pledged approximates the total balance of outstanding placements as at reporting date.

The range of average interest rates (%) of interbank loans receivable and SPAR for the years ended December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
Peso-denominated	**4.95 - 8.37**	4.75 - 8.50	**4.95 - 8.37**	4.75 - 8.50
US dollar-denominated	**4.10 - 5.70**	4.85 - 5.25	**4.40 - 5.41**	4.85 - 5.15

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

The account at December 31 consists of:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
		(In Millions of Pesos)			
Debt securities					
Government securities		**35,942**	15,928	**33,548**	13,654
Commercial papers of private companies		**5,159**	3,813	**376**	6
Listed equity securities		**351**	111	**-**	-
Derivative financial assets	7	**5,856**	3,802	**5,833**	3,796
		47,308	23,654	**39,757**	17,456

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

7 Derivative financial instruments

Derivatives held by the BPI Group consist mainly of the following:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate at maturity.

- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future.

- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period.

- Cross currency swaps refer to an exchange of notional amounts on two currencies at a given exchange rate where the parties on the transaction agree to pay a stated interest rate on the received notional amount and accept a stated interest rate on the delivered notional amount, payable and receivable or net settled (non-deliverable swaps) periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments as at December 31 are set out below:

Consolidated

	Assets		Liabilities	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**127**	174	**160**	53
Currency forwards	**3,967**	1,309	**3,743**	1,262
Options	**-**	-	**-**	-
Interest rate swaps	**1,760**	2,317	**1,069**	1,506
Warrants	**2**	2	**-**	-
Held for hedging				
Interest rate swap	**-**	-	**4**	-
	5,856	3,802	**4,976**	2,821

Parent

	Assets		Liabilities	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**127**	173	**160**	53
Currency forwards	**3,944**	1,304	**3,680**	1,215
Options	**-**	-	**-**	-
Interest rate swaps	**1,760**	2,317	**1,069**	1,506
Warrants	**2**	2	**-**	-
Held for hedging				
Interest rate swap	**-**	-	**4**	-
	5,833	3,796	**4,913**	2,774

Cash flow hedge of floating rate securities

Consistent with its established risk management framework and asset liability management strategies, the Parent Bank decided to hedge the interest rate exposure arising from the floating rate securities (hedged item) acquired in 2024.

The Parent Bank aims to minimize or reduce the variability in cash flows arising from the floating rate securities through the float-for-fix interest rate swap (IRS) hedging instrument. Under the terms of the IRS, the Parent Bank agrees to receive a fixed rate in exchange a floating rate which coincides with the interest from the hedged item. The hedge ratio of 1:1 is observed so as not to create an imbalance that would create hedge ineffectiveness. The hedge has been assessed to be effective as of reporting date.

As of December 31, 2024, the Parent Bank's IRS hedging instrument notional amount is P587 million.

Critical accounting estimate - Determination of fair value of derivatives and other financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The BPI Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

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

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Debt securities				
Government securities	**231,908**	191,506	**229,754**	188,459
Commercial papers of private companies	**28,852**	21,732	**27,496**	21,452
	260,760	213,238	**257,250**	209,911
Accrued interest receivable	**3,598**	2,542	**3,584**	2,531
	264,358	215,780	**260,834**	212,442
Equity securities				
Listed	**2,293**	1,266	**2,094**	1,043
Unlisted	**1,551**	1,608	**284**	698
	3,844	2,874	**2,378**	1,741
	268,202	218,654	**263,212**	214,183

The BPI Group has designated a small portfolio of equity securities from listed and unlisted private corporations as financial assets at FVOCI. The BPI Group adopted this presentation as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

Debt securities classified as financial assets at FVOCI are classified as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Current (within 12 months)	**55,200**	40,551	**83,578**	38,990
Non-current (over 12 months)	**209,158**	175,229	**177,256**	173,452
	264,358	215,780	**260,834**	212,442

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

	Consolidated		Parent	
	2024	2023	**2024**	2023
Peso-denominated	**2.25 - 8.57**	2.20 - 8.57	**2.25 - 8.57**	2.20 - 8.57
Foreign currency-denominated	**0.24 - 7.00**	0.24 - 7.00	**0.24 - 7.00**	0.24 - 7.00

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2024 amounts to P11,569 million (2023 - P6,176 million; 2022 - P1,987 million) and P11,394 million (2023 - P6,060 million; 2022 - P1,945 million) for the BPI Group and Parent Bank, respectively.

As at December 31, 2024, government securities aggregating P4.80 billion (2023 - nil) are used as security for bills payable of the Parent Bank (Note 16).

Dividend income from equity instruments recognized in the statement of income under other operating income for the year ended December 31, 2024 amounts to P93 million (2023 - P100 million; 2022 - P60 million) and P65 million (2023 - P66 million; 2022 - P36 million) for the BPI Group and Parent Bank, respectively (Note 19).

9 Investment securities at amortized cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Government securities	**285,396**	320,808	**284,620**	320,161
Commercial papers of private companies	**54,186**	58,326	**48,142**	53,448
	339,582	379,134	**332,762**	373,609
Accrued interest receivable	**3,642**	3,608	**3,554**	3,542
	343,224	382,742	**336,316**	377,151
Allowance for impairment	**(116)**	(31)	**(83)**	(31)
	343,108	382,711	**336,233**	377,120

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

	Consolidated		Parent	
	2024	2023	**2024**	2023
Peso-denominated	**2.48 - 8.13**	2.09 - 8.13	**2.48 - 8.13**	2.09 - 8.13
Foreign currency-denominated	**0.13 - 8.13**	0.13 - 7.32	**0.80 - 5.92**	0.80 - 6.07

In 2024, the BPI Group and the Parent Bank recognized a net gain of P4 million and P5 million, respectively, from the sale of investment securities that are close-to-maturity and an insignificant amount of debt securities. In 2023, the Parent Bank recognized a net gain of P2 million resulting from sale of close-to-maturity debt securities. In 2022, the Parent Bank recognized a net gain on disposal of P214 million resulting from sale of an insignificant amount of debt securities.

As at December 31, 2024, government securities aggregating P30.37 billion (2023 - P3.43 billion) are used as security for bills payable of the Parent Bank (Note 16).

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2024 amounts to P14,444 million (2023 - P14,678 million; 2022 - P14,514 million) and P14,282 million (2023 - P14,549 million; 2022 - P14,388 million) for the BPI Group and the Parent Bank, respectively.

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

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Current (within 12 months)	**30,866**	64,063	**29,364**	63,742
Non-current (over 12 months)	**312,242**	318,648	**306,869**	313,378
	343,108	382,711	**336,233**	377,120

As at December 31, 2024, the Parent Bank has P5,593 million (2023 - P6,459 million) outstanding securities overlying securitization structures measured at amortized cost. The securities are held for collection of contractual cash flows until maturity and those cash flows represent solely payments of principal and interest.

Critical accounting judgment - Classification of investment securities at amortized cost

The BPI Group classifies its financial assets at initial recognition as to whether it will be subsequently measured at FVOCI, at amortized cost, or at FVTPL. The BPI Group determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The BPI Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at FVTPL.

10 Loans and advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	**1,618,027**	1,446,426	**1,613,767**	1,442,251
Small and medium enterprise	**103,138**	79,097	**103,119**	79,093
Retail loans				
Credit cards	**180,830**	137,889	**180,830**	137,889
Real estate mortgages	**236,089**	171,495	**234,520**	170,321
Auto loans	**98,166**	71,896	**98,161**	71,895
Others	**50,797**	28,536	**2,459**	229
	2,287,047	1,935,339	**2,232,856**	1,901,678
Accrued interest receivable	**18,115**	12,943	**16,598**	12,006
Unearned discount/income	**(12,295)**	(8,801)	**(12,147)**	(8,795)
	2,292,867	1,939,481	**2,237,307**	1,904,889
Allowance for impairment	**(54,102)**	(57,474)	**(50,379)**	(55,049)
	2,238,765	1,882,007	**2,186,928**	1,849,840

Others include personal loans, microfinance loans and bills purchased for the BPI Group and the Parent Bank as at December 31, 2024 and 2023.

As at December 31, 2024 and 2023, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 16).

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

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Current (within 12 months)	**798,681**	776,788	**781,931**	766,284
Non-current (over 12 months)	**1,494,186**	1,162,693	**1,455,376**	1,138,605
	2,292,867	1,939,481	**2,237,307**	1,904,889

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

	Consolidated		Parent	
	2024	2023	**2024**	2023
Commercial loans				
Peso-denominated loans	**6.24 - 6.44**	5.44 - 6.13	**6.24 - 6.44**	5.44 - 6.13
Foreign currency-denominated loans	**6.38 - 6.81**	5.80 - 6.63	**6.38 - 6.81**	5.80 - 6.63
Real estate mortgages	**7.17 - 8.23**	6.63 - 7.32	**7.17 - 8.23**	6.72 - 7.31
Auto loans	**11.03 - 11.99**	9.76 - 10.32	**11.08 - 11.75**	9.76 - 10.32

Interest income from loans and advances recognized in the statement of income for the year ended December 31, 2024 amounts to P159,594 million (2023 - P120,900 million; 2022 - P84,909 million) and P148,062 million (2023 - P114,050 million; 2022 - P80,724 million) for the BPI Group and the Parent Bank, respectively.

Details of the loans and advances portfolio at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**348,232**	304,090	**346,616**	302,870
Project assets	**162,641**	138,915	**162,641**	138,915
Chattel mortgage	**94,493**	75,028	**94,488**	75,028
Others	**48,507**	25,912	**48,482**	25,757
	653,873	543,945	**652,227**	542,570
Unsecured loans	**1,620,879**	1,382,593	**1,568,482**	1,350,313
	2,274,752	1,926,538	**2,220,709**	1,892,883

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, deposit substitutes and inventories.

11 Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2024			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2024	2,983	34,293	16,389	**53,665**
Additions	23	3,538	1,716	**5,277**
Disposals	(29)	(636)	(1,462)	**(2,127)**
Transfers	-	228	(4)	**224**
Other changes	-	(42)	2	**(40)**
Impact of merger*	9	741	299	**1,049**
December 31, 2024	**2,986**	**38,122**	**16,940**	**58,048**
Accumulated depreciation				
January 1, 2024	-	19,388	14,526	**33,914**
Depreciation and amortization	-	3,026	1,185	**4,211**
Disposals	-	(530)	(779)	**(1,309)**
Transfers	-	1	(4)	**(3)**
Other changes	-	24	2	**26**
December 31, 2024	**-**	**21,909**	**14,930**	**36,839**
Net book value, December 31, 2024	**2,986**	**16,213**	**2,010**	**21,209**

**The impact of merger includes the fair value of bank premises, furniture, fixtures and equipment of LSB. This is presented as part of Investments in subsidiaries and associates, net, under net assets acquired disclosed in Note 29.*

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

Parent

	2024			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2024	2,982	30,974	15,627	**49,583**
Additions	23	3,078	1,634	**4,735**
Disposals	(28)	(512)	(1,424)	**(1,964)**
Transfers	-	230	2	**232**
Other changes	-	(9)	-	**(9)**
Impact of merger	-	663	290	**953**
December 31, 2024	**2,977**	**34,424**	**16,129**	**53,530**
Accumulated depreciation				
January 1, 2024	-	17,295	13,887	**31,182**
Depreciation and amortization	-	2,628	1,121	**3,749**
Disposals	-	(407)	(756)	**(1,163)**
Transfers	-	3	-	**3**
Other changes	-	-	-	**-**
December 31, 2024	**-**	**19,519**	**14,252**	**33,771**
Net book value, December 31, 2024	**2,977**	**14,905**	**1,877**	**19,759**

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	28,880	15,693	47,588
Additions	-	3,167	2,870	6,037
Disposals	(30)	(294)	(2,936)	(3,260)
Transfers	-	(30)	-	(30)
Other changes	(3)	(749)	-	(752)
December 31, 2023	2,982	30,974	15,627	49,583
Accumulated depreciation				
January 1, 2023	-	14,934	13,933	28,867
Depreciation and amortization	-	2,567	928	3,495
Disposals	-	(209)	(974)	(1,183)
Transfers	-	3	-	3
Other changes	-	-	-	-
December 31, 2023	-	17,295	13,887	31,182
Net book value, December 31, 2023	2,982	13,679	1,740	18,401

As at December 31, 2024, the BPI Group has recognized construction-in-progress amounting to P2.10 billion (2023 - P1.45 billion) in relation to the redevelopment of its main office, of which P650.84 million relates to costs during 2024 (2023 - P535 million).

In 2022, the Parent Bank entered into a contract of lease with Ayala Land, Inc., a related party, for the lease of office space at Ayala Triangle Gardens Tower 2. In 2023, the Parent Bank assigned a portion of its office unit to BPI Securities Corporation, BPI Capital Corporation and BPI Wealth, effective July 1, 2023.

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

Depreciation and amortization charges are included in “Occupancy and equipment-related expenses” category in the statements of income.

In 2024, the Parent Bank realized a gain of P216 million (2023 - P420 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

In 2022, the Parent Bank sold two properties located at Pasong Tamo, Makati City with a net book value of P126 million for a purchase price of P5.49 billion resulting in a gain on sale of P4.99 billion, net of gross receipts tax, which forms part of the realized gain recorded within Other operating income (Note 19). Out of the total gain of P4.99 billion, P4.31 billion pertains to the portion of the property classified as investment property under Other assets (Note 14).

Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment

The BPI Group determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The BPI Group annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

12 Investments in subsidiaries and associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	**10,904**	8,287	**-**	-
Investments at cost method	**-**	-	**19,165**	15,526
	10,904	8,287	**19,165**	15,526

Investments in associates accounted for using the equity method in the consolidated statement of condition are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Acquisition cost	
		2024	2023	**2024**	2023
		(in %)		(In Millions of Pesos)	
Global Payments Asia-Pacific Philippines, Incorporated	Philippines	**49.00**	49.00	**1,342**	1,342
AF Payments, Inc. (AFPI)	Philippines	**20.00**	20.00	**1,140**	1,060
BPI AIA Life Assurance Corporation (formerly BPI-Philamlife Assurance Corporation)	Philippines	**47.97**	47.96	**390**	389
BPI Century Tokyo Lease and Finance Corporation	Philippines	**49.00**	49.00	**316**	316
Beacon Property Ventures, Inc.	Philippines	**20.00**	20.00	**72**	72
CityTrust Realty Corporation	Philippines	**40.00**	40.00	**2**	2
Unicon Insurance and Reinsurance Brokers Corporation	Philippines	**40.00**	-	**148**	-
				3,410	3,181

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2024	2023
	(In Millions of Pesos)	
Acquisition cost		
At January 1	**3,181**	3,061
Impact of merger	**148**	-
Additions during the year	**81**	120
At December 31	**3,410**	3,181
Accumulated equity in net income		
At January 1	**4,920**	4,437
Share in net income for the year*	**2,738**	1,372
Dividends received	**(134)**	(889)
At December 31	**7,524**	4,920
Accumulated share in other comprehensive income		
At January 1	**326**	(131)
Share in other comprehensive (loss) income for the year	**(216)**	457
At December 31	**110**	326
Allowance for impairment	**(140)**	(140)
	10,904	8,287

**The share in net income for the year is presented as part of miscellaneous income under other operating income in the statement of income.*

No associate is deemed individually significant for financial reporting purposes. Accordingly, the relevant unaudited financial information of associates as at and for the years ended December 31 are aggregated as follows:

	2024	2023
	(In Millions of Pesos)	
Total assets	**137,610**	129,429
Total liabilities	**114,882**	111,601
Total revenues	**30,386**	24,198
Total net income	**5,556**	2,924

The details of equity investments accounted for using the cost method in the separate financial statements of the Parent Bank follow:

	Acquisition cost		Allowance for impairment		Carrying value	
	2024	2023	**2024**	2023	**2024**	2023
			(In Millions of Pesos)			
Subsidiaries						
BPI Europe Plc.	**7,180**	7,180	**-**	-	**7,180**	7,180
BPI Direct BanKo, Inc., A Savings Bank (BanKo)	**2,509**	2,009	**-**	-	**2,509**	2,009
Legazpi Savings Bank (LSB)	**2,050**	-	**-**	-	**2,050**	-
BPI Wealth	**1,512**	1,502	**-**	-	**1,512**	1,502
BPI Payments Holdings Inc.	**893**	813	**(700)**	(672)	**193**	141
BPI Wealth Singapore Pte. Ltd.	**878**	-	**-**	-	**878**	-
Ayala Plans, Inc.	**864**	864	**-**	-	**864**	864
BPI Capital Corporation	**623**	623	**-**	-	**623**	623
FGU Insurance Corporation	**303**	303	**-**	-	**303**	303
BPI Forex Corp.	**195**	195	**-**	-	**195**	195
BPI Wealth Hong Kong Ltd.	**143**	143	**-**	-	**143**	143
Santiago Land Development Corporation	**140**	140	**-**	-	**140**	140
BPI Remittance Centre (HK) Ltd.	**132**	132	**-**	-	**132**	132
First Far East Development Corporation	**91**	91	**-**	-	**91**	91
FEB Stock Brokers, Inc.	**25**	25	**-**	-	**25**	25
BPI Computer Systems Corp.	**23**	23	**-**	-	**23**	23
Others	**35**	35	**-**	-	**35**	35
Associates	**2,269**	2,120	**-**	-	**2,269**	2,120
	19,865	16,198	**(700)**	(672)	**19,165**	15,526

In 2024, the Parent Bank made additional capital infusion to Legazpi Saving Bank, BPI Direct BanKo, and BPI Wealth Singapore Pte. Ltd. amounting to P750 million, P500 million and Singaporean Dollars (SGD) 20 million equivalent to P878 million, respectively. Further, the Parent Bank entered into an Assignment Agreement with BPI Wealth to transfer the trust accounts acquired from merger of with RBC accounted for as additional capital contribution of P10 million. In 2023, the Parent Bank made additional capital infusions to BPHI amounting to P120 million.

The merger between BPI and RBC involves the acquisition of RBC's investments in various entities. Investments in associate and subsidiary consists of investments in Unicon Insurance Brokers Corporation (UIBC) and LSB. UIBC is an insurance brokerage company while LSB, a wholly owned entity by the bank, is a thrift bank with teacher’s loans as its main product offering.

In June 2023, BPI Wealth Singapore Pte. Ltd. was incorporated with the Accounting and Corporate Regulatory Authority of Singapore with BPI Parent as the sole owner of its share amounting to SGD1. In 2024, BPI Wealth Singapore Pte. Ltd. issued the SGD20 million ordinary shares to Parent Bank. As at December 31, 2024, the entity is non-operational and awaiting approval of its Capital Market Services license by the Monetary Authority of Singapore.

No non-controlling interest arising from investments in subsidiaries is deemed material to the BPI Group.

Critical accounting judgment and estimate - Impairment of investments in subsidiaries and associates

The BPI Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the BPI Group considers important which could trigger an impairment review include the following:

- significant decline in market value;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The BPI Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Management has not identified any indicators of impairment as at December 31, 2024 and 2023 in its subsidiaries apart from BPHI.

In 2024, the Parent Bank recognized an impairment loss of P28 million in its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI (2023 - nil).

For the 2024 and 2023 reporting periods, the recoverable amount of the subsidiary was determined based on the higher between fair value less cost to sell and value-in-use (VIU) calculations which require the use of assumptions. The VIU calculations use cash flow projections based on financial budgets approved by management.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the recoverable amount of the subsidiary.

13 Deferred income taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	**14,879**	15,277	**13,916**	14,607
Pension liability	**2,319**	2,499	**2,254**	2,419
Provisions	**832**	644	**767**	595
Others	**480**	(62)	**476**	24
Total deferred income tax assets	**18,510**	18,358	**17,413**	17,645
Deferred income tax liabilities				
Unrealized gain on assets	**(103)**	(39)	**(39)**	(39)
Others	**(206)**	(134)	**(191)**	(70)
Total deferred income tax liabilities	**(309)**	(173)	**(230)**	(109)
Deferred income tax assets, net	**18,201**	18,185	**17,183**	17,536

Movements in net deferred income tax assets are summarized as follows:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
		(In Millions of Pesos)			
Beginning of the year		**18,185**	16,752	**17,536**	16,356
Impact of merger	29	**860**	-	**782**	-
Amounts recognized in statement of income		**(746)**	635	**(1,060)**	419
Amounts recognized in other comprehensive income		**(98)**	798	**(75)**	761
End of the year		**18,201**	18,185	**17,183**	17,536

Details of deferred income tax items recognized in the statement of income are as follows:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos)					
Allowance for impairment	**1,286**	99	(1,164)	**1,580**	280	(1,152)
Pension	**155**	(629)	33	**144**	(606)	46
Others	**(695)**	(105)	225	**(664)**	(93)	163
	746	(635)	(906)	**1,060**	(419)	(943)

Critical accounting judgment - Realization of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

14 Other assets, net

The account at December 31 consists of the following:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
		(In Millions of Pesos)			
Goodwill	29	**9,518**	-	**9,518**	-
Intangible assets		**9,206**	854	**8,636**	831
Accounts receivable		**3,806**	2,780	**6,058**	4,118
Sundry debits		**3,197**	10,025	**3,196**	9,988
Prepaid expenses		**2,926**	1,991	**2,842**	1,924
Rental deposits		**905**	828	**851**	782
Accrued trust and other fees		**857**	673	**134**	138
Creditable withholding tax		**557**	428	**367**	286
Investment properties		**62**	69	**51**	58
Miscellaneous assets		**9,563**	3,376	**9,038**	2,895
		40,597	21,024	**40,691**	21,020
Allowance for impairment		**(1,995)**	(1,108)	**(1,919)**	(1,019)
		38,602	19,916	**38,772**	20,001

Intangible assets comprise computer software costs, contractual customer relationships, management contracts and identifiable intangible assets acquired from the merger with RBC which consist of core deposits, customer relationships and branch licenses (Note 29).

Core deposits refer to stable, long-term funding sources for a bank that provide a reliable and lower-cost source of funds.

Customer relationships refer to the expected future economic benefits that result from customer loyalty, repeat business, and long-term relationships of RBC.

Branch licenses represent the cost of acquired branches from the merger with RBC equivalent to the processing fees paid to the BSP to obtain these licenses.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within one day.

Prepaid expenses include Philippine Deposit Insurance Corporation (PDIC) assessment dues, prepayments for rent, allowances and taxes.

Miscellaneous assets include postage stamps, stationery and supplies.

The allowance for impairment pertains mainly to accounts receivable. The reconciliation of the allowance for impairment at December 31 is summarized as follows:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
		(In Millions of Pesos)			
Beginning of the year		**1,108**	1,189	**1,019**	1,135
Provision for impairment losses	26	**1,064**	61	**1,044**	40
Transfer/reallocation		**(38)**	(6)	**(5)**	(20)
Write-off		**(139)**	(136)	**(139)**	(136)
End of the year		**1,995**	1,108	**1,919**	1,019

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Current (within 12 months)	**21,581**	20,040	**22,340**	20,117
Non-current (over 12 months)	**19,016**	984	**18,351**	903
	40,597	21,024	**40,691**	21,020

Critical accounting estimate - Useful lives of intangible assets

The Parent Bank estimates the useful life of the core deposits intangible to be at 18 years and the customer relationship at 9 years. The Parent Bank amortizes intangible assets with a finite useful life, using the straight-line method.

Critical accounting judgment - Impairment of goodwill

The Parent Bank recognized goodwill amounting to P9,518 million from the merger with RBC equivalent to the excess of the purchase price over the fair value of net assets acquired. The goodwill is attributable to the expected synergies from combining the operations of RBC with BPI.

As at December 31, 2024, management assessed that the goodwill is not impaired as there are no significant events or changes in circumstances from January 1, 2024 that affects the expected benefit coming out of the merger.

15 Deposit liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Demand	**426,789**	379,076	**428,977**	382,443
Savings	**1,225,451**	1,158,548	**1,207,114**	1,148,770
Time	**962,562**	757,482	**928,044**	732,920
	2,614,802	2,295,106	**2,564,135**	2,264,133

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Current (within 12 months)	**1,465,575**	1,392,507	**1,425,359**	1,368,484
Non-current (over 12 months)	**1,149,227**	902,599	**1,138,776**	895,649
	2,614,802	2,295,106	**2,564,135**	2,264,133

In 2024, the interest rate on demand and savings deposit ranges from 0.06% to 0.09% (2023 - 0.05% to 0.09%) and interest rate on time deposit ranges from 5.34% to 5.50% (2023 - 4.35% to 5.35%).

In 2019, the Parent Bank issued the first tranche of long-term negotiable certificates of deposit (LTNCD) amounting to P3 billion out of the established P50-billion LTNCD program approved by the BSP. The LTNCDs pay interest on a quarterly basis at a rate 4% per annum and carry a tenor of 5.5 years maturing on April 25, 2025. The proceeds from the LTNCD issuance are included in “Time deposits” category.

Related interest expense on deposit liabilities is presented below:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos)					
Demand	**263**	248	287	**264**	248	286
Savings	**2,343**	2,115	2,420	**1,956**	2,065	2,375
Time	**50,575**	33,664	12,114	**48,439**	32,621	12,050
	53,181	36,027	14,821	**50,659**	34,934	14,711

BSP reserve requirement

The Parent Bank and its bank subsidiaries should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency.

In 2024, the BSP approved the reduction in minimum reserve requirement for universal and commercial banks to 7% from 9.5% and for thrift banks to 1% from 2% effective October 25, 2024 by virtue of BSP Circular No. 1201. These rates continue to be consistent for the remaining period of 2024 from the date of effectivity.

Reserves must be set aside in deposits with the BSP. As at December 31, 2024, the reserves (included in Due from BSP) amounted to P156,122 million (2023 - P186,356 million) for the BPI Group and P155,643 million (2023 - P185,703 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2024 and 2023.

16 Bills payable and other borrowed funds

The account at December 31 consists of:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Bills payable				
Local banks	**8,082**	720	**7,983**	-
Foreign banks	**47,614**	22,359	**47,614**	19,701
Other borrowed funds	**107,486**	114,025	**107,486**	114,025
	163,182	137,104	**163,083**	133,726

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs. Financial assets at FVOCI and investment securities at amortized cost serve as collateral for the Parent Bank's bills payable (Notes 8 and 9). The payment terms of these bills payable ranges from 6 days to 5 years (2023 - 29 days to 3 years).

As a result of the merger with RBC, BPI assumed peso-denominated borrowings with Land Bank of the Philippines and Development Bank of the Philippines. As at December 31, 2024, the carrying amount of the borrowings is P4,983 million and is presented as part of bills payable to local banks.

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026 and has a carrying amount of P17,274 million as at December 31, 2024 (2023 - P16,494 million). The Parent Bank incurred origination costs amounting to USD2.35 million.

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

	Consolidated		Parent	
	2024	2023	**2024**	2023
Private firms and local banks - Peso - denominated	**5.94 - 7.00**	5.75 - 7.00	**5.94 - 7.00**	5.75 - 7.00
Foreign banks - Foreign currency-denominated	**4.40 - 7.23**	2.70 - 7.23	**4.40 - 6.33**	5.00 - 6.33

Other borrowed funds

This represents funds raised via the BPI Group's debt issuance programs as follows:

(a) Peso Bond and Commercial Paper Program

On November 20, 2019, the BOD of the Parent Bank approved the issuance of Peso-denominated bonds and commercial papers of up to P100 billion, of which P97 billion has been drawdown in multiple tranches, under the updated Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2024	Carrying amount 2023
					(In Millions of Pesos)	
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	**-**	27,000

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P20,123 million were used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program. The net proceeds amounting to P36,371 million were used for general corporate purposes. On August 9, 2024, BPI issued the third tranche called BPI Sustainable, Environmental and Equitable Development Bonds ("BPI SEED Bonds"). The net proceeds of P33,412 million were used for financing or refinancing of new or existing eligible Green and/or Social Projects, consistent with BPI's Sustainable Funding Framework.

As at December 31, the drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount **2024**	Carrying amount 2023
					(In Millions of Pesos)	
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	**-**	20,236
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	**36,586**	36,371
Fixed rate bond, unconditional, unsecured and unsubordinated	August 9, 2024	6.20%	February 9, 2026	33,700	**33,485**	-

On October 16, 2024, the BOD of the Parent Bank approved the establishment of a P200 billion Bond Program following the full utilization of the Bank's Bond Program established in 2022.

(b) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to USD 2,000 million. On December 13, 2023, the BOD approved the increase in size of this program to USD 3,000 million. As at December 31, the outstanding drawdowns are as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount **2024**	Carrying amount 2023
					(In Millions of Pesos)	
USD 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**-**	16,594
USD 400 million, 5-year senior unsecured Green Bonds	March 26, 2024	5.25%	March 26, 2029	22,528	**22,967**	-

(c) Private Placement

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semi-annual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at December 31, 2024, the carrying amount of the bond amounts to P14,448 million (2023 - P13,824 million).

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
			(In Millions of Pesos)			
Bills payable	**2,727**	1,050	143	**2,585**	811	35
Other borrowed funds	**6,460**	4,145	3,238	**6,460**	4,145	3,238
	9,187	5,195	3,381	**9,045**	4,956	3,273

The movements in bills payable and other borrowed funds are summarized as follows:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
			(In Millions of Pesos)		
At January 1		**137,104**	97,503	**133,726**	93,002
Impact of merger	29	**14,952**	-	**14,952**	-
Additions		**392,738**	138,190	**360,659**	122,029
Maturities		**(384,648)**	(98,232)	**(349,140)**	(80,976)
Amortization of discount		**478**	342	**478**	342
Exchange differences		**2,558**	(699)	**2,408**	(671)
At December 31		**163,182**	137,104	**163,083**	133,726

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
		(In Millions of Pesos)		
Current (within 12 months)	**70,025**	69,861	**69,926**	67,038
Non-current (over 12 months)	**93,157**	67,243	**93,157**	66,688
	163,182	137,104	**163,083**	133,726

17 Deferred credits and other liabilities

The account at December 31 consists of the following:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
			(In Millions of Pesos)		
Bills purchased - contra		**14,968**	10,674	**14,968**	10,674
Lease liabilities	20	**9,824**	9,756	**8,641**	8,678
Accounts payable		**8,180**	7,603	**7,229**	7,082
Outstanding acceptances		**3,238**	7,862	**3,238**	7,862
Other deferred credits		**3,215**	3,063	**3,215**	3,063
Withholding tax payable		**1,962**	1,503	**1,871**	1,441
Due to the Treasurer of the Philippines		**1,552**	1,568	**1,541**	1,557
Miscellaneous liabilities		**13,280**	11,423	**12,347**	10,674
		56,219	53,452	**53,050**	51,031

Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the BPI Group to its clients.

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Outstanding acceptances represent liabilities arising from the bank drafts and bills of exchange the Parent Bank has accepted from its clients.

Other deferred credits mainly pertain to unexpired portion of membership fee paid by the credit card holders and liabilities in relation to purchased contract-to-sell receivables from developers.

Miscellaneous liabilities include pension liability, allowance for credit losses for undrawn committed credit facilities and other employee-related payables.

The account is expected to be settled as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Current (within 12 months)	**46,481**	41,642	**42,908**	40,268
Non-current (over 12 months)	**9,738**	11,810	**10,142**	10,763
	56,219	53,452	**53,050**	51,031

18 Capital funds

(a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2024	2023	2022
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	**54,000**	54,000	50,000
Preferred A shares	**600**	600	600
	54,600	54,600	50,600

Details of the Parent Bank's subscribed common shares are as follows:

	2024	2023	2022
	(In absolute number of shares)		
Common shares			
At January 1	**4,945,197,291**	4,919,307,531	4,513,128,255
Subscription of shares during the year	**12,893,860**	25,889,760	406,179,276
Impact of merger (Note 29)	**314,003,992**	-	-
At December 31	**5,272,095,143**	4,945,197,291	4,919,307,531
	(In absolute amounts of Pesos)		
Subscription receivable	**111,000,871**	144,726,145	-

The BPI common shares are listed and traded in the PSE since October 12, 1971.

As at December 31, 2024, the Parent Bank has a subscription receivable representing the amortization of Executive Stock Purchase Plan (ESPP) shares in excess of par value and booked against share premium amounting to P411 million (2023 - P342 million; 2022 - P208 million).

On February 10, 2014, additional 370,370,370 common shares were listed as a result of the stock rights offer. Likewise, on April 25, 2018, BPI completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date of April 6, 2018, at a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange (PSE) on May 4, 2018.

As at December 31, 2024, 2023 and 2022, the Parent Bank has 11,641, 11,760 and 11,864 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2024, 2023 and 2022.

Preferred A shares shall have pre-emptive rights with respect to additional issues of Preferred A shares of the Parent Bank.

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

BPI and RBC merger (Note 29)

On January 1, 2024, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares issued is based on the share price on December 31, 2023 of P103.80 per share. The total consideration for the merger amounted to P32.59 billion.

Pursuant to the issuance of shares due to the merger as at January 1, 2024, the Parent Bank's share capital and share premium increased by P3.14 billion and P29.45 million, respectively.

(b) Reserves

The account consists of:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos)					
General loan loss provision	**10,274**	-	-	**10,274**	-	-
Reserve for trust business	**400**	400	387	**-**	-	-
Executive stock option plan amortization	**17**	49	132	**4**	36	116
Reserve for trading participants	**73**	73	73	**-**	-	-
Reserve for self-insurance	**34**	34	34	**34**	34	34
Merger reserves	-	-	-	**32,905**	32,905	32,905
Others	**91**	87	18	**-**	-	-
	10,889	643	644	**43,217**	32,975	33,055

General loan loss provision (GLLP)

In 2018, the BSP issued Circular 1011 which mandates among others, banks to set up GLLP equal to 1% of all outstanding "Stage 1" on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Under the said Circular, if the PFRS 9 "Stage 1" loan loss allowance is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. As at December 31, 2024, the Parent Bank appropriated P10,274 million (2023 - nil) out of surplus representing the excess of GLLP over PFRS 9 Stage 1 loan loss allowance to meet the requirements of the BSP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of income from trust business of BPI Wealth, a wholly-owned subsidiary of the Parent Bank, should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth. As at December 31, 2023, the appropriated reserve is already equivalent to 20% of its authorized capital, hence, no additional appropriation required for 2024.

Reserve for trading participants

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC.

Reserve for self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BPI Family Savings Bank, Inc. (BFB), accounted for under the pooling-of-interest method. It also includes the results of operations of BFB during the year ended December 31, 2021, net of dividends declared on December 29, 2021.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and ESPP to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
April 17, 2024	-	50,510,010
July 1, 2021	-	34,000,000
December 11, 2019	4,035,000	9,100,000
December 12, 2018	4,168,000	11,500,000
December 6, 2017	3,560,000	7,500,000
January 25, 2017	3,560,000	4,500,000

The ESOP has a three-year vesting period from grant date. The exercise price for ESOP is equal to the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The weighted average fair value of options granted determined using the Black-Scholes valuation model was P19.04 and P6.50 for the options granted in December 2019 and 2018, respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2024	2023	2022
At January 1	**5,966,559**	9,866,999	12,905,000
Granted	**-**	-	-
Exercised	**(2,552,606)**	(3,900,440)	(2,353,001)
Cancelled	**(153,333)**	-	(685,000)
At December 31	**3,260,620**	5,966,559	9,866,999
Exercisable	**3,260,620**	5,966,559	8,708,666

The impact of ESOP is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned above.

The subscription price for 2021 to 2023 ESPP is equivalent to 10% below the volume weighted average of BPI share price for 30-trading days prior to the grant date. The subscribed shares will vest over a period of three (3) years from grant date. The grant dates for the last three-year ESPP were on April 26, 2023, December 13, 2022 and February 4, 2020. The initial subscriptions for the ESPP granted on April 26, 2023 and December 13, 2022 were received on April 26, 2023 and March 10, 2023, respectively. The ESPP has a five-year payment period for the grants 2019 and prior, and a ten-year payment period for grants 2021 and onwards.

The subscription price for 2024 ESPP is equivalent to 15% below the volume weighted average price of BPI share for 30-trading days prior to the grant date. The subscribed shares will vest over a period of three (3) years from grant date. The 2024 ESPP was granted on May 15, 2024 and subscriptions were received on May 27, 2024.

(c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos)					
Fair value reserve on financial assets at FVOCI						
At January 1	**(2,893)**	(8,058)	(3,030)	**(2,303)**	(7,465)	(2,327)
Unrealized fair value gain (loss) before tax	**997**	6,996	(4,337)	**917**	7,005	(4,393)
Amount recycled to profit or loss	**(2,350)**	(947)	(28)	**(2,349)**	(947)	(28)
Deferred income tax effect	**183**	(884)	(663)	**184**	(896)	(717)
At December 31	**(4,063)**	(2,893)	(8,058)	**(3,551)**	(2,303)	(7,465)
Share in other comprehensive loss of insurance subsidiaries						
At January 1	**(30)**	(80)	71	**-**	-	-
Share in other comprehensive income (loss) for the year, before tax	**10**	63	(187)	**-**	-	-
Deferred income tax effect	**(2)**	(13)	36	**-**	-	-
At December 31	**(22)**	(30)	(80)	**-**	-	-
Share in other comprehensive income (loss) of associates						
At January 1	**292**	(162)	166	**-**	-	-
Share in other comprehensive (loss) income for the year	**(220)**	454	(328)	**-**	-	-
At December 31	**72**	292	(162)	**-**	-	-
Translation adjustment on foreign operations						
At January 1	**(636)**	(582)	(517)	**-**	-	-
Translation differences and others	**349**	(54)	(65)	**-**	-	-
At December 31	**(287)**	(636)	(582)	**-**	-	-
Cash flow hedge reserves						
At January 1	**-**	-	-	**-**	-	-
Translation differences and others	**(1)**	-	-	**(1)**	-	-
At December 31	**(1)**	-	-	**(1)**	-	-
Remeasurements of defined benefit obligation, net						
At January 1	**(7,860)**	(5,374)	(5,360)	**(6,773)**	(4,378)	(4,498)
Actuarial (losses) gains for the year	**(399)**	(3,434)	191	**(323)**	(3,342)	104
Deferred income tax effect	**(80)**	948	(205)	**(74)**	947	16
At December 31	**(8,339)**	(7,860)	(5,374)	**(7,170)**	(6,773)	(4,378)
	(12,640)	(11,127)	(14,256)	**(10,722)**	(9,076)	(11,843)

(d) Dividend declarations

Cash dividends

Dividends declared by the BOD of the Parent Bank are as follows:

Date declared	Amount of dividends Per share	Total
		(In Millions of Pesos)
For the year ended December 31, 2024		
May 15, 2024	1.98	10,439
November 20, 2024	1.98	10,439
		20,878
For the year ended December 31, 2023		
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308
		15,934
For the year ended December 31, 2022		
May 18, 2022	1.06	4,784
November 16, 2022	1.06	4,784
		9,568

Property dividends

The Parent Bank issued 406,179,276 treasury shares on January 1, 2022 at a price of P81.35 per share as a consideration for the merger with BFB amounting to P33,043 billion. On March 15, 2023, the BOD declared the treasury shares as property dividends.

(e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			**Parent**		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank	**62,049**	51,687	39,605	**56,384**	50,053	36,999
b) Weighted average number of common shares outstanding during the year	**5,266**	4,741	4,513	**5,266**	4,741	4,513
c) Basic EPS (a/b) based on net income	**11.78**	10.90	8.78	**10.71**	10.56	8.20

The basic and diluted EPS are the same for the years presented as the impact of stock options outstanding is not significant to the calculation of weighted average number of common shares.

19 Other income

(a) Fees and commission

Details of fees and commission are as follows:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
			(In Millions of Pesos)			
Service charges	**11,812**	9,673	8,382	**11,055**	9,000	7,745
Bank commissions	**2,694**	2,168	1,787	**2,689**	2,166	1,771
Underwriting fees	**456**	693	936	**-**	-	-
Stock brokerage fees	**200**	183	234	**-**	-	-
	15,162	12,717	11,339	**13,744**	11,166	9,516

Service charges represent service fees and processing fees collected from customers.

Bank commissions include foreign and domestic commissions collected for services rendered.

(b) Other operating income

Details of other operating income are as follows:

		Consolidated			Parent		
	Notes	**2024**	2023	2022	**2024**	2023	2022
				(In Millions of Pesos)			
Credit card income		**8,089**	6,209	4,594	**8,089**	6,209	4,594
Trust and asset management fees		**4,983**	4,211	3,802	**-**	2	4
Gain on sale of assets	11	**247**	407	5,303	**216**	420	5,295
Rental income		**141**	135	195	**156**	167	225
Dividend income	8	**93**	100	60	**1,505**	3,066	1,810
Miscellaneous income		**4,056**	3,205	3,099	**3,606**	2,877	2,637
		17,609	14,267	17,053	**13,572**	12,741	14,565

Dividend income recognized by the Parent Bank substantially pertains to dividend distributions of subsidiaries.

Miscellaneous income includes recoveries on charged-off assets, fees arising from service arrangements with customers and related parties and share in net income (loss) of associates.

20 Leases

The BPI Group (as lessee) has various lease agreements which mainly pertain to branch premises and equipment. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes. The balances arising from the lease contracts are presented below:

Right-of-use assets and lease liabilities (PFRS 16)

Details of right-of-use assets and lease liabilities as at December 31 are as follows:

		Consolidated		**Parent**	
	Notes	**2024**	2023	**2024**	2023
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	**8,287**	8,404	**7,177**	7,365
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		**2,964**	2,577	**2,665**	2,337
Non-current		**6,860**	7,179	**5,976**	6,341
		9,824	9,756	**8,641**	8,678

Additions to the right-of-use assets, excluding impact of merger (Note 11), in 2024 aggregated P1,862 million (2023 - P1,701 million) and P1,469 million (2023 - P1,459 million) for BPI Group and Parent bank, respectively. Total cash outflow for leases in 2024 amounted to P2,438 million (2023 - P2,214 million) and P2,096 million (2023 - P1,933 million) for BPI Group and Parent bank, respectively.

Lease contracts assumed from the merger with RBC mostly pertain to building and parking spaces with terms ranging from 2 to 10 years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the Parent Bank's option. Additions to the right-of-use asset due to the impact of merger amounted to P411 million (Note 11).

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Note	**2024**	2023	**2024**	2023
		(In Millions of Pesos)			
Depreciation expense					
Buildings and leasehold improvements	11	**2,278**	2,186	**1,965**	1,936
Interest expense (included in "Occupancy and equipment-related expenses")		**372**	321	**293**	281
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		**450**	101	**449**	101
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		**511**	397	**452**	354
		3,611	3,005	**3,159**	2,672

The BPI Group has received COVID-19 related rent discount and deferral of the escalation of lease payments and has applied the practical expedients allowed under PFRS 16, *Leases*, introduced in May 2020 in accounting for the rent concessions. Consequently, the BPI Group recognized the following amounts for the years ended December 31:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Rent concession (included in "Other operating income")	**1**	1	**1**	1

Critical accounting judgment - Determining the lease term

In determining the lease term, the BPI Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical accounting judgment - Determining the incremental borrowing rate

To determine the incremental borrowing rate, each entity within the BPI Group:
- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 4.08% to 6.84% (2023 - 2.00% to 7.40%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

21 Operating expenses

(a) Compensation and fringe benefits

Details of the account for the years ended December 31:

		Consolidated			Parent		
	Note	**2024**	2023	2022	**2024**	2023	2022
		(In Millions of Pesos)					
Salaries and wages		**23,423**	18,600	16,024	**20,562**	16,320	14,236
Retirement expense	23	**1,450**	1,232	1,438	**1,363**	1,148	1,379
Other employee benefit expenses		**4,066**	3,389	2,066	**3,289**	2,842	1,792
		28,939	23,221	19,528	**25,214**	20,310	17,407

Other employee benefit expenses pertain to employee incentives like HMO coverage and SSS premiums.

(b) Other operating expenses

Details of the account for the years ended December 31:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos)					
Insurance	**6,371**	5,204	4,768	**6,256**	5,140	4,711
Advertising	**3,996**	4,124	2,393	**3,822**	4,020	2,259
Travel and communication	**1,685**	1,575	1,194	**1,484**	1,414	1,069
Management and other professional fees	**1,288**	730	651	**1,244**	673	572
Supervision and examination fees	**999**	963	873	**774**	783	695
Litigation expenses	**665**	477	349	**653**	468	345
Taxes and licenses	**634**	224	1,214	**554**	165	1,147
Office supplies	**579**	428	358	**502**	363	305
Amortization expense	**484**	18	172	**465**	1	3
Others	**13,024**	10,134	7,729	**11,650**	9,115	7,089
	29,725	23,877	19,701	**27,404**	22,142	18,195

Insurance expense comprise mainly of premium payments made to PDIC and other product-related insurance costs.

Amortization expense includes the amortization of intangible assets acquired from the merger with RBC (Notes 14 and 29).

Other expenses mainly include fees and incentives paid to agents, outsourcing fees, freight charges and other business expense such as those incurred in staff meetings, donations, periodicals and magazines.

22 Income taxes

The reconciliation between the income tax expense at the statutory tax rate and the effective income tax for the years ended December 31 is shown below:

	Consolidated					
	2024		2023		2022	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**19,936**	**25.00**	16,303	25.00	12,842	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(1,598)**	**(2.00)**	(392)	(0.60)	(723)	(1.41)
Tax-exempt income	**(1,715)**	**(2.15)**	(1,134)	(1.74)	(1,318)	(2.56)
Others, net	**880**	**1.10**	(1,478)	(2.27)	731	1.42
Effective income tax	**17,503**	**21.95**	13,299	20.39	11,532	22.45

	Parent					
	2024		2023		2022	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**18,109**	**25.00**	15,559	25.00	11,821	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(579)**	**(0.80)**	(446)	(0.72)	(77)	(0.17)
Tax-exempt income	**(1,683)**	**(2.32)**	(1,872)	(3.01)	(1,506)	(3.18)
Others, net	**206**	**0.28**	(1,060)	(1.70)	45	0.10
Effective income tax	**16,053**	**22.16**	12,181	19.57	10,283	21.75

23 Retirement plans

The BPI Group maintains both defined benefit and defined contribution retirement plans. Assets of both retirement plans are held in trust and governed by local regulations and practices in the Philippines. The key terms of these pension plans are discussed below.

a) Defined benefit retirement plan

BPI Group (excluding insurance operations and LSB)

BPI has a unified plan which covers all subsidiaries except insurance entities. Under this plan, the normal retirement age is 60 years. Those who elect to retire prior to the normal retirement age will require company approval, subject to meeting the eligibility conditions on age and years of credited services. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service and cash equivalent of the accrued and unused vacation and sick leave, if any subject to the BPI Group's implementing guidelines and policies. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be the highest amount among the (1) same basis as in voluntary retirement; (2) 100% of basic monthly salary of the employee at the time of his retirement for each year of service; and (3) minimum amount required by Labor Code.

The net defined benefit cost and contributions to be paid by the entities within the BPI Group are determined by an independent actuary.

With the merger of RBC with the Bank effective January 1, 2024, its retirement fund assets were also transferred to the BPI Group's retirement fund.

Non-life insurance subsidiary

BPI/MS Insurance Corporation has a separate trusteed defined benefit plan. Under the plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 175% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered as least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. Death or disability benefit for all employees of the non-life insurance subsidiary shall be determined on the same basis as in normal or voluntary retirement as the case may be.

LSB

LSB has a stand-alone non-contributory defined benefit plan covering all its regular and permanent employees. Under the retirement plan, all employees are entitled to cash benefits after satisfying certain age and service requirements. As at December 31, 2024, the pension liability amounts to P9 million. The impact of LSB's pension plan is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned.

Following are the amounts recognized based on recent actuarial valuation exercise:

(a) Pension liability as at December 31 recognized in the statement of condition:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Present value of defined benefit obligation	**19,860**	18,632	**19,304**	18,098
Fair value of plan assets	**(15,667)**	(14,103)	**(15,182)**	(13,722)
	4,193	4,529	**4,122**	4,376
Effect of asset ceiling	**33**	12	**-**	-
	4,226	4,541	**4,122**	4,376

Pension liability is shown as part of "Miscellaneous liabilities" within Deferred credits and other liabilities (Note 17).

The movements in plan assets are summarized as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
At January 1	**14,103**	12,876	**13,722**	12,515
Impact of merger	**470**	-	**470**	-
Contributions	**1,213**	2,251	**1,165**	2,229
Interest income	**775**	886	**752**	860
Benefit payments	**(1,703)**	(1,032)	**(1,691)**	(1,030)
Remeasurement gain (loss) - return on plan assets	**1,539**	(878)	**1,494**	(852)
Transfer to the plan	**(730)**	-	**(730)**	-
At December 31	**15,667**	14,103	**15,182**	13,722

The carrying values of the plan assets represent their fair value as at December 31, 2024 and 2023.

The plan assets comprised the following:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Debt securities	**10,130**	8,517	**9,817**	8,287
Equity securities	**4,341**	4,307	**4,207**	4,191
Others	**1,196**	1,279	**1,158**	1,244
	15,667	14,103	**15,182**	13,722

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P2,747 million at December 31, 2024 (2023 - P2,413 million). An officer of the Parent Bank exercises the voting rights over the plan's investment in BPI's common shares.

Others include cash and cash equivalents and other receivables.

The movements in the present value of defined benefit obligation are summarized as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
At January 1	**18,632**	15,600	**18,098**	15,296
Impact of merger	**471**	-	**471**	-
Interest cost	**1,124**	1,115	**1,091**	1,088
Current service cost	**863**	757	**826**	730
Remeasurement - changes in financial assumptions	**(76)**	1,013	**(73)**	980
Remeasurement - experience adjustment	**1,279**	1,512	**1,267**	1,416
Remeasurement - changes in demographic assumption	**-**	(332)	**-**	(306)
Benefit payments	**(1,703)**	(1,033)	**(1,691)**	(1,030)
Transfer from the plan	**(730)**	-	**(685)**	(76)
At December 31	**19,860**	18,632	**19,304**	18,098

Other than the regular funding contributions to the BPI Group's retirement fund, the transfer of RBC fund assets were also considered as presented above.

(b) Expense recognized in the statement of income for the years ended December 31 are as follows:

	Consolidated			Parent		
	2024	2023	2022	**2024**	2023	2022
	(In Millions of Pesos)					
Current service cost	**863**	757	782	**826**	730	656
Net interest cost	**349**	229	295	**339**	228	258
	1,212	986	1,077	**1,165**	958	914

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
Discount rate	**6.12%**	6.03%	**6.12%**	6.03%
Future salary increases	**6.00%**	6.00%	**6.00%**	6.00%

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the BPI Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the BPI Group. However, the BPI Group believes that due to the long-term nature of the pension liability and the strength of the BPI Group itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the BPI Group's long-term strategy to manage the plan efficiently.

The BPI Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The BPI Group's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustor, as necessary to better ensure the appropriate asset-liability matching.

The BPI Group contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary engaged by management. The expected contributions for the year ending December 31, 2024 for the BPI Group and the Parent Bank amount to P1,272 billion and P1,223 billion, respectively (2023 - P1,273 billion and P1,217 billion, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2024 is 5.64 years (2023 - 5.09 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Up to one year	**3,845**	3,347	**3,754**	3,260
More than 1 year to 5 years	**14,575**	13,753	**14,163**	13,165
More than 5 years to 10 years	**9,837**	9,837	**9,545**	9,409
More than 10 years to 15 years	**4,569**	4,716	**4,340**	4,421
More than 15 years to 20 years	**3,319**	3,306	**3,139**	3,047
Over 20 years	**3,069**	3,410	**2,875**	3,068

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2024

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.70%	Increase by 5.10%
Salary growth rate	1.00%	Increase by 5.10%	Decrease by 4.70%

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

Parent

2024

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.70%	Increase by 5.10%
Salary growth rate	1.00%	Increase by 5.10%	Decrease by 4.70%

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of condition.

b) Defined contribution retirement plan subject to the requirements of Republic Act (RA) No. 7641

All non-unionized employees hired on or after the January 1, 2016 are automatically under the new defined contribution plan. Employees hired prior to the effective date shall have the option to elect to become members of the new defined contribution plan.

Upon normal or late retirement, employees are entitled to a lump sum benefit equal to the total of the following amounts:

- The greater of the (a) updated member account balance where the company periodically contributes 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- The updated member account balance funded by (a) voluntary employee contribution and (b) employer matching contribution; and
- Cash equivalent of the accrued and unused vacation and sick leave, if any.

The defined contribution retirement plan has a defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, the liability for the defined benefit minimum guarantee is actuarially calculated similar to the defined benefit plan.

Upon effectivity of the merger, the active employees of RBC were enrolled in the defined benefit plan. Subsequently, they were provided an option to participate to the BPI Group's defined contribution plan instead resulting to the transfer of P730 million representing the initial balance offer.

The funding status of the defined contribution plan as at December 31 is shown below:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Present value of defined benefit obligation	**3,911**	595	**3,443**	531
Fair value of plan assets	**(3,712)**	(2,261)	**(3,270)**	(1,898)
	199	(1,666)	**173**	(1,367)
Effect of asset ceiling	**-**	1,666	**-**	1,367
	199	-	**173**	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
At January 1	**595**	889	**531**	767
Impact of merger	**-**	-	**-**	-
Interest cost	**36**	66	**33**	56
Current service cost	**62**	120	**54**	95
Benefit payments	**(186)**	(184)	**(157)**	(156)
Remeasurement - changes in financial assumptions	**3**	54	**3**	45
Remeasurement - experience adjustment	**2,671**	369	**2,262**	336
Remeasurement - changes in demographic assumptions	**-**	(719)	**-**	(601)
Transfer to the plan	**730**	-	**717**	(11)
At December 31	**3,911**	595	**3,443**	531

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
At January 1	**2,261**	1,961	**1,898**	1,684
Impact of merger	**-**	-	**-**	-
Contribution paid by employer	**591**	332	**496**	270
Interest income	**133**	145	**111**	124
Benefit payments	**(186)**	(184)	**(156)**	(156)
Remeasurement gain (loss) - return on plan assets	**183**	7	**191**	(24)
Transfer to the plan	**730**	-	**730**	-
At December 31	**3,712**	2,261	**3,270**	1,898

Total retirement expense for the year ended December 31, 2024 under the defined contribution plan for the BPI Group and Parent Bank amounts to P68 million (2023 - P119 million) and P59 million (2023 - P94 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Debt securities	**705**	619	**621**	520
Equity securities	**2,248**	1,495	**1,980**	1,255
Others	**759**	147	**669**	123
	3,712	2,261	**3,270**	1,898

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 10.45 years (2023 - 8.17 years).

Critical accounting estimate - Calculation of defined benefit obligation

The BPI Group estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate and future salary increases. The BPI Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. The present value of the defined benefit obligations of the BPI Group at December 31, 2024 and 2023 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it inherently impracticable and difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the BPI Group's assumptions are reflected as remeasurements in other comprehensive income. The BPI Group's assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

24 Asset management business

At December 31, 2024, the total trust and fund assets under management of the BPI Group through BPI Wealth amounts to P1,531 billion (2023 - P1,223 billion).

As required by the General Banking Act, BPI Wealth has deposited government securities with the BSP valued at P989 million (2023 - P990 million).

25 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank's Chief Finance Officer, and the Bank's Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank's risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank's prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

A summary of significant related party transactions and outstanding balances as at and for the years ended December 31 is shown below (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Consolidated

	2024		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	**366**	**479**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 7.67% to 8.15% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 4 days to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	**18,335**	**79,902**	
Key management personnel	**20**	**20**	
Other related parties	**-**	**-**	
	18,721	**80,401**	
Deposits from:			
Associates	**(1,229)**	**720**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.07% Savings - 0.11% to 0.13% Time - 5.39% to 5.52%
Ayala Group	**14,729**	**15,416**	
Key management personnel	**(783)**	**432**	
	12,717	**16,568**	

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	71	113	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.45% to 7.58% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(3,087)	61,567	
Other related parties	-	-	
	(3,016)	61,680	
Deposits from:			
Associates	912	1,949	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.07% Savings - 0.08% to 0.10% Time - 4.35% to 5.38% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(2,239)	687	
Key management personnel	958	1,215	
	(369)	3,851	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(18)	42	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,105)	64,696	
Deposits from:			
Associates	(236)	1,037	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(8,475)	2,926	
Key management personnel	(727)	257	
	(9,438)	4,220	

Parent

	2024		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**(12)**	**75**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 7.33% to 7.71% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 4 days to 12 years. Additional information on DOSRI loans are discussed below.
Associates	**366**	**479**	
Ayala Group	**18,335**	**79,902**	
Key management personnel	**20**	**20**	
	18,709	**80,476**	
Deposits from:			
Subsidiaries	**(982)**	**5,383**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.07% Savings - 0.08% to 0.09% Time - 5.34% to 5.50%
Associates	**(1,229)**	**720**	
Ayala Group	**14,729**	**15,416**	
Key management personnel	**(759)**	**432**	
	11,759	**21,951**	

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	53	87	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.22% to 7.23% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Associates	71	113	
Ayala Group	(3,087)	61,567	
Other related parties	-	-	
	(2,963)	61,767	
Deposits from:			
Subsidiaries	442	6,365	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.80% Savings - 0.09% to 0.09% Time - 4.35% to 5.35% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	912	1,949	
Ayala Group	(2,239)	687	
Key management personnel	936	1,191	
	51	10,192	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	34	34	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(18)	42	
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,071)	64,730	
Deposits from:			
Subsidiaries	(5,408)	5,923	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(234)	1,037	
Ayala Group	(7,203)	2,926	
Key management personnel	(692)	255	
	(13,537)	10,141	

The aggregate amounts included in the determination of income before income tax (after elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated	**2024**	2023	2022
	(In Millions of Pesos)		
Interest income			
Associates	**-**	8	-
Ayala Group	**3,162**	2,297	1,724
Key management personnel	**1**	-	-
	3,163	2,305	1,724
Other income			
Associates	**2,359**	327	1,771
Ayala Group	**1,543**	935	833
	3,902	1,262	2,604
Interest expense			
Associates	**17**	18	1
Ayala Group	**539**	4	29
Key management personnel	**9**	14	1
	565	36	31
Other expenses			
Associates	**216**	191	389
Ayala Group	**1,632**	799	1,769
	1,848	990	2,158
Retirement benefits			
Key management personnel	**61**	50	52
Salaries, allowances and other short-term benefits			
Key management personnel	**1,646**	1,477	831
Directors' remuneration	**125**	113	157

Parent	2024	2023	2022
		(In Millions of Pesos)	
Interest income			
Subsidiaries	**21**	19	5
Associates	**-**	8	-
Ayala Group	**3,162**	2,297	1,724
Key management personnel	**1**	-	-
	3,184	2,324	1,729
Other income			
Subsidiaries	**1,811**	209	733
Associates	**2,359**	139	1,771
Ayala Group	**1,543**	935	648
	5,713	1,283	3,152
Interest expense			
Subsidiaries	**21**	19	5
Associates	**17**	18	1
Ayala Group	**539**	4	29
Key management personnel	**9**	14	1
	586	55	36
Other expenses			
Subsidiaries	**48**	127	817
Associates	**216**	-	282
Ayala Group	**1,632**	799	1,744
	1,896	926	2,843
Retirement benefits			
Key management personnel	**60**	48	51
Salaries, allowances and other short-term benefits			
Key management personnel	**1,603**	1,433	796
Directors' remuneration	**91**	88	131

Other income mainly consists of revenue from service arrangements with related parties in which the related outstanding balance is included under accounts receivable. Other expenses pertain to shared costs with related parties and the related outstanding balance is recognized as accounts payable.
Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Outstanding DOSRI loans	**31,588**	18,701	**31,588**	18,701

As at December 31, 2024, allowance for credit losses amounting to P140 million (2023 - P247 million) have been recognized against receivables from related parties.

26 Financial risk management

The BOD carries out its risk management function through the Risk Management Committee (RMC). The RMC is tasked with nurturing a culture of risk management across the BPI Group. The RMC sets the risk appetite; proposes and approves risk management policies, frameworks, and guidelines; and regularly reviews risk management structures, metrics, limits, and issues across the BPI Group, in order to meet and comply with regulatory and international standards on risk measurement and management.

At the management level, the Risk Management Office (RMO) is headed by the Chief Risk Officer (CRO). The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall business strategy of BPI, ensuring that risks are prudently and rationally undertaken and within its risk appetite, as well as commensurate and disciplined to maximize returns on shareholders' capital. Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience. BPI's risk managers regularly monitor key risk indicators and report exposures against carefully established financial and business risk metrics and limits approved by the RMC.

Finally, independent reviews are regularly conducted by the Internal Audit group, external auditors, and regulatory examiners to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

Credit risk, liquidity risk and market risk, as well as operational and cyber security risks are some of the top risks that the BPI Group manages.

26.1 Credit risk

The BPI Group takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed repayment terms. Credit risk is the single largest risk for the BPI Group's business; management therefore carefully manages its exposure to credit risk as governed by prudent credit policies, standards and methodologies, relevant regulatory requirements, and international benchmarks.

Loans and advances are the most evident source of credit risks; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking books, investment securities in the trading books and off-balance sheet transactions.

26.1.1 Credit risk management

The Credit Policy and Risk Management (CPRM) division is responsible for the overall management of the BPI Group's credit risks. CPRM supports the Senior Management in coordination with various business lending and operations units in identifying, measuring, reporting, and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risks. The BPI Group monitors its loan and investment portfolios based on different segmentations to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be eliminated. However, said risk may be reduced by adopting proper risk controls, mitigation, and diversification strategies to prevent undue credit risk concentrations from excessive exposures to counterparties, borrower-groups, industries, countries or regions.

The BPI Group structures the levels of credit risks it undertakes by placing limits or monitoring thresholds on the amount of risks accepted in relation to one borrower, or group of borrowers, industry segments, and countries or regions. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the RMC.

The exposure to any borrower may also be further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against risk limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, borrower or counterparties' risk profiles, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default (PD) of an obligor or counterparty, the loss severity given a default (LGD) event and the exposure at default (EAD).

A rigorous control framework is applied in the determination of expected credit loss (ECL) models. The BPI Group has policies and procedures that govern the calculation of ECL, which is performed by the Credit Risk Modeling, Analytics and MIS (CRMA-MIS) division. All ECL models are regularly reviewed by the Risk Management Office to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation of ECL models are performed by groups that are independent of CRMA-MIS, e.g., Risk Models Validation Division, Internal Auditors, and/or external assurance partners. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions across the Parent Bank.

Credit loss estimates are based on estimates of the PD and loss severity given a default. The PD is the likelihood that a borrower will default on its obligation; the LGD is the estimated loss that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by RMO and revised as needed to reflect the borrower's current financial position, risk profile, related collateral or credit enhancements, and other credit risk mitigants. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

The BPI Group's forward-looking, point-in-time PD models are driven by internal forecasts of macroeconomic variables (MEVs) over the next five years. These models are recalibrated annually and a more frequent review and update of these models may be conducted in response to changing macroeconomic conditions.

The BPI Group also manages counterparty credit risk arising from both pre-settlement and settlement risks. Pre-settlement risk is the risk that a counterparty will default prior to the final settlement/maturity of a transaction, while settlement risk pertains to the risk that a counterparty fails to deliver on settlement/maturity date when the Bank has already delivered on its contractual obligations. In managing counterparty risks, pre-settlement and settlement risk limits are established and exposures are monitored daily for each counterparty to cover the aggregate of pre-settlement and settlement risks arising from transactions with the BPI Group. The BPI Group also employs various tools and methods including use of delivery versus payment settlement, payment versus payment settlement, use of collateral agreements, and other acceptable credit risk mitigation techniques to further manage counterparty credit risk.

The BPI Group employs specific control and risk mitigation measures, some of which are outlined below:

(a) Collateral or guarantees

One of the most traditional and common practice in mitigating credit risks is requiring collaterals and/or securities particularly for loans and advances. The BPI Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The BPI Group assesses the valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The common collateral types for loans and advances are:

- Mortgages over physical properties (e.g., real estate and personal);
- Mortgages over financial assets [e.g., guarantees, investments (bonds or equities)]; and
- Margin agreement for derivatives, for which the BPI Group has also entered into master netting agreements.

In order to minimize credit loss, the BPI Group seeks additional collateral and/or securities from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

The BPI Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the BPI Group since the prior period.

(b) Market limits

The BPI Group maintains market limits on net open derivative positions (i.e., the difference between purchase and sale contracts). Credit risk is limited to the net current fair value of instruments, which in relation to derivatives is only a portion of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments (except where the BPI Group requires margin deposits from counterparties).

(c) Master netting arrangements

The BPI Group further restricts its exposure to credit losses by entering master netting arrangements with certain counterparties with which it undertakes significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The BPI Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

Documentary and commercial letters of credit - which are written undertakings by the BPI Group on behalf of a customer authorizing a third party to draw drafts on the BPI Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods and therefore carry less risk than a direct loan.

26.1.2 Credit risk rating

The BPI Group uses internal credit risk gradings that reflect its assessment of the PD of individual counterparties. The BPI Group uses its internal credit risk rating system, credit models (e.g. credit risk scorecards) or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application and credit evaluation (such as financial and business information, source of incomes/revenues, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are used in the internal credit scoring models. In addition, the internal models allow expert judgment from the Credit Risk Rating Committee and consideration of other data inputs not captured into the model in the determination of the final internal credit score for each borrower.

The BPI Group has adopted an internal credit classification system that is aligned with regulatory guidelines and aims to identify deteriorating credit exposures on a timely basis. Exposures are classified into each of the following categories:

- *Standard monitoring* - This category includes accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The borrower or counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.

- *Special monitoring* - This category includes accounts which need closer and frequent monitoring to prevent any further credit deterioration. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.

- *Default* - This category includes accounts which exhibit probable to severe weaknesses wherein probability of non-repayment of loan obligation is ranging from high to extremely high.

i. Corporate (including cross-border loans, contracts-to-sell/group plans with recourse, floorstock lines) and Small and Medium-sized Enterprise (SME) loans

The BPI Group's internal credit risk rating system comprises a 22-scale rating with eighteen (18) 'pass' rating levels for large corporate accounts, a 14-scale rating system with ten (10) 'pass' rating grades for SME accounts, and a 23-scale rating with nineteen (19) 'pass' rating levels for cross-border accounts. For cross-border accounts, the BPI Group also uses available external/benchmark credit ratings issued by reputable rating agencies if there is no internal rating. The level of risk and associated PD are determined using either the internal credit risk ratings or external/benchmark credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

Classifications	Large corporate	SME	Cross-Border
Standard monitoring	AAA to B-, unrated, and ≤ 30 days past due (dpd)	AAA to B-, unrated, and ≤ 30 dpd	AAA to B- with no significant increase in credit risk (SICR), and ≤ 30 dpd
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Downgraded to lower than BB+ with SICR but not impaired, or based on prescribed dpd threshold
Default	Adversely classified accounts (ACA) or >90 dpd or Items in Litigation (IL)	ACA or >90 dpd or IL	Default/ACA with objective evidence of impairment, or > 90 dpd

ii. Retail loans

The BPI Group uses automated credit scoring models to assess the level of risk for retail accounts. Behavioral indicators are considered in conjunction with other forward-looking information (e.g., industry forecast) to assess the level of risk of a loan. After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score which is mapped to a PD.

Classifications	Credit cards	Personal*, auto, housing and MAX 500**	SEME***
Standard monitoring	≤ 29 dpd	≤ 30 dpd	≤ 10 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd or based on prescribed dpd threshold	Not applicable
Default	>89 dpd or IL	>90 dpd or IL	>10 dpd

**Includes salary-based general purpose consumption loan*
*** A product of Banko, wholly-owned subsidiary of the Parent Bank, and classified as micro-enterprise loan*
**** A product of Banko and offered to self-employed micro-entrepreneurs*

iii. Treasury and other investment debt securities

Investments in high grade securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using either internal ratings or reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of both internal and external credit ratings, a comparable issuer or guarantor rating is used. Should there be a change in the credit rating of the chosen comparable, evaluation is made to ascertain whether the rating change is applicable to the security being assessed for impairment.

Classifications	Applicable ratings
Standard monitoring	AAA to B- with no SICR
Special monitoring	Downgraded to lower than BB+ with SICR but not impaired
Default	Default, with objective evidence of impairment

iv. Other financial assets at amortized cost

For other financial assets (non-credit receivables), the BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

26.1.3 Maximum exposure to credit risk

26.1.3.1 Loans and advances, net

Credit risk exposures relating to on-balance sheet loans and advances are as follows:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Corporate and SME loans, net	**1,685,197**	1,482,335	**1,680,654**	1,478,037
Retail loans, net	**553,568**	399,672	**506,274**	371,803
	2,238,765	1,882,007	**2,186,928**	1,849,840

The carrying amount of loans and advances above also represents the BPI Group's maximum exposure to credit risk. The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

Credit quality of loans and advances, net

Consolidated

Corporate and SME loans

	2024				2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	1,419,122	92,448	-	**1,511,570**	1,152,071	1,865	-	1,153,936
Special monitoring	104,098	56,728	-	**160,826**	129,537	199,296	-	328,833
Default	-	-	44,378	**44,378**	-	-	38,812	38,812
Gross amount	1,523,220	149,176	44,378	**1,716,774**	1,281,608	201,161	38,812	1,521,581
Loss allowance	(5,721)	(2,159)	(23,697)	**(31,577)**	(10,596)	(3,483)	(25,167)	(39,246)
Carrying amount	1,517,499	147,017	20,681	**1,685,197**	1,271,012	197,678	13,645	1,482,335

Retail loans

	2024				2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	518,497	18,837	-	**537,334**	373,296	16,217	-	389,513
Special monitoring	723	12,412	-	**13,135**	525	8,705	-	9,230
Default	-	-	25,624	**25,624**	-	-	19,157	19,157
Gross amount	519,220	31,249	25,624	**576,093**	373,821	24,922	19,157	417,900
Loss allowance	(4,327)	(3,496)	(14,702)	**(22,525)**	(4,890)	(3,242)	(10,096)	(18,228)
Carrying amount	514,893	27,753	10,922	**553,568**	368,931	21,680	9,061	399,672

Parent

Corporate and SME loans

	2024				2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	1,414,762	92,448	-	**1,507,210**	1,147,940	1,865	-	1,149,805
Special monitoring	104,098	56,727	-	**160,825**	129,537	199,296	-	328,833
Default	-	-	44,364	**44,364**	-	-	38,813	38,813
Gross amount	1,518,860	149,175	44,364	**1,712,399**	1,277,477	201,161	38,813	1,517,451
Loss allowance	(5,901)	(2,159)	(23,685)	**(31,745)**	(10,767)	(3,483)	(25,164)	(39,414)
Carrying amount	1,512,959	147,016	20,679	**1,680,654**	1,266,710	197,678	13,649	1,478,037

Retail loans

	2024				2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	472,088	18,810	-	**490,898**	345,864	16,160	-	362,024
Special monitoring	715	11,655	-	**12,370**	524	8,286	-	8,810
Default	-	-	21,640	**21,640**	-	-	16,604	16,604
Gross amount	472,803	30,465	21,640	**524,908**	346,388	24,446	16,604	387,438
Loss allowance	(3,393)	(3,478)	(11,763)	**(18,634)**	(4,135)	(3,229)	(8,271)	(15,635)
Carrying amount	469,410	26,987	9,877	**506,274**	342,253	21,217	8,333	371,803

The tables below present the gross amount of “Stage 2” loans and advances by age category.

Consolidated

	2024			2023		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	148,490	13,729	**162,219**	200,390	12,072	212,462
Past due up to 30 days	86	5,355	**5,441**	389	4,544	4,933
Past due 31 - 90 days	600	12,165	**12,765**	382	8,306	8,688
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	149,176	31,249	**180,425**	201,161	24,922	226,083

Parent

	2024			2023		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	148,490	13,708	**162,198**	200,390	12,033	212,423
Past due up to 30 days	85	5,343	**5,428**	389	4,522	4,911
Past due 31 - 90 days	600	11,414	**12,014**	382	7,891	8,273
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	149,175	30,465	**179,640**	201,161	24,446	225,607

26.1.3.2 Treasury and other investment securities, net

Credit risk exposures arising from treasury and other investment securities are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Due from BSP	**164,571**	199,619	**161,247**	192,246
Due from other banks	**72,060**	36,292	**68,439**	33,081
Interbank loans receivable and SPAR, net	**16,715**	20,643	**9,093**	17,342
Financial assets at FVTPL	**46,957**	23,543	**39,757**	17,456
Financial assets at FVOCI, net	**264,358**	215,780	**260,834**	212,442
Investment securities at amortized cost, net	**343,108**	382,711	**336,233**	377,120
	907,769	878,588	**875,603**	849,687

Credit quality of treasury and other investment securities, net

Consolidated

	2024				2023			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring								
Due from BSP	164,571	-	-	**164,571**	199,619	-	-	199,619
Due from other banks	72,060	-	-	**72,060**	36,292	-	-	36,292
Interbank loans receivable and SPAR	16,720	-	-	**16,720**	20,645	-	-	20,645
Financial assets at FVTPL	46,957	-	-	**46,957**	23,543	-	-	23,543
Financial assets at FVOCI	263,903	455	-	**264,358**	215,438	342	-	215,780
Investment securities at amortized cost	342,189	1,035	-	**343,224**	381,811	931	-	382,742
Default								
Interbank loans receivable and SPAR	-	-	38	**38**	-	-	41	41
Gross carrying amount	906,400	1,490	38	**907,928**	877,348	1,273	41	878,662
Loss allowance	(97)	(24)	(38)	**(159)**	(33)	-	(41)	(74)
Carrying amount	906,303	1,466	-	**907,769**	877,315	1,273	-	878,588

Parent

	2024				2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)							
Credit grade								
Standard monitoring								
Due from BSP	161,247	-	-	**161,247**	192,246	-	-	192,246
Due from other banks	68,439	-	-	**68,439**	33,081	-	-	33,081
Interbank loans receivable and SPAR	9,098	-	-	**9,098**	17,344	-	-	17,344
Financial assets at FVTPL	39,757	-	-	**39,757**	17,456	-	-	17,456
Financial assets at FVOCI	260,379	455	-	**260,834**	212,100	342	-	212,442
Investment securities at amortized cost	335,282	1,034	-	**336,316**	376,220	931		377,151
Default								
Interbank loans receivable and SPAR	-	-	38	**38**	-	-	41	41
Gross carrying amount	**874,202**	**1,489**	**38**	**875,729**	848,447	1,273	41	849,761
Loss allowance	(64)	(24)	(38)	**(126)**	(33)	-	(41)	(74)
Carrying amount	**874,138**	**1,465**	**-**	**875,603**	848,414	1,273	-	849,687

26.1.3.3 Other financial assets at amortized cost

Other financial assets at amortized cost that are exposed to credit risk are as follows:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Accounts receivable, net	**2,626**	1,242	**5,010**	2,758
Rental deposits	**905**	828	**851**	781
Other accrued interest and fees receivable	**98**	76	**5**	9
Others, net	**341**	377	**320**	358
	3,970	2,523	**6,186**	3,906

The carrying amounts of the above financial assets represent the BPI Group's maximum exposure to credit risk.

The BPI Group's other financial assets at amortized cost (shown under Other assets, net) generally arise from transactions with various unrated counterparties with good credit standing. The BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss methodology for other financial assets.

26.1.3.4 Loan commitments

Credit risk exposures arising from undrawn loan commitments are as follows:

Consolidated

	2024				2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)							
Credit grade								
Standard monitoring	704,278	1,609	-	**705,887**	542,193	1,749	-	543,942
Special monitoring	21,421	19	-	**21,440**	16,241	-	-	16,241
Default	-	-	339	**339**	-	-	543	543
Gross amount	725,699	1,628	339	**727,666**	558,434	1,749	543	560,726
Loss allowance*	(1,130)	(112)	(25)	**(1,267)**	(1,067)	(94)	(71)	(1,232)
Carrying amount	724,569	1,516	314	**726,399**	557,367	1,655	472	559,494

**Included in "Miscellaneous liabilities" in Note 17*

Parent

	2024				2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	704,278	1,609	-	**705,887**	542,193	1,749	-	543,942
Special monitoring	21,421	19	-	**21,440**	16,241	-	-	16,241
Default	-	-	339	**339**	-	-	543	543
Gross amount	725,699	1,628	339	**727,666**	558,434	1,749	543	560,726
Loss allowance*	(1,130)	(112)	(25)	**(1,267)**	(1,067)	(94)	(71)	(1,232)
Carrying amount	724,569	1,516	314	**726,399**	557,367	1,655	472	559,494

**Included in "Miscellaneous liabilities" in Note 17*

26.1.4 Credit impaired loans and advances

The BPI Group closely monitors collaterals held for financial assets considered to be credit-impaired (Stage 3), as it becomes more likely that the BPI Group will take possession of collateral to mitigate potential credit losses. Loans and advances that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Consolidated

	2024			2023		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	44,378	23,697	20,681	38,812	25,167	13,645
Retail loans	25,624	14,702	10,922	19,157	10,096	9,061
Total credit-impaired assets	**70,002**	**38,399**	**31,603**	57,969	35,263	22,706
Fair value of collateral	**31,611**			27,713		

Parent

	2024			2023		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	44,364	23,685	20,679	38,813	25,164	13,649
Retail loans	21,640	11,763	9,877	16,604	8,271	8,333
Total credit-impaired assets	**66,004**	**35,448**	**30,556**	55,417	33,435	21,982
Fair value of collateral	**31,570**			27,654		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2024, the foreclosed collaterals of BPI Group and Parent Bank have carrying amount of P8,411 million (2023 - P4,743 million) and P8,154 million (2023 - P4,646 million), respectively. The related foreclosed collaterals of BPI Group and Parent Bank have aggregate fair value of P25,956 million (2023 - P14,424 million) and P25,470 million (2023 - P14,092 million), respectively. Foreclosed collaterals include real estate (land, building, and improvements), auto and chattel. Repossessed properties are sold as soon as practicable and are classified as Assets held for sale in the statement of condition. In 2024, the BPI Group realized total loss of P205 million (2023 - P95 million gain) with book value of P3,030 million (2023 - P2,178 million) while the Parent Bank realized a loss of P237 million (2023 - P83 million gain) from disposals of foreclosed collaterals with book value of P2,997 million (2023 - P2,149 million).

26.1.5 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent transfer between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written off during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The following tables summarize the changes in the loss allowance for loans and advances between the beginning and the end of the annual period. No movement analysis of allowance for impairment is presented for treasury and other investment debt securities and other financial assets subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2024	10,596	3,483	25,167	**39,246**
Impact of merger	160	268	1,470	**1,898**
Provision for credit losses for the year*				
Transfers:				
Transfer from Stage 1	(4,551)	1,510	4,030	**989**
Transfer from Stage 2	87	(2,028)	166	**(1,775)**
Transfer from Stage 3	17	4	(148)	**(127)**
New financial assets originated	6,189	-	-	**6,189**
Financial assets derecognized during the year	(1,500)	(749)	(2,720)	**(4,969)**
Changes in assumptions and other movements in provision	(3,197)	(309)	(3,184)	**(6,690)**
	(2,955)	(1,572)	(1,856)	**(6,383)**
Write-offs and other movements	(2,080)	(20)	(1,084)	**(3,184)**
Loss allowance, at December 31, 2024	**5,721**	**2,159**	**23,697**	31,577

The above movements include the effect of RBC allowance transfers.

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2024	4,890	3,242	10,096	**18,228**
Impact of merger	306	53	963	**1,322**
Provision for credit losses for the year*				
Transfers:				
Transfer from Stage 1	(2,530)	2,491	7,020	**6,981**
Transfer from Stage 2	114	(1,745)	2,401	**770**
Transfer from Stage 3	7	55	(509)	**(447)**
New financial assets originated	3,076	-	-	**3,076**
Financial assets derecognized during the year	(449)	(166)	(816)	**(1,431)**
Changes in assumptions and other movements in provision	(1,150)	(414)	3,691	**2,127**
	(932)	221	11,787	**11,076**
Write-offs and other movements	63	(20)	(8,144)	**(8,101)**
Loss allowance, at December 31, 2024	**4,327**	**3,496**	**14,702**	**22,525**

**The above movements include the effect of RBC allowance transfers.*

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2024	10,767	3,483	25,164	**39,414**
Impact of merger	160	268	1,452	**1,880**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(4,551)	1,510	4,029	**988**
Transfer from Stage 2	87	(2,028)	166	**(1,775)**
Transfer from Stage 3	17	4	(148)	**(127)**
New financial assets originated	6,188	-	-	**6,188**
Financial assets derecognized during the year	(1,500)	(749)	(2,719)	**(4,968)**
Changes in assumptions and other movements in provision	(3,193)	(309)	(3,176)	**(6,678)**
	(2,952)	(1,572)	(1,848)	**(6,372)**
Write-offs and other movements	(2,074)	(20)	(1,083)	**(3,177)**
Loss allowance, at December 31, 2024	**5,901**	**2,159**	**23,685**	**31,745**

**The above movements include the effect of RBC allowance transfers.*

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2024	4,135	3,229	8,271	**15,635**
Impact of merger	298	52	833	**1,183**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,119)	2,475	4,685	**6,041**
Transfer from Stage 2	113	(1,591)	2,142	**664**
Transfer from Stage 3	7	54	(475)	**(414)**
New financial assets originated	1,441	-	-	**1,441**
Financial assets derecognized during the year	(161)	(165)	(696)	**(1,022)**
Changes in assumptions and other movements in provision	(1,421)	(557)	3,153	**1,175**
	(1,140)	216	8,809	**7,885**
Write-offs and other movements	100	(19)	(6,150)	**(6,069)**
Loss allowance, at December 31, 2024	**3,393**	**3,478**	**11,763**	**18,634**

**The above movements include the effect of RBC allowance transfers.*

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	9,855	1,444	32,383	43,682
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	2,795
Transfer from Stage 2	26	(211)	143	(42)
Transfer from Stage 3	-	-	(106)	(106)
New financial assets originated	3,727	-	-	3,727
Financial assets derecognized during the year	(872)	(426)	(1,596)	(2,894)
Changes in assumptions and other movements in provision	102	243	(7,564)	(7,219)
	746	2,041	(6,526)	(3,739)
Write-offs and other movements	(5)	(2)	(690)	(697)
Loss allowance, at December 31, 2023	10,596	3,483	25,167	39,246

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	4,045	2,195	7,845	14,085
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,839)	2,348	4,569	5,078
Transfer from Stage 2	116	(1,198)	1,573	491
Transfer from Stage 3	6	40	(266)	(220)
New financial assets originated	2,744	-	-	2,744
Financial assets derecognized during the year	(395)	(107)	(502)	(1,004)
Changes in assumptions and other movements in provision	222	(32)	400	590
	854	1,051	5,774	7,679
Write-offs and other movements	(9)	(4)	(3,523)	(3,536)
Loss allowance, at December 31, 2023	4,890	3,242	10,096	18,228

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	10,026	1,444	32,333	43,803
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	2,795
Transfer from Stage 2	26	(211)	143	(42)
Transfer from Stage 3	-	-	(106)	(106)
New financial assets originated	3,727	-	-	3,727
Financial assets derecognized during the year	(872)	(426)	(1,596)	(2,894)
Changes in assumptions and other movements in provision	102	243	(7,567)	(7,222)
	746	2,041	(6,529)	(3,742)
Write-offs and other movements	(5)	(2)	(640)	(647)
Loss allowance, at December 31, 2023	10,767	3,483	25,164	39,414

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	3,509	2,188	6,531	12,228
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,049)	2,337	3,315	4,603
Transfer from Stage 2	116	(1,152)	1,489	453
Transfer from Stage 3	6	40	(252)	(206)
New financial assets originated	1,525	-	-	1,525
Financial assets derecognized during the year	(112)	(106)	(415)	(633)
Changes in assumptions and other movements in provision	142	(74)	96	164
	628	1,045	4,233	5,906
Write-offs and other movements	(2)	(4)	(2,493)	(2,499)
Loss allowance, at December 31, 2023	4,135	3,229	8,271	15,635

Critical accounting estimate and judgment - Measurement of expected credit loss for loans and advances

The measurement of the expected credit loss (ECL) for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 30.3.2.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for SICR;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL;
- establishing groups of similar financial assets for the purposes of measuring ECL; and
- for individually credit-impaired loans, assessing recoverability through future cash flows or through foreclosure of collateral

Forward-looking information incorporated in the ECL models

Three distinct macroeconomic scenarios (baseline, upside and downside) are considered in the BPI Group's estimation of expected credit losses in Stage 1 and Stage 2. These scenarios are based on assumptions supported by economic theories and historical experience. The downside scenario reflects a negative macroeconomic event occurring within the first 12 months, with conditions deteriorating for up to two years, followed by a recovery for the remainder of the period. This scenario is grounded in historical experience and assumes a monetary policy response that returns the economy to a long-run, sustainable growth rate within the forecast period. The probability of each scenario is determined using expert judgment and recession probability tools provided by reputable external service providers. The baseline case incorporates the BPI Group's outlook both for the domestic and global economy. The upside and downside scenarios take into account certain adjustments that will lead to a more positive or negative economic outcome, respectively.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any climate, regulatory, legislative or political changes is likewise considered as post-model adjustments, if material.

The BPI Group has performed historical analyses and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The most significant period-end assumptions used for the ECL estimate are set out below. The scenarios “base”, “upside” and “downside” were used for all portfolios.

At December 31, 2024

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	7.2	7.3	7.2	7.3	0.2	2.3
Inflation rate (%)	3.6	3.3	2.4	2.1	10.0	9.8
BVAL 5Y (%)	5.7	5.3	4.0	3.5	9.2	8.8
US federal funds rate	3.9	3.8	2.2	2.0	7.4	7.3
Exchange rate	57.500	60.433	54.686	52.006	63.996	83.640

At December 31, 2023

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.2	6.3	7.3	7.9	1.9	1.0
Inflation rate (%)	3.7	2.8	3.4	2.1	6.5	9.2
BVAL 5Y (%)	6.1	5.3	4.9	3.4	7.8	10.1
US Treasury 5Y (%)	4.6	4.0	3.5	2.1	6.4	8.8
Exchange rate	54.325	57.325	53.459	55.648	55.648	67.662

The US Treasury 5Y economic variable in 2023 was no longer used as shorter term interest rates were preferred given their sensitivities to immediate market conditions and quicker response to possible policy rate changes.

Sensitivity analysis

The loan portfolios have different sensitivities to movements in MEVs, so the above three scenarios have varying impact on the expected credit losses of the BPI Group’s portfolios. The allowance for impairment is calculated as the weighted average of expected credit losses under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment of BPI Group by P1,036 million as at December 31, 2024 from the baseline scenario (2023 - P247 million).

Transfers between stages

Transfers from Stage 1 and Stage 2 are based on the assessment of SICR from initial recognition. The impact of moving from 12 month expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment for BPI Group would have decreased by P1,664 million as at December 31, 2024 (2023 - P2,626 million).

26.1.6 Concentrations of risks of financial assets with credit risk exposure

The BPI Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

Consolidated (December 31, 2024)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
					(In Millions of Pesos)				
Financial and insurance activities	164,571	72,060	16,758	25,350	45,393	12,670	241,549	-	**578,351**
Real estate activities	-	-	-	12	329	4,180	521,509	-	**526,030**
Manufacturing	-	-	-	263	3,523	4,802	324,932	-	**333,520**
Consumer	-	-	-	-	983	1,311	305,299	-	**307,593**
Transportation, storage and communications	-	-	-	21	1,977	9,429	247,634	-	**259,061**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	77	3,439	5,194	253,819	-	**262,529**
Electricity, gas, steam and air-conditioning supply	-	-	-	344	876	18,224	187,125	-	**206,569**
Others	-	-	-	20,890	207,838	287,414	211,000	5,405	**732,547**
Allowance	-	-	(43)	-	-	(116)	(54,102)	(1,435)	**(55,696)**
At December 31, 2024	**164,571**	**72,060**	**16,715**	**46,957**	**264,358**	**343,108**	**2,238,765**	**3,970**	**3,150,504**

Consolidated (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
					(In Millions of Pesos)				
Financial and insurance activities	199,619	36,292	20,686	7,415	26,354	15,988	188,185	-	494,539
Real estate activities	-	-	-	-	438	3,061	448,479	-	451,978
Manufacturing	-	-	-	261	4,260	5,204	300,056	-	309,781
Consumer	-	-	-	-	-	-	221,824	-	221,824
Transportation, storage and communications	-	-	-	-	1,915	12,453	219,845	-	234,213
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	-	1,455	6,433	217,264	-	225,152
Electricity, gas, steam and air-conditioning supply	-	-	-	18	537	30,803	177,949	-	209,307
Others	-	-	-	15,849	180,821	308,800	165,879	3,438	674,787
Allowance	-	-	(43)	-	-	(31)	(57,474)	(915)	(58,463)
At December 31, 2023	199,619	36,292	20,643	23,543	215,780	382,711	1,882,007	2,523	2,763,118

Parent Bank (December 31, 2024)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
						(In Millions of Pesos)			
Financial and insurance activities	161,247	68,439	9,136	21,962	45,393	11,477	241,539	-	**559,193**
Real estate activities	-	-	-	12	329	4,180	519,857	-	**524,378**
Manufacturing	-	-	-	210	3,523	3,475	323,052	-	**330,260**
Consumer	-	-	-	-	983	118	270,573	-	**271,674**
Transportation, storage and communications	-	-	-	21	1,977	9,429	246,267	-	**257,694**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	77	3,439	5,194	242,807	-	**251,517**
Electricity, gas, steam and air-conditioning supply	-	-	-	344	876	18,224	187,023	-	**206,467**
Others	-	-	-	17,131	204,394	284,219	206,189	7,545	**719,478**
Allowance	-	-	(43)	-	-	(83)	(50,379)	(1,359)	**(51,864)**
At December 31, 2024	**161,247**	**68,439**	**9,093**	**39,757**	**260,914**	**336,233**	**2,186,928**	**6,186**	**3,068,797**

Parent Bank (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
						(In Millions of Pesos)			
Financial and insurance activities	192,246	33,081	17,385	3,335	26,073	15,264	187,619	-	475,003
Real estate activities	-	-	-	31	438	3,061	447,244	-	450,774
Manufacturing	-	-	-	85	4,260	4,452	299,068	-	307,865
Consumer	-	-	-	-	-	-	202,241	-	202,241
Transportation, storage and communications	-	-	-	64	1,915	11,073	218,718	-	231,770
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	1	1,455	5,489	209,654	-	216,599
Electricity, gas, steam and air-conditioning supply	-	-	-	135	537	29,677	177,890	-	208,239
Others	-	-	-	13,805	177,764	308,135	162,455	4,742	666,901
Allowance	-	-	(43)	-	-	(31)	(55,049)	(836)	(55,959)
At December 31, 2023	192,246	33,081	17,342	17,456	212,442	377,120	1,849,840	3,906	2,703,433

26.1.7 Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses are attributable to the following accounts:

		Consolidated			Parent		
	Notes	**2024**	2023	2022	**2024**	2023	2022
				(In Millions of Pesos)			
Loans and advances	10	**4,693**	3,940	8,215	**1,513**	2,164	7,512
Assets held for sale		**837**	(222)	411	**837**	(223)	396
Interbank loans receivable and SPAR	5	**7**	3	(6)	**7**	3	(6)
Investment securities at amortized cost	9	**56**	20	5	**56**	20	5
Undrawn loan commitments	31	**(57)**	198	287	**(57)**	198	287
Impairment on equity investment	12	**-**	-	-	**28**	-	-
Accounts receivable	14	**689**	34	172	**639**	12	160
Other assets		**375**	27	83	**405**	28	83
		6,600	4,000	9,167	**3,428**	2,202	8,437

26.2 Market risk

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, and interest rate risk in the banking book.

Market risk management is incumbent on the BOD through the RMC. At the management level, the BPI Group's market risk exposures are managed by the RMO, headed by the Parent Bank's CRO who reports directly to the RMC. In order to effectively manage market risk, the Bank has well established policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD. In addition, the Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from BPI's market-making and risk-taking activities. The BPI Group also has derivatives exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities. Non-trading portfolios include positions arising from core banking activities, which includes the BPI Group's retail and commercial banking assets and liabilities.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group's market risk control system. This metric is estimated at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR. To ensure model soundness, the VaR is periodically subject to model validation and back testing. VaR is supplemented by other risk metrics and measurements that would provide preliminary signals to Treasury and to Management to assess the vulnerability of BPI Group's positions. To control the risk, the RMC sets risk limits for trading portfolios which are consistent with the BPI Group's goals, objectives, risk appetite, and strategies.

Stress tests indicate the potential losses that could arise in extreme conditions that would have adverse effect to the BPI Group's positions. The BPI Group periodically performs price stress testing to assess the BPI Group's condition on assumed stress scenarios. Contingency plans are frequently reviewed to ensure the BPI Group's preparedness in the event of real stress. Results of stress tests are reviewed by Senior Management and by the RMC.

The average daily VaR for the trading portfolios are as follows:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Local fixed-income	**66**	50	**62**	47
Foreign fixed-income	**182**	184	**167**	173
Foreign exchange	**186**	214	**107**	118
Derivatives	**46**	158	**46**	158
Equity securities	**24**	14	**-**	-
Mutual fund	**20**	18	**-**	-
	524	638	**382**	496

26.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured.

The BPI Group takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The table below summarizes the BPI Group's exposure to more material foreign currency exchange rate risk primarily in USD, shown in their Peso equivalent at December 31:

Consolidated

	2024			2023		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,363	246	**3,609**	3,196	344	3,540
Due from other banks	36,067	25,860	**61,927**	16,038	12,530	28,568
Interbank loans receivable and SPAR	20	5,957	**5,977**	2,287	32	2,319
Financial assets at FVTPL	8,278	2,461	**10,739**	12,745	455	13,200
Financial assets at FVOCI - debt securities	67,176	1,164	**68,340**	51,353	1,143	52,496
Investment securities at amortized cost	119,096	1,347	**120,443**	138,928	1,768	140,696
Loans and advances, net	130,881	11,561	**142,442**	115,324	5,284	120,608
Others financial assets	302	1	**303**	61	1	62
Total financial assets	**365,183**	**48,597**	**413,780**	339,932	21,557	361,489
Financial liabilities						
Deposit liabilities	283,061	42,803	**325,864**	271,646	17,685	289,331
Due to BSP and other banks	2,225	-	**2,225**	1,149	-	1,149
Derivative financial liabilities	1,127	1,865	**2,992**	1,568	449	2,017
Bills payable	85,128	-	**85,128**	53,497	-	53,497
Manager's checks and demand drafts outstanding	200	-	**200**	209	1	210
Accounts payable	404	3	**407**	475	3	478
Other financial liabilities	1,208	183	**1,391**	712	1	713
Total financial liabilities	**373,353**	**44,854**	**418,207**	329,256	18,139	347,395
Net on-balance sheet position	**(8,170)**	**3,743**	**(4,427)**	10,676	3,418	14,094

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Parent Bank

	2024			2023		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,363	246	**3,609**	3,195	344	3,539
Due from other banks	35,601	25,851	**61,452**	15,701	12,510	28,211
Interbank loans receivable and SPAR	-	5,859	**5,859**	2,214	-	2,214
Financial assets at FVTPL	6,811	1,930	**8,741**	11,661	385	12,046
Financial assets at FVOCI - debt securities	66,489	1,164	**67,653**	50,898	1,143	52,041
Investment securities at amortized cost	113,563	-	**113,563**	134,797	303	135,100
Loans and advances, net	127,212	10,974	**138,186**	111,902	659	112,561
Others financial assets	302	-	**302**	61	-	61
Total financial assets	**353,341**	**46,024**	**399,365**	330,429	15,344	345,773
Financial liabilities						
Deposit liabilities	281,433	38,304	**319,737**	270,759	17,566	288,325
Due to BSP and other banks	2,225	-	**2,225**	1,149	-	1,149
Derivative financial liabilities	1,066	1,866	**2,932**	1,520	449	1,969
Bills payable	85,028	-	**85,028**	50,119	-	50,119
Manager's checks and demand drafts outstanding	200	-	**200**	209	1	210
Accounts payable	401	3	**404**	208	3	211
Other financial liabilities	1,186	168	**1,354**	712	-	712
Total financial liabilities	**371,539**	**40,341**	**411,880**	324,676	18,019	342,695
Net on-balance sheet position	**(18,198)**	**5,683**	**(12,515)**	5,753	(2,675)	3,078

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Presented below is a sensitivity analysis demonstrating the impact on pre-tax income of reasonably possible change in the exchange rate between US Dollar and Philippine Peso. The fluctuation rate is based on the historical movement of US Dollar against the Philippine Peso year on year.

		Effect on pre-tax income	
Year	Change in currency	**Consolidated**	**Parent**
		(In millions of Pesos)	
2024	**+/- 1.99%**	**-/+ 163**	**-/+ 362**
2023	+/-1.42%	+/- 469	+/- 399

26.2.2 Interest rate risk

Interest rate risk is the risk that cash flows or fair value of a financial instrument will fluctuate due to movements in market interest rates.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current and prospective risk to the BPI Group's capital and earnings arising from the adverse movements in interest rates that affect its banking book positions (core banking activities). The BPI Group is exposed to interest rate risk arising from financial assets and liabilities that have different maturities and repricing schedules and are re-priced taking into account the prevailing market interest rates. Excessive levels of interest rate risks in the banking book can pose a significant threat to the BPI Group's earnings and capital base.

The BPI Group employs two methods to measure the potential impact of interest rate risk in the banking book: (i) one that focuses on the impact on economic value of the future cash flows in the banking book due to changes in interest rates - Balance Sheet VaR (BSVaR), and (ii) one that focuses on the potential deterioration in net interest earnings - Earnings-at-Risk (EaR). The RMC sets limits on the two interest rate risk metrics which are monitored daily by the Market and Liquidity Risk Management Division of the RMO. The EaR and BSVaR are built on the interest rate/repricing gap profile of the bank.

The interest rate gap is the difference between the amount of interest rate sensitive assets and liabilities and off-balance sheet items. It distributes the balance sheet accounts according to their contractual maturity if fixed, or repricing date if floating. For accounts that do not have defined maturity or repricing schedules (i.e., non-maturity deposits), and accounts with embedded optionality (i.e., time deposit pretermination, fixed-rate loan prepayment), historical patterns/behaviors are utilized and assessed to determine their expected repricing schedules. These behavioral assumptions are derived from historical customer behavior and are regularly back tested to ensure accuracy and propriety of these assumptions. Interest rate derivatives are used to hedge banking book interest rate exposures, and these are also included in the repricing gap analysis.

Earnings-at-Risk (EaR)

The EaR is built on the repricing profile of the BPI Group and considers principal payments only. The BPI Group projects interest inflows from its financial assets and interest outflows from its financial liabilities in the next 12 to 36 months as earnings are affected when interest rates move against the BPI Group’s position. In determining the appropriate rate shocks in calculating EaR, the daily year-on-year change in rates is determined using the parametric approach at 99% confidence level. The Parent Bank uses more than ten years’ worth of data in deriving the rate shocks. As at December 31, 2024, the net interest income impact of movement in interest rates resulted in an increase of P2,695 million (2023 - P275 million) for the whole BPI Group and an increase of P2,812 million (2023 - P329 million) for the Parent Bank over a short-term (12-month) horizon. Likewise, the net interest income impact of movement in interest rates over the medium-term (36-month) horizon resulted in an increase of P15,062 million (2023 - P7,019 million) for the whole BPI Group and an increase of P15,212 million (2023 - P7,005 million) for the Parent Bank.

Balance Sheet Value at Risk (BSVaR)

The BSVaR model is also built on repricing gap or the difference between the amount of rate-sensitive financial assets and liabilities which considers both principal and interest payments. It measures the deterioration in the economic/present value of the BPI Group's expected net cash flows due to adverse interest rate movements. In determining the appropriate rate shocks in calculating BSVaR, the adverse daily year-on-year change in rates is determined using the historical approach for the past one year at 99% confidence level. As at December 31, 2024, the average monthly BSVaR for the banking book stood at P12,966 million (2023 - P16,842 million) for the whole BPI Group and P12,290 million (2023 - P15,883 million) for the Parent Bank.

The IRRBB levels are closely monitored against RMC-approved limits and results are reported and discussed regularly at the Management level through the Asset and Liability Committee (ALCO) and at the Board level through the RMC. The BPI Group manages interest rate exposures related to its assets and liabilities through a transfer-pricing system administered by Treasury. Investment securities and interest rate derivatives are also used to hedge interest rate risk and manage repricing gaps in the balance sheet.

The BPI Group also conducts price stress tests in the banking book and EaR stress tests utilizing a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the BPI Group's economic value and earnings. The design of the price and EaR stress tests include the following:

- Internal rate shocks scenarios including extreme yet plausible historical stressed events, curve shifting (parallel up/down) and twisting (steepening and flattening yield curves), and forward-looking scenarios; and
- Other rate shocks as prescribed by Basel.

The interest rate shocks applied are calibrated for all major currencies in which the BPI Group has significant positions. The BPI Group also conducts Uniform Stress Testing in accordance with the prescribed scenarios of the BSP.

The results of the stress test are reported to the RMC and Senior Management and are integrated into the overall risk management framework of the BPI Group.

The BPI Group has established comprehensive risk management framework (e.g., policies, procedures, risk limits structures) supported by a robust risk management system. Furthermore, the risk management process, including its various components, is subject to periodic independent review (i.e. internal audit and model validation) and consistently calibrated to ensure accuracy, relevance, propriety and timeliness of data and assumptions employed. The assumptions and parameters used in building these metrics are properly documented. Any changes in the methodology and assumptions used are duly approved by the Chief Risk Officer and noted by the RMC.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated (December 31, 2024)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2024					
Financial Assets					
Cash and other cash items	-		-	49,762	**49,762**
Due from BSP	-	-	-	164,571	**164,571**
Due from other banks	-	-	-	72,060	**72,060**
Interbank loans receivable and SPAR	-	-	-	16,715	**16,715**
Financial assets at FVTPL	161	720	879	45,196	**46,956**
Financial assets at FVOCI	-	-	-	264,358	**264,358**
Investment securities at amortized cost	-	-	-	343,108	**343,108**
Loans and advances, net	1,332,408	291,669	313,924	300,764	**2,238,765**
Other financial assets	-	-	-	3,970	**3,970**
Total financial assets	1,332,569	292,389	314,803	1,260,504	**3,200,265**
Financial Liabilities					
Deposit liabilities	1,465,575	458,825	690,402	-	**2,614,802**
Due to BSP and other banks	-	-	-	3,135	**3,135**
Derivative financial liabilities	165	338	570	3,903	**4,976**
Bills payable and other borrowed funds	-	-	-	163,182	**163,182**
Manager's checks and demand drafts outstanding	-	-	-	9,941	**9,941**
Other financial liabilities	-	-	-	9,865	**9,865**
Total financial liabilities	1,465,740	459,163	690,972	190,026	**2,805,901**
Total interest gap	**(133,171)**	**(166,774)**	**(376,169)**	**1,070,478**	**394,364**

Consolidated (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,843	34,843
Due from BSP	-	-	-	199,619	199,619
Due from other banks	-	-	-	36,292	36,292
Interbank loans receivable and SPAR	-	-	-	20,643	20,643
Financial assets at FVTPL	150	1,144	1,023	21,226	23,543
Financial assets at FVOCI	-	-	-	215,780	215,780
Investment securities at amortized cost	-	-	-	382,711	382,711
Loans and advances, net	1,096,399	327,690	257,835	200,083	1,882,007
Other financial assets	-	-	-	2,523	2,523
Total financial assets	1,096,549	328,834	258,858	1,113,720	2,797,961
Financial Liabilities					
Deposit liabilities	1,392,507	349,672	552,927	-	2,295,106
Due to BSP and other banks	-	-	-	1,881	1,881
Derivative financial liabilities	12	822	672	1,315	2,821
Bills payable and other borrowed funds	1,661	-	-	135,443	137,104
Manager's checks and demand drafts outstanding	-	-	-	8,463	8,463
Other financial liabilities	-	-	-	11,316	11,316
Total financial liabilities	1,394,180	350,494	553,599	158,418	2,456,691
Total interest gap	(297,631)	(21,660)	(294,741)	955,302	341,270

Parent Bank (December 31, 2024)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2024					
Financial Assets					
Cash and other cash items	-	-	-	49,136	**49,136**
Due from BSP	-	-	-	161,247	**161,247**
Due from other banks	-	-	-	68,439	**68,439**
Interbank loans receivable and SPAR	-	-	-	9,093	**9,093**
Financial assets at FVTPL	162	720	879	37,996	**39,757**
Financial assets at FVOCI	-	-	-	260,834	**260,834**
Investment securities at amortized cost	-	-	-	336,233	**336,233**
Loans and advances, net	1,327,577	291,348	313,207	254,796	**2,186,928**
Other financial assets	-	-	-	6,186	**6,186**
Total financial assets	1,327,739	292,068	314,086	1,183,960	**3,117,853**
Financial Liabilities					
Deposit liabilities	1,425,358	455,238	683,539	-	**2,564,135**
Due to BSP and other banks	-	-	-	3,135	**3,135**
Derivative financial liabilities	165	338	570	3,840	**4,913**
Bills payable and other borrowed funds	-	-	-	163,083	**163,083**
Manager's checks and demand drafts outstanding	-	-	-	9,935	**9,935**
Other financial liabilities	-	-	-	8,903	**8,903**
Total financial liabilities	1,425,523	455,576	684,109	188,896	**2,754,104**
Total interest gap	**(97,784)**	**(163,508)**	**(370,023)**	**995,064**	**363,749**

Parent Bank (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,444	34,444
Due from BSP	-	-	-	192,246	192,246
Due from other banks	-	-	-	33,081	33,081
Interbank loans receivable and SPAR	-	-	-	17,342	17,342
Financial assets at FVTPL	150	1,144	1,023	15,139	17,456
Financial assets at FVOCI	-	-	-	212,442	212,442
Investment securities at amortized cost	-	-	-	377,120	377,120
Loans and advances, net	1,091,862	327,352	257,263	173,363	1,849,840
Other financial assets	-	-	-	3,906	3,906
Total financial assets	1,092,012	328,496	258,286	1,059,083	2,737,877
Financial Liabilities					
Deposit liabilities	1,368,484	346,892	548,757	-	2,264,133
Due to BSP and other banks	-	-	-	1,881	1,881
Derivative financial liabilities	12	822	673	1,267	2,774
Bills payable and other borrowed funds	-	-	-	133,726	133,726
Manager's checks and demand drafts outstanding	-	-	-	8,431	8,431
Other financial liabilities	-	-	-	10,721	10,721
Total financial liabilities	1,368,496	347,714	549,430	156,026	2,421,666
Total interest gap	(276,484)	(19,218)	(291,144)	903,057	316,211

26.3 Liquidity risk

Liquidity risk is the risk that the BPI Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The BPI Group's liquidity profile is observed and monitored through its metric, the Minimum Cumulative Liquidity Gap (MCLG). The MCLG is the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three (3) months. The MCLG indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the BPI Group. A red flag is immediately raised and reported to management and the RMC when the MCLG level projected over the next 3 months is about to breach the RMC-prescribed MCLG limit.

26.3.1 Liquidity risk management process

The BPI Group's liquidity management process, as carried out within the BPI Group and monitored by the RMC includes:

- day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as borrowed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity gaps and ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the BPI Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities (Note 26.3.2) and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed by the BPI Group to maintain a wide diversification by currency, geography, counterparty, product and term.

The BPI Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit.

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016, the Parent Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the BPI Group's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Parent Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. This serves as defense against potential stress events.

The main drivers of the Parent Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, committed and/or uncommitted facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Significant portion of funding comes from retail and wholesale deposits, and unsecured wholesale funding. The Parent Bank has derivatives exposures in foreign exchange derivatives and interest rate swaps. Cash outflows from the derivatives contracts are effectively offset by the derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively. The exposures coming from derivatives and potential counterparty collateral calls are not significant to impact the LCR, with Parent Bank's Peso and USD LCR both well above the minimum regulatory limit of 100%. There is also no significant currency mismatch noted in the LCR.

The Parent Bank manages its liquidity position through line of business and asset-liability management activities. A centralized approach to funding and liquidity management enhances the Parent Bank's ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Parent Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Parent Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the BPI Group. The NSFR is expressed as the ratio of Available Stable Funding (ASF) and the Required Stable Funding (RSF) and complements the LCR as it takes a longer view of the BPI Group's liquidity risk profile. The BPI Group's capital, retail deposits and long-term debt are considered as stable funding sources whereas the BPI Group's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance items form part of the required stable funding. The Parent Bank's solo and consolidated NSFRs are well-above the regulatory minimum of 100%.

The Parent Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Parent Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Parent Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Parent Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the BPI Group and the Parent Bank:

	Consolidated		**Parent**	
	2024	2023	**2024**	2023
Liquidity coverage ratio	**159.07%**	206.67%	**156.25%**	207.35%
Net stable funding ratio	**145.70%**	153.55%	**138.97%**	152.54%
Leverage ratio	**10.75%**	10.95%	**10.15%**	10.38%
Total exposure measure	**3,403,607**	2,957,335	**3,315,223**	2,892,222

The decrease in the Parent Bank's LCR was driven by higher net cash outflows from deposits. Cash, reserves and due from BSP make up 27% (2023 - 31%) of the total stock of HQLA for the year ended December 31, 2024. Likewise, the Parent Bank's NSFR decreased driven by higher RSF from performing loans.

26.3.2 Maturity profile - Non-derivative financial instruments

The tables below present the maturity profile of non-derivative financial instruments based on undiscounted cash flows including future interest which the BPI Group uses to manage the inherent liquidity risk. The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized, or the financial liability will be settled.

Consolidated (December 31, 2024)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2024				
Financial Assets				
Cash and other cash items	49,762	-	-	**49,762**
Due from BSP	164,571	-	-	**164,571**
Due from other banks	72,060	-	-	**72,060**
Interbank loans receivable and SPAR	15,171	1,340	559	**17,070**
Financial assets at FVTPL	28,506	3,491	9,616	**41,613**
Financial assets at FVOCI	31,931	41,772	227,905	**301,608**
Investment securities at amortized cost	49,155	192,356	155,373	**396,884**
Loans and advances	1,136,998	722,198	524,459	**2,383,655**
Other financial assets	3,970	-	-	**3,970**
Total financial assets	1,552,124	961,157	917,912	**3,431,193**
Financial Liabilities				
Deposit liabilities	1,465,575	458,825	690,402	**2,614,802**
Due to BSP and other banks	3,135	-	-	**3,135**
Bills payable and other borrowed funds	70,025	70,190	22,967	**163,182**
Manager's checks and demand drafts outstanding	9,941	-	-	**9,941**
Lease liabilities	2,459	3,931	4,234	**10,624**
Other financial liabilities	9,865	-	-	**9,865**
Total financial liabilities	1,561,000	532,946	717,603	**2,811,549**
Total maturity gap	**(8,876)**	**428,211**	**200,309**	**619,644**

Consolidated (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,843	-	-	34,843
Due from BSP	199,631	-	-	199,631
Due from other banks	36,292	-	-	36,292
Interbank loans receivable and SPAR	19,336	1,571	-	20,907
Financial assets at FVTPL	6,969	2,334	10,797	20,100
Financial assets at FVOCI	51,952	70,326	153,682	275,960
Investment securities at amortized cost	82,480	116,931	241,188	440,599
Loans and advances	909,354	343,250	740,942	1,993,546
Other financial assets	2,523	-	-	2,523
Total financial assets	1,343,380	534,412	1,146,609	3,024,401
Financial Liabilities				
Deposit liabilities	1,385,666	348,469	543,061	2,277,196
Due to BSP and other banks	1,882	-	-	1,882
Bills payable and other borrowed funds	69,861	67,243	-	137,104
Manager's checks and demand drafts outstanding	8,463	-	-	8,463
Lease liabilities	2,144	4,686	3,230	10,060
Other financial liabilities	11,316	-	-	11,316
Total financial liabilities	1,479,332	420,398	546,291	2,446,021
Total maturity gap	(135,952)	114,014	600,318	578,380

Parent Bank (December 31, 2024)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2024				
Financial Assets				
Cash and other cash items	49,136	-	-	**49,136**
Due from BSP	161,247	-	-	**161,247**
Due from other banks	68,439	-	-	**68,439**
Interbank loans receivable and SPAR	7,550	1,340	559	**9,449**
Financial assets at FVTPL	25,540	2,093	8,385	**36,018**
Financial assets at FVOCI	29,821	40,945	227,730	**298,496**
Investment securities at amortized cost	47,296	191,387	150,416	**389,099**
Loans and advances	1,124,452	690,694	483,375	**2,298,521**
Other financial assets	6,186	-	-	**6,186**
Total financial assets	1,519,667	926,459	870,465	**3,316,591**
Financial Liabilities				
Deposit liabilities	1,462,979	463,771	688,044	**2,614,794**
Due to BSP and other banks	3,135	-	-	**3,135**
Bills payable and other borrowed funds	69,926	70,190	22,967	**163,083**
Manager’s checks and demand drafts outstanding	9,935	-	-	**9,935**
Lease liabilities	2,149	3,348	3,775	**9,272**
Other financial liabilities	8,903	-	-	**8,903**
Total financial liabilities	1,557,027	537,309	714,786	**2,809,122**
Total maturity gap	**(37,360)**	**389,150**	**155,679**	**507,469**

Parent Bank (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,444	-	-	34,444
Due from BSP	192,246	-	-	192,246
Due from other banks	33,081	-	-	33,081
Interbank loans receivable and SPAR	16,036	1,571	-	17,607
Financial assets at FVTPL	4,544	2,116	10,498	17,158
Financial assets at FVOCI	50,373	69,399	152,626	272,398
Investment securities at amortized cost	81,802	114,845	237,741	434,388
Loans and advances	895,784	321,011	736,857	1,953,652
Other financial assets	3,906	-	-	3,906
Total financial assets	1,312,216	508,942	1,137,722	2,958,880
Financial Liabilities				
Deposit liabilities	1,362,155	345,688	538,892	2,246,735
Due to BSP and other banks	1,882	-	-	1,882
Bills payable and other borrowed funds	67,038	66,688	-	133,726
Manager’s checks and demand drafts outstanding	8,431	-	-	8,431
Lease liabilities	1,977	4,385	3,200	9,562
Other financial liabilities	10,721	-	-	10,721
Total financial liabilities	1,452,204	416,761	542,092	2,411,057
Total maturity gap	(139,988)	92,181	595,630	547,823

26.3.3 Maturity profile - Derivative instruments

- *Derivatives settled on a net basis*

The BPI Group's derivatives that are settled on a net basis consist of interest rate swaps, non-deliverable forwards and non-deliverable swaps. The table below presents the contractual undiscounted cash flows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates that are subject to offsetting, enforceable master netting arrangements and similar agreements.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2024	(In Millions of Pesos)			
Interest rate swap contracts - held for trading				
- Inflow	162	720	878	**1,760**
- Outflow	(165)	(334)	(570)	**(1,069)**
- Net inflow	**(3)**	**386**	**308**	**691**
Interest rate swap contracts - held for hedging				
- Inflow	-	-	-	**-**
- Outflow	-	(4)	-	**(4)**
- Net outflow	**-**	**(4)**	**-**	**(4)**
Non-deliverable forwards and swaps - held for trading				
- Inflow	63	-	-	**63**
- Outflow	(486)	-	-	**(486)**
- Net outflow	**(423)**	**-**	**-**	**(423)**

Parent

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2024	(In Millions of Pesos)			
Interest rate swap contracts - held for trading				
- Inflow	162	720	878	**1,760**
- Outflow	(165)	(334)	(570)	**(1,069)**
- Net inflow	**(3)**	**386**	**308**	**691**
Interest rate swap contracts - held for hedging				
- Inflow	-	-	-	**-**
- Outflow	-	(4)	-	**(4)**
- Net outflow	**-**	**(4)**	**-**	**(4)**
Non-deliverable forwards and swaps - held for trading				
- Inflow	63	-	-	**63**
- Outflow	(485)	-	-	**(485)**
- Net outflow	**(422)**	**-**	**-**	**(422)**

Consolidated and Parent

2023	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	150	1,144	1,023	2,317
- Outflow	(12)	(822)	(672)	(1,506)
- Net inflow	138	322	351	811
Interest rate swap contracts - held for hedging				
- Inflow	-	-	-	-
- Outflow	-	-	-	-
- Net outflow	-	-	-	-
Non-deliverable forwards and swaps - held for trading				
- Inflow	34	-	-	34
- Outflow	(172)	-	-	(172)
- Net outflow	(138)	-	-	(138)

- *Derivatives settled on a gross basis*

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly currency forwards and currency swaps and warrants. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated

2024	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	3,883	112	36	**4,031**
- Outflow	(3,398)	(4)	(15)	**(3,417)**
- Net inflow	**485**	**108**	**21**	**614**
Warrants				
- Inflow	-	-	2	**2**
- Outflow	-	-	-	**-**
- Net inflow	**-**	**-**	**2**	**2**

2023	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,273	124	49	1,446
- Outflow	(1,097)	(36)	(9)	(1,142)
- Net inflow	176	88	40	304
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2024		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	3,860	112	36	**4,008**
- Outflow	(3,336)	(4)	(15)	**(3,355)**
- Net inflow	**524**	**108**	**21**	**653**
Warrants				
- Inflow	-	-	2	**2**
- Outflow	-	-	-	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,272	124	49	1,445
- Outflow	(1,050)	(36)	(9)	(1,095)
- Net inflow	222	88	40	350
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

26.4 Fair value measurement

The following tables present the carrying value of assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

26.4.1 Assets and liabilities measured at fair value on a recurring or non-recurring basis

Consolidated (December 31, 2024)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	5,856	-	5,856	-	**5,856**
Trading assets					
- Debt securities	41,101	41,101	-	-	**41,101**
- Equity securities	351	351	-	-	**351**
Financial assets at FVOCI					
- Debt securities	264,358	264,358	-	-	**264,358**
- Equity securities	3,844	2,293	399	1,152	**3,844**
	315,510	308,103	6,255	1,152	**315,510**
Financial liabilities					
Derivative financial liabilities	4,976	-	4,976	-	**4,976**
Non-recurring measurements					
Assets held for sale, net	8,411	-	25,956	-	**25,956**

Consolidated (December 31, 2023)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	3,802
Trading assets					
- Debt securities	19,741	19,741	-	-	19,741
- Equity securities	111	111	-	-	111
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	215,780
- Equity securities	2,874	1,266	699	909	2,874
	242,308	236,898	4,501	909	242,308
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	2,821
Non-recurring measurements					
Assets held for sale, net	4,743	-	14,424	-	14,424

Parent Bank (December 31, 2024)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	5,833	-	5,833	-	**5,833**
Trading assets					
- Debt securities	33,924	33,924	-	-	**33,924**
- Equity securities	-		-	-	**-**
Financial assets at FVOCI					
- Debt securities	260,834	260,834	-	-	**260,834**
- Equity securities	2,378	2,378	-	-	**2,378**
	302,969	297,136	5,833	-	**302,969**
Financial liabilities					
Derivative financial liabilities	4,913	-	4,913	-	**4,913**
Non-recurring measurements					
Assets held for sale, net	8,154	-	25,470	-	**25,470**

Parent Bank (December 31, 2023)

	Carrying Amount	Fair value Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,796	-	3,796	-	3,796
Trading assets					
- Debt securities	13,660	13,660	-	-	13,660
- Equity securities	-	-	-	-	-
Financial assets at FVOCI					
- Debt securities	212,442	212,442	-	-	212,442
- Equity securities	1,741	1,043	698	-	1,741
	231,639	227,145	4,494	-	231,639
Financial liabilities					
Derivative financial liabilities	2,774	-	2,774	-	2,774
Non-recurring measurements					
Assets held for sale, net	4,646	-	14,092	-	14,092

The table below shows the valuation techniques and applicable unobservable inputs used to measure the BPI Group’s Level 3 financial instruments (equities classified at FVOCI) as at December 31:

Description	Valuation technique	Unobservable inputs	Amount 2024	2023
Unlisted equity securities	Net asset value; investment multiple	Net asset value; investment multiple	1,152	909

The investment valuation sensitivity of the underlying portfolio investee company is mainly impacted by the movement in net asset value and investment multiple. At December 31, 2024, if the net asset value and investment had increased/decreased by 1% with all other variables held constant, net income and equity as at and for the year ended December 31, 2024 would have been P6.82 million (2023 - P6.82 million) higher/lower.

There were no transfers between the fair value hierarchy levels during the years ended December 31, 2024 and 2023.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2024)

	Carrying amount	Fair value		
		Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	49,762	-	49,762	**49,762**
Due from BSP	164,571	-	164,571	**164,571**
Due from other banks	72,060	-	72,060	**72,060**
Interbank loans receivable and SPAR, net	16,715	-	16,715	**16,715**
Investment securities at amortized cost, net	343,108	328,793	-	**328,793**
Loans and advances, net	2,238,765	-	2,710,915	**2,710,915**
Other financial assets	3,970	-	3,970	**3,970**
Financial liabilities				
Deposit liabilities	2,614,802	-	2,593,439	**2,593,439**
Due to BSP and other banks	3,135	-	3,135	**3,135**
Bills payable and other borrowed funds	163,182	163,083	99	**163,182**
Manager's checks and demand drafts outstanding	9,941	-	9,941	**9,941**
Other financial liabilities	9,865	-	9,865	**9,865**
Non-financial assets				
Investment properties	62	-	472	**472**

Consolidated (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,843	-	34,843	34,843
Due from BSP	199,619	-	199,619	199,619
Due from other banks	36,292	-	36,292	36,292
Interbank loans receivable and SPAR, net	20,643	-	20,643	20,643
Investment securities at amortized cost, net	382,711	364,286	-	364,286
Loans and advances, net	1,882,007	-	2,154,136	2,154,136
Other financial assets	2,523	-	2,523	2,523
Financial liabilities				
Deposit liabilities	2,295,106	-	2,277,196	2,277,196
Due to BSP and other banks	1,881	-	1,881	1,881
Bills payable and other borrowed funds	137,104	133,726	3,378	137,104
Manager's checks and demand drafts outstanding	8,463	-	8,463	8,463
Other financial liabilities	11,316	-	11,316	11,316
Non-financial assets				
Investment properties	69	-	463	463

Parent Bank (December 31, 2024)

	Carrying amount	Fair value		
		Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	49,136	-	49,136	**49,136**
Due from BSP	161,247	-	161,247	**161,247**
Due from other banks	68,439	-	68,439	**68,439**
Interbank loans receivable and SPAR, net	9,093	-	9,093	**9,093**
Investment securities at amortized cost, net	336,233	320,711	-	**320,711**
Loans and advances, net	2,186,696	-	2,655,343	**2,655,343**
Other financial assets	6,186	-	6,186	**6,186**
Financial liabilities				
Deposit liabilities	2,564,135	-	2,543,600	**2,543,600**
Due to BSP and other banks	3,135	-	3,135	**3,135**
Bills payable and other borrowed funds	163,083	163,083	-	**163,083**
Manager's checks and demand drafts outstanding	9,935	-	9,935	**9,935**
Other financial liabilities	8,903	-	8,903	**8,903**
Non-financial assets				
Investment properties	62	-	472	**472**

Parent Bank (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,444	-	34,444	34,444
Due from BSP	192,246	-	192,246	192,246
Due from other banks	33,081	-	33,081	33,081
Interbank loans receivable and SPAR, net	17,342	-	17,342	17,342
Investment securities at amortized cost, net	377,120	359,164	-	359,164
Loans and advances, net	1,849,840	-	1,923,161	1,923,161
Other financial assets	3,906	-	3,906	3,906
Financial liabilities				
Deposit liabilities	2,264,133	-	2,246,735	2,246,735
Due to BSP and other banks	1,881	-	1,881	1,881
Bills payable and other borrowed funds	133,726	133,726	-	133,726
Manager's checks and demand drafts outstanding	8,431	-	8,431	8,431
Other financial liabilities	10,721	-	10,721	10,721
Non-financial assets				
Investment properties	58	-	463	463

26.5 Insurance risk management

The non-life insurance entities decide on the retention, or the absolute amount that they are ready to assume insurance risk from one event. The retention amount is a function of capital, experience, actuarial study and risk appetite or aversion.

In excess of the retention, these entities arrange reinsurances either thru treaties or facultative placements. They also accredit reinsurers based on certain criteria and set limits as to what can be reinsured. The reinsurance treaties and the accreditation of reinsurers require BOD's approval.

The insurance risk is not material to the BPI Group as a whole. Refer to Note 2 for assets and liabilities attributable to insurance operations.

27 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the BPI Group is the generation of recurring acceptable returns to shareholders' capital. To this end, the BPI Group's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the BPI Group maintains sufficient capital to absorb unexpected losses, stay in business for the long haul, and satisfy regulatory requirements. The BPI Group further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular No. 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

Information on the regulatory capital is summarized below:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
CET1	**418,664**	355,303	**417,974**	355,255
Less: Regulatory adjustments to CET1 capital	**52,619**	31,359	**81,427**	55,040
Tier 1 capital	**366,045**	323,944	**336,547**	300,215
Tier 2 capital	**20,480**	18,792	**19,553**	18,414
Total qualifying capital	**386,525**	342,736	**356,100**	318,629
Risk weighted assets	**2,641,674**	2,118,317	**2,560,487**	2,058,301
CAR (%)	**14.63%**	16.18	**13.91%**	15.48
CET1 (%)	**13.86%**	15.29	**13.14%**	14.59

The BPI Group has fully complied with the CAR requirement of the BSP.

Likewise, regulatory capital structures of certain subsidiaries on a standalone basis are managed to meet the requirements of the relevant regulatory bodies (i.e. Insurance Commission (IC), SEC, PSE etc.). These subsidiaries have fully complied with the applicable regulatory capital requirements.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Bank is likewise fully compliant with this requirement.

28 Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

29 BPI and RBC merger

On January 17, 2023, the shareholders of BPI approved the merger of BPI and RBC, with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger became effective on the first day of the calendar quarter following the completion of the regulatory approval on January 1, 2024 and therefore, the figures presented as at December 31, 2023 and for the years ended December 31, 2023 and 2022 do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI's expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares to be issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) determined by management are as follows:

	Consolidated*	Parent Bank
	(In Thousands of Pesos)	
Assets acquired		
Cash and other cash items	6,541,273	6,456,997
Due from BSP	13,716,830	12,406,617
Due from other banks	1,812,949	1,707,917
Interbank loans receivable and securities purchased under agreements to resell	5,741,486	5,491,857
Financial assets at FVTPL	24,198	24,198
Financial assets at FVOCI	6,561,094	6,561,094
Investment securities at amortized cost, net	26,797,264	26,797,264
Loans and advances, net	112,127,516	109,374,170
Investments in subsidiary and associates, net	148,050	1,447,667
Bank premises, furniture, fixtures and equipment, net	1,049,099	952,730
Assets held for sale	2,826,332	2,639,814
Deferred tax asset, net	859,984	782,290
Other assets, net	12,392,767	11,757,954
Total assets	190,598,842	186,400,569
Liabilities assumed		
Deposit liabilities		
Demand	27,906,058	27,624,578
Savings	37,813,202	34,370,971
Time	80,423,287	80,168,814
Bills payables	14,951,900	14,951,900
Manager's checks	1,120,725	1,120,725
Accrued expenses	1,487,510	1,423,251
Other liabilities	3,820,132	3,664,302
Total liabilities	167,522,814	163,324,541
Net assets	23,076,028	23,076,028

**Presented only for the purposes of tracing impact of merger at consolidated level. Note that the merger was transacted at Parent Bank level.*

Other assets, net includes intangible assets such as core deposits, customer relationship and trust business. The trust business was transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.

Deferred tax assets, net includes the deferred tax assets and liabilities assumed from RBC and the resulting deferred taxes on fair value adjustments.

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	23,076,028
Goodwill	9,517,586

The goodwill is attributable to the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount (In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

**The trust accounts were transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.*

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount (In Thousands of Pesos)
Corporate loans	63,208,006
Retail loans	
Credit cards	1,810,046
Real estate mortgages	36,473,778
Auto loans	6,786,068
Others	4,230,601
	112,508,499
Accrued interest receivable	950,242
Unearned discount/income	(70,408)
	113,388,333
Allowance for impairment	(3,063,536)
Net carrying amount	110,324,797
Fair value	109,374,170

iii. Revenue and profit contribution

Management deemed it impracticable to disclose the revenue and profit contribution of RBC for the year ended December 31, 2024 that is included in the statements of income and total comprehensive income. Upon migration of RBC's accounts to BPI's systems, these are no longer identified separately and are co-mingled with other accounts owned by the Bank prior to the merger. Given the volume of these accounts and transactions using such, the contribution to revenue and profit is not determinable without undue cost.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination forms part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount (In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,917
	20,571,531

v. Acquisition-related costs

Acquisition-related costs of P563 million (2023 - P359 million) that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the year ended December 31, 2024.

30 Summary of material accounting policies

The material information of the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

30.1 Basis of preparation

The financial statements of the BPI Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC.

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC and adopted by the IC.

The financial statements comprise the statements of condition, statements of income and statements of total comprehensive income shown as two statements, statements of changes in capital funds, statements of cash flows and the notes.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, financial assets at FVOCI, and plan assets of the BPI Group’s defined benefit plans.

The preparation of financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the BPI Group’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the BPI Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are shown below:

Critical accounting estimates

- Determination of fair value of derivatives and other financial instruments (Note 7)

- Useful lives of bank premises, furniture, fixtures and equipment (Note 11)
- Useful lives of intangible assets (Note 14)
- Impairment of investments in subsidiaries and associates (Note 12)
- Calculation of defined benefit obligation (Note 23)
- Measurement of expected credit losses for loans and advances (Note 26.1.5)

Critical accounting judgments
- Classification of investment securities at amortized cost (Note 9)
- Realization of deferred income tax assets (Note 13)
- Impairment of goodwill (Note 14)
- Determining the lease term (Note 20)
- Determining the incremental borrowing rate (Note 20)

30.2 Changes in accounting policy and disclosures

(a) New standard and amendments to existing standards adopted by the BPI Group

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the BPI Group.

(b) New standards and amendments to existing standard not yet adopted by the BPI Group

The following new accounting standard are not mandatory for December 31, 2024 reporting period and has not been early adopted by the BPI Group:

- *PFRS 17, 'Insurance Contracts'*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, "Insurance Contracts". On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2023. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under a new normal. The IC sees the need to support the insurance industry and hence, it delays full implementation of the standard to January 1, 2025, two (2) years after IASB's implementation in 2023.

  PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re- measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

  The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, "Financial instruments." An optional, simplified premium allocation approach (PAA) is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  BPI/MS, the Bank's non-life insurance subsidiary, has substantially completed its implementation plan and will apply the full retrospective approach. BPI/MS assessed that it is eligible to apply PAA. The measurement differences between PFRS 4 and PFRS 17 lead to an upside impact on net worth as at transition date which is mainly a result of the deferral of other directly attributable insurance acquisition cost, as allowed by the Standard, and the impact of discounting to the liability for incurred claims. The adoption of this standard is not expected to have a material impact to the financial statements of the BPI Group as a whole.

- *PFRS 18, 'Presentation and Disclosure in Financial Statements'*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

  The key new concepts introduced in PFRS 18 relate to:
  - The structure of the statement of profit or loss with defined subtotals;
  - Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
  - Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

- *PFRS 19, 'Subsidiaries without Public Accountability: Disclosures*

  This new standard works alongside other PFRS Accounting Standards. An eligible subsidiary applies the requirements in other PFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in PFRS 19. PFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. PFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:
  - It does not have public accountability; and
  - It has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards

- *Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7*

  On May 30, 2024, the IASB issued targeted amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:
  (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  (b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
  (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  (d) Update the disclosures for equity instruments design

  The adoption of PFRS 18, PRFS 19 and amendments to PFRS 9 and PFRS 7 are not expected to have a material financial effect to the financial statements of the BPI Group.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2025 that are considered relevant or expected to have a material effect on the financial statements of the BPI Group.

30.3 Financial instruments

30.3.1 Measurement methods

Amortized cost and effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition on Note 30.3.2.2) at initial recognition - the BPI Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the BPI Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset.

At initial recognition, the BPI Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 30.3.2.1 below, which results in the loss provision being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the BPI Group recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

30.3.2 Financial assets

30.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at FVTPL, FVOCI, and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the BPI Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the BPI Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The BPI Group's amortized cost financial assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other financial assets.

- *FVOCI*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *FVTPL*

  Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within "Securities trading gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately.

Business model

The business model reflects how the BPI Group manages the assets in order to generate cash flows. That is, whether the BPI Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at FVTPL. Factors considered by the BPI Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the BPI Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the BPI Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The BPI Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The BPI Group subsequently measures all equity investments at FVTPL, except where the BPI Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The BPI Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Other operating income' when the BPI Group's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the "Securities trading gain" in the statements of income.

30.3.2.2 Impairment of amortized cost and FVOCI financial assets

The BPI Group assesses impairment as follows:

- individually for loans that exceed specified thresholds. Where there is objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.

Expected credit losses

The BPI Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The BPI Group recognizes a loss allowance for such losses including post-model adjustments, as applicable, at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the BPI Group.

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The BPI Group determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information both in the ECL models and post-model adjustments, as applicable.
- POCI financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). The BPI Group has no POCI as at December 31, 2024 and December 31, 2023.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Determination of SICR

The BPI Group compares the probabilities of default occurring over its expected life as at the reporting date with the PD occurring over its expected life on the date of initial recognition to determine SICR. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category (refer to Note 26.1.2 for the description of special monitoring); and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the BPI Group.

Measuring ECL - Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

(a) The PD represents the likelihood that the borrower will default (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

(b) EAD is based on the amounts the BPI Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). For example, for a revolving commitment, the BPI Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

    The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

    - For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
    - For committed credit lines, the EAD is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

(c) LGD represents the BPI Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The LGDs are determined based on the factors which impact the recoveries made post-default.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies and historical recoveries.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change - are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period from the time of the adoption of PFRS 9 on January 1, 2018 to the reporting date.

Forward-looking information incorporated in the ECL models

The BPI Group incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and expected credit losses for each portfolio. MEVs that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgment. The BPI Group's economics team establishes possible global and domestic economic scenarios. With the use of economic theories and conventions, expert judgment and external forecasts, the economics team develops assumptions to be used in forecasting variables in the next five (5) years, subsequently reverting to long run-averages. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 26.

Financial assets with low credit risk

Loss allowance for financial assets at amortized cost and FVOCI that have low credit risk is limited to 12-month expected credit losses. Management considers "low credit risk" for listed government bonds to be an investment grade credit rating with at least one major rating agency. Other debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default and credit-impaired assets

The BPI Group considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the exception of credit cards and micro-finance loans where a borrower is required to be 90 days past due and over 7 days past due, respectively, to be considered in default).

Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- The counterparty is in breach of major financial covenant(s) which lead(s) to event of default;
- An active market for the security has disappeared;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the BPI Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the BPI Group's expected credit loss calculations.

The BPI Group's definition of default is substantially consistent with non-performing loan definition of the BSP. For cross-border, treasury and debt securities, these are classified as defaulted based on combination of BSP and external credit rating agency definitions.

30.3.3 Modification of loans

The BPI Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the BPI Group assesses whether or not the new terms are substantially different to the original terms. The BPI Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the BPI Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BPI Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the BPI Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

30.3.4 Derecognition of financial assets other than modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the BPI Group transfers substantially all the risks and rewards of ownership, or (ii) the BPI Group neither transfers nor retains substantially all the risks and rewards of ownership and the BPI Group has not retained control.

The BPI Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the BPI Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

30.3.5 Write-off of financial assets

The BPI Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The financial assets are then considered uncollectible or worthless. Indicators that there is no reasonable expectation of recovery include any of the following (i) borrower's and co-maker's/guarantor's whereabouts are unknown, or they are insolvent, or their payment capacity is permanently impaired and (ii) where the BPI Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full, or the collaterals no longer have recoverable values.

The BPI Group may write-off financial assets that are still subject to enforcement activity as the write-off process does not prejudice continuance of enforcement efforts and/or legal actions.

The write-off of loans is approved by the BOD in compliance with the BSP requirements. Loans written-off are fully covered with allowance.

Recoveries on written-off assets

Collections on accounts or recoveries, if any, from impaired financial assets previously written off are recognized in profit or loss under Miscellaneous income in the period where the recovery transaction occurs.

30.3.6 Financial liabilities

30.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statements of income and are reported as “Securities trading gain”. The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at FVTPL fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, bills payable, amounts due to BSP and other banks, manager’s checks and demand drafts outstanding, subordinated notes and other financial liabilities under deferred credits and other liabilities.

30.3.6.2 Subsequent measurement and derecognition

Financial liabilities at FVTPL are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

30.3.7 Loan commitments

Loan commitments are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument.

30.3.8 Derivative financial instruments

A derivative instrument is initially recognized at fair value on the date a derivative contract is entered into, and is subsequently remeasured to its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument or is held for trading.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting (and therefore, held for trading) are recognized immediately in profit or loss and are included in “Securities trading gain”.

Hedge accounting

The BPI Group designates derivatives as either:
- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the BPI Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The BPI Group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the “Cash flow hedge reserve” within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within “Other operating income”.

When the group excludes the forward element of a forward contract and foreign currency basis spread of financial instruments in the hedge designation, the fair value change of the forward element and currency basis spread that relates to the hedged item (‘aligned forward element/currency basis spread’) is recognized within OCI in the costs of hedging reserve within equity. If the group designates the full change in fair value of the derivative (including forward points and currency basis spreads) the gains or losses relating to the effective portion of the change in fair value of the entire derivative are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss within other operating income in the same periods during which the hedged future cash flows affect profit or loss. However, if the amount is a loss and the BPI Group expects that all or a portion of that loss will not be recovered in one or more future periods, the amount that is not expected to be recovered shall immediately be reclassified to profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time shall be reclassified to profit or loss in the same periods during which the future cash flows affect profit or loss. When the future cash flows are no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

30.3.8.1 Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the BPI Group assesses the entire contract for classification and measurement in accordance with the policy outlined in Note 30.3.2 above. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statements of income unless the BPI Group chooses to designate the hybrid contracts at FVTPL.

30.3.9 Fair value measurement

The fair value of a non-financial asset is measured based on its highest and best use. The asset’s current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at December 31, 2024 and 2023 (Note 26.4.1).

30.3.10 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

30.3.11 Cash and cash equivalents

Interbank loans receivable and securities purchased under agreements to resell (SPAR) are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

30.3.12 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks and customers and included in the statement of condition under "Interbank loans receivable and securities purchased under agreements to resell". Securities lent to counterparties are also retained in the financial statements.

30.4 Consolidation

The subsidiaries' financial statements are prepared for the same reporting year as the consolidated financial statements. Refer to Note 1 for the list of the Parent Bank's subsidiaries.

(a) Subsidiaries

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group, except for the pre-need subsidiary which follows the provisions of the PNUCA as allowed by the SEC.

(b) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting.

The BPI Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the BPI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are consistent with the policies adopted by the BPI Group.

(c) Business combination between entities under common control

Business combinations under common control are accounted for using the pooling of interest method following the guidance under the PIC Q&A No. 2018-06. Under this method, the Parent Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

(d) Business combination under PFRS 3

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BPI Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any, and fair value of any pre-existing equity interest in the acquiree, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BPI Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the BPI Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Measurement period

PFRS 3 allows a one year measurement period for the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

Accounting for loss allowances relating to financial assets acquired through merger

The BPI Group applies the provision in PFRS 3 wherein a separate valuation allowance, such as a provision for impairment of receivables, is not recognized when assets are measured at their acquisition date fair values. The asset's fair value includes the probabilities and uncertainties regarding future cash flows. The BPI Group does not recognize a separate valuation allowance for the contractual cash flows that are deemed to be uncollectable at that date or a loss allowance for expected credit losses. The related provision for credit and impairment losses arising from the acquired financial assets are netted against the assets' fair value.

30.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Parent Bank's separate financial statements are accounted for using the cost method in accordance with PAS 27. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Parent Bank recognizes a dividend from a subsidiary or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary or associate is impaired. If this is the case, the Parent Bank calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in subsidiaries and associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statements of condition. Any gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

30.6 Segment reporting

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main banking business segments: consumer banking, corporate banking and investment banking. Its insurance business is assessed separately from these banking business segments (Note 3).

30.7 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

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

Land is carried at historical cost and is not depreciated. Depreciation for buildings and furniture and equipment is calculated using the straight-line method to allocate cost or residual values over the estimated useful lives of the assets, as follows:

Building	25-50 years
Furniture and equipment	3-5 years
Equipment for lease	2-8 years

Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years). Major renovations are depreciated over the remaining useful life of the related asset.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are fully impaired as at December 31, 2024 and 2023.

30.8 Investment properties

Properties that are held either to earn rental income or for capital appreciation or both, and that are not significantly occupied by the BPI Group are classified as investment properties. Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

(a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
(c) End of owner occupation, for a transfer from owner-occupied property to investment property; or
(d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Transfers to and from investment property do not result in gain or loss.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on investment property is determined using the same policy as applied to Bank premises, furniture, fixtures, and equipment. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

30.9 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statements of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

(a) Investment property is accounted for using the cost model under PAS 40;
(b) Bank-occupied property is accounted for using the cost model under PAS 16; and
(c) Financial assets are accounted for under PFRS 9.

When foreclosed assets are recovered through a sale transaction, the gain or loss recognized from the difference between the carrying amount of the foreclosed asset disposed and the net disposal proceeds is recognized in profit or loss.

30.10 Intangible assets

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BPI Group's share in the net identifiable assets of another entity at the date of acquisition. Goodwill on acquisition is included under Other assets, net in the statement of condition. Separately recognized goodwill is carried at cost less accumulated impairment losses.

Goodwill is an indefinite-lived intangible asset and hence not subject to amortization. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by each primary reporting segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Contractual customer relationships and core deposits

Contractual customer relationships and core deposits acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships and core deposits have finite useful lives of 9 years and 18 years, respectively and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the intangible assets. Contractual customer relationships and core deposits are included under Other assets, net in the statement of condition.

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over the expected useful lives (three to five years). Computer software is included under Other assets, net in the statements of condition.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the BPI Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other assets to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Management contracts

Management contracts are recognized at fair value at the acquisition date. They have a finite useful life of five years and are subsequently carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method over the estimated useful life of the contract. Management contracts are included under Other assets, net in the statement of condition.

(e) Branch licenses

Branch licenses arise from the acquisition of branches in a business combination. They have an indefinite useful life and are subject to annual impairment assessment. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable.

30.11 Impairment of non-financial assets

Assets that have indefinite useful lives - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment and more frequently if there are indicators of impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

30.12 Borrowings and borrowing costs

The BPI Group's borrowings consist mainly of bills payable and other borrowed funds. Borrowings are recognized initially at fair value, which is the issue proceeds, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred. The BPI Group has no qualifying asset as at December 31, 2024 and 2023. Borrowings derecognized when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the Statements of Income as other income.

30.13 Fees and commission income

The BPI Group has applied PFRS 15 where revenue is recognized when (or as) The BPI Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the BPI Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the BPI Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The BPI Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The BPI Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the BPI Group does not adjust any of the transaction prices for the time value of money.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

30.14 Credit card income

Credit card arrangements involve numerous contracts between various parties. The BPI Group has determined that the more significant contracts within the scope of PFRS 15 are (1) the contract between the BPI Group and the credit card holder ('Cardholder Agreement') under which the BPI Group earn miscellaneous fees (e.g., annual membership fees, late payment fees, foreign exchange fees, etc.) and (2) an implied contract between the BPI Group and merchants who accept the credit cards in connection with the purchase of their goods and/or services ('Merchant Agreement') under which the BPI Group earn interchange fees.

The Cardholder Agreement obligates the BPI Group, as the card issuer, to perform activities such as process redemption of loyalty points by providing goods, services, or other benefits to the cardholder; provide ancillary services such as concierge services, travel insurance, airport lounge access and the like; process late payments; provide foreign exchange services and others. The amount of fees stated in the contract represents the transaction price for that performance obligation.

The implied contract between the BPI Group and the merchant results in the BPI Group receiving an interchange fee from the merchant. The interchange fee represents the transaction price associated with the implied contract between the BPI Group and the merchant because it represents the amount of consideration to which the BPI Group expects to be entitled in exchange for transferring the promised service (i.e., purchase approval and payment remittance) to the merchant. The performance obligation associated with the implied contract between the BPI Group and the merchant is satisfied upon performance and simultaneous consumption by the customer of the underlying service. Therefore, a portion of the interchange fee is allocated to the performance obligations based on stand-alone transaction price and revenue is recognized when these performance obligations are satisfied.

30.15 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Parent Bank's functional and presentation currency.

(b) Foreign subsidiaries

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component (Currency translation differences) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

(c) Income from foreign exchange trading

Foreign exchange gains and losses arising from trading of foreign currencies are recorded under "Income from foreign exchange trading" in the statement of income. Gains or losses are calculated as the difference between the carrying amount of the asset sold and the net disposal proceeds at the date of sale.

30.16 Provisions for legal or contractual obligations

Provisions are recognized when all of the following conditions are met: (i) the BPI Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item is included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

30.17 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in Income tax expense - Current.

(b) Deferred income tax

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

The BPI Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

30.18 Employee benefits

(a) Short-term benefits

The BPI Group recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined benefit retirement plan

The BPI Group has a defined benefit plan that shares risks among entities within the group. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Defined benefit costs comprise of service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when the plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest income or expense in the statement of income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For individual financial reporting purposes, the unified plan assets are allocated among the BPI Group entities based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(c) Defined contribution retirement plan

The BPI Group also maintains a defined contribution plan that covers certain full-time employees. Under its defined contribution plan, the BPI Group pays fixed contributions based on the employees' monthly salaries. The BPI Group, however, is covered under RA No. 7641, otherwise known as The Philippine Retirement Pay Law, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the BPI Group accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The BPI Group and Parent Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) then, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plan are recognized in the statement of income.

The defined contribution liability is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Actuarial gains and losses arising from the remeasurements of the net defined contribution liability are recognized immediately in the other comprehensive income.

(d) Share-based compensation

The BPI Group engages in equity-settled share-based payment transactions in respect of services received from certain employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of employee services received in respect of the shares or share options granted is recognized in profit or loss (with a corresponding increase in reserve in capital funds) over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

When the stock options are exercised or shares are subscribed, the proceeds received are credited to share capital (par value) and share premium for the excess of exercise price over par value.

(e) Bonus plans

The BPI Group recognizes a liability and an expense for bonuses and recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

30.19 Capital funds

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method and the difference between the results of operations of BFB during the year ended December 31, 2021 and the dividends declared on December 29, 2021.

30.20 Fiduciary activities

The BPI Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 24).

30.21 Leases

30.21.1 BPI Group is the lessee

Measurement of right-of-use assets and lease liabilities

Lease payments to be made under reasonably certain extension options are included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the BPI Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the BPI Group:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the BPI Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the BPI Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The BPI Group accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the BPI Group:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the BPI Group accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The BPI Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statements of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

30.21.2 BPI Group is the lessor

BPI Group (as a lessor) continues to classify its leases as operating leases.

30.22 Insurance and pre-need operations

(a) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiaries follow: (a) gross premiums written from short-term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiaries' reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to profit or loss; and (d) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The material provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (b) pre-need reserves which represent the accrued net liabilities of the subsidiary to its plan holders are actuarially computed based on standards and guidelines set forth by the Insurance Commission; the increase or decrease in the account is charged or credited to other costs of contracts issued in profit or loss; and (c) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid plan holders, are actuarially computed based on standards and guidelines set forth by the Insurance Commission.

31 Supplementary information required under BSP Circular No. 1074

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

(i) Basic Quantitative Indicators of Financial Performance

The key financial performance indicators follow (in %):

	Consolidated		Parent	
	2024	2023	**2024**	2023
Return on average equity				
- Daily average[1]	**15.07**	15.35	**14.45**	15.71
- Simple average[2]	**15.67**	15.22	**15.24**	15.76
Return on average assets				
- Daily average[3]	**1.98**	1.93	**1.86**	1.91
- Simple average[4]	**2.00**	1.88	**1.87**	1.87
Net interest margin				
- Daily average[5]	**4.31**	4.09	**4.08**	3.93
- Simple average[6]	**4.31**	3.98	**4.07**	3.82

[1]Net income divided by average total equity for the period indicated. Average equity is based on the daily average balance of equity for the years ended December 31, 2024 and 2023.
[2]Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2024 and 2023.
[3]Net income divided by average total assets as at period indicated. Average total assets are based on the daily average balance of total assets as at December 31, 2024 and 2023.
[4]Net income divided by average total assets as at period indicated. Average total assets are based on the year-on-year balance of total assets as at December 31, 2024 and 2023.
[5]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the daily average balance of interest earning assets as at December 31, 2024 and 2023.
[6]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2024 and 2023.

(ii) Description of Capital Instrument Issued

BPI considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2024 and 2023.

Significant credit exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector over total loan portfolio (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
Real estate, renting and other related activities	**22.74**	23.12	**23.24**	23.48
Manufacturing	**14.17**	15.47	**14.44**	15.70
Consumer	**13.32**	11.44	**12.09**	10.62
Transportation, storage and communications	**11.07**	11.33	**10.85**	11.48
Wholesale and retail trade	**10.80**	11.20	**11.01**	11.01
Financial institutions	**10.53**	9.70	**10.80**	9.85
Electricity, gas, steam and air-conditioning supply	**8.16**	9.18	**8.36**	9.34
Agriculture and forestry	**1.57**	1.73	**1.59**	1.75
Others	**7.64**	6.83	**7.62**	6.77
	100.00	100.00	**100.00**	100.00

Details of the loans and advances portfolio as to concentration per industry/economic sector over Tier 1 Capital (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
Real estate, renting and other related activities	**142.47**	138.44	**154.47**	148.97
Manufacturing	**88.77**	92.63	**95.99**	99.62
Consumer	**83.40**	68.48	**80.40**	67.37
Transportation, storage and communications	**67.65**	67.87	**73.17**	72.85
Wholesale and retail trade	**69.34**	67.07	**72.15**	69.83
Financial institutions	**65.99**	58.09	**71.77**	62.49
Electricity, gas, steam and air-conditioning supply	**51.12**	54.93	**55.57**	59.25
Agriculture and forestry	**9.84**	10.36	**10.54**	11.11
Others	**47.81**	40.84	**50.72**	43.00

Breakdown of total loans

Details of the loans and advances portfolio as at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**348,232**	304,090	**346,616**	302,870
Project assets	**162,641**	138,915	**162,641**	138,915
Chattel mortgage	**94,493**	75,028	**94,488**	75,028
Others	**48,507**	25,912	**48,482**	25,757
	653,873	543,945	**652,227**	542,570
Unsecured loans	**1,620,879**	1,382,593	**1,568,482**	1,350,313
	2,274,752	1,926,538	**2,220,709**	1,892,883

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, deposit substitutes and inventories.

Breakdown of performing and non-performing loans net of allowance for credit losses, as reported to the BSP, are as follows:

<u>Consolidated</u>

	2024			2023		
	Performing	Non-performing	Total	Performing	Non-performing	Total
	(In Millions of Pesos)					
Corporate loans	**1,663,158**	**22,391**	**1,685,549**	1,483,876	16,662	1,500,538
Credit cards	**161,855**	**7,265**	**169,120**	124,606	5,107	129,713
Other retail loans	**401,387**	**18,708**	**420,095**	282,627	13,666	296,293
	2,226,400	**48,364**	**2,274,764**	1,891,109	35,435	1,926,544
Allowance for probable losses	**(11,229)**	**(29,940)**	**(41,169)**	(11,154)	(22,726)	(33,880)
Net carrying amount	**2,215,171**	**18,424**	**2,233,595**	1,879,955	12,709	1,892,664

**Amounts exclude accrued interest receivables and GLLP per financial reporting package*

Parent

	2024			2023		
	Performing	Non-performing	Total	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	**1,658,994**	**22,235**	**1,681,229**	1,483,636	16,635	1,500,271
Credit cards	**161,855**	**7,265**	**169,120**	124,606	5,107	129,713
Other retail loans	**354,903**	**15,462**	**370,365**	251,171	11,735	262,906
	2,175,752	**44,962**	**2,220,714**	1,859,413	33,477	1,892,890
Allowance for probable losses	**(11,409)**	**(27,583)**	**(38,992)**	(11,336)	(21,280)	(32,616)
Net carrying amount	**2,164,343**	**17,379**	**2,181,722**	1,848,077	12,197	1,860,274

**Amounts exclude accrued interest receivables and GLLP per financial reporting package*

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans,* states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(iii) Information on Related Party Loans

Details of related party loans are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Loans and advances from:				
Subsidiaries	**-**	-	**75**	87
Associates	**479**	113	**479**	113
Ayala Group	**79,902**	61,567	**79,902**	61,567
Key management personnel	**20**	-	**20**	-
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**80,401**	61,680	**80,476**	61,767
% to total outstanding related party loans				
Subsidiaries	**-**	-	**0.09**	0.14
Associates	**0.60**	0.18	**0.60**	0.18
Ayala Group	**99.38**	99.82	**99.29**	99.68
Key management personnel	**0.02**	-	**0.02**	-
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**80,401**	61,680	**80,476**	61,767
% to total outstanding related party loans				
Unsecured related party loans	**47.85**	8.82	**47.88**	8.81
Past due related party loans	**-**	-	**-**	-
Non-performing related party loans	**-**	-	**-**	-

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Outstanding DOSRI loans	**31,588**	18,701	**31,588**	18,701

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In percentages)			
% to total outstanding loans and advances	**1.39**	0.97	**1.42**	0.99
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	**1.61**	2.30	**1.61**	2.30
Past due DOSRI loans	**0.02**	0.04	**0.02**	0.04
Non-performing DOSRI loans	**0.03**	0.02	**0.03**	0.02

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2024 and 2023.

(iv) Secured Liabilities and Assets Pledged as Security

The BPI Group's Bills payable (Note 16) include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group. As at December 31, 2024 and 2023, part of the bills payable of the Parent Bank is secured by government securities classified as investment securities at amortized cost (Note 9).

Contingencies and commitments arising from off-balance sheet items

The following is a summary of BPI's contingencies and commitments at their equivalent peso amounts as reported to the BSP:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Trust accounts	**1,530,708**	1,223,096	**-**	-
Derivatives	**496,116**	319,337	**489,149**	314,881
Commitments	**245,341**	186,611	**245,341**	186,611
Financial standby letters of credit - foreign	**36,103**	30,472	**36,103**	30,472
Bills for collection	**35,060**	22,923	**35,060**	22,923
Spot foreign exchange contracts	**24,679**	7,310	**24,679**	7,310
Performance standby letters of credit - foreign	**11,228**	10,898	**11,228**	10,898
Commercial letters of credit	**10,242**	11,322	**10,242**	11,322
Guarantees issued	**3,555**	2,521	**3,555**	2,521
Trade related guarantees	**2,758**	1,208	**2,758**	1,208
Other contingent accounts	**40,285**	39,712	**39,545**	39,618
	2,436,075	1,855,410	**897,660**	627,764

Other contingent accounts pertain to late deposits or payments received, deficiency claims receivable, items held for safekeeping, and items held as collateral.

Significant credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2024	2023	**2024**	2023
	(In Millions of Pesos)			
Undrawn loan commitments	**663,659**	504,918	**663,659**	504,918
Unused letters of credit	**64,007**	55,808	**64,007**	55,808
Gross carrying amount	**727,666**	560,726	**727,666**	560,726
Loss allowance	**(1,267)**	(1,232)	**(1,267)**	(1,232)
Carrying amount	**726,399**	559,494	**726,399**	559,494

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the BPI Group is required to provide a loan with pre-specified terms to the customer. These off-balance sheet items are within the scope of PFRS 9 where the BPI Group estimates that the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to the off-balance sheet items is recognized in “Miscellaneous liabilities” (Note 17).

The BPI Group has no other off-balance sheet items other than the items listed above.

32 Supplementary information required by the Bureau of Internal Revenue

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to the Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS Accounting Standards.

Below is the additional information required by RR No. 15-2010 that is relevant to the Parent Bank. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

(i) Documentary stamp tax

Documentary stamp taxes paid through the Electronic Documentary Stamp Tax System for the year ended December 31, 2024 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	**11,867**
Trade finance documents	**794**
Mortgage documents	**620**
Shares of stocks	**33**
Others	**5**
	13,319

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2024 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Final income taxes withheld on interest on deposits and yield on deposit substitutes	8,309	783	9,092
Income taxes withheld on compensation	3,514	396	3,910
Creditable income taxes withheld (expanded)	1,171	190	1,361
Final income taxes withheld on income payment	767	492	1,259
Fringe benefit tax	96	31	127
Withholding value-added tax	53	15	68
Withholding tax on withdrawal from decedent's account	14	1	15
	13,924	**1,908**	**15,832**

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2024 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Gross receipts tax	8,563	765	9,328
Municipal taxes	493	-	493
Real property tax	195	-	195
Others	20	-	20
	9,271	**765**	**10,036**

Municipal and other taxes imposed by the government which are incurred under the normal courses of business are part of "Taxes and licenses" within Other operating expenses (Note 21).

(iv) Tax cases and assessments

As at reporting date, the Parent Bank has various claims of tax refund pending with tax authorities. There are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, and have issued our report thereon dated February 19, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the BPI Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the BPI Group's consolidated financial statements as at December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 and no exceptions were noted.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280; issued on January 3, 2025, Makati City
T.I.N. 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 19, 2025

Bank of the Philippine Islands
Financial Indicators
As at December 31, 2024 and 2023

Ratio	Formula (in Millions of Pesos, except ratios)		Current year	Prior year
			in percentage	
Liquidity ratio	Total current assets divided by total current liabilities		59.36	58.53
	Total current assets	1,552,124		
	Divided by: Total deposits	2,614,802		
	Liquidity ratio	0.5936		
Debt-to-equity ratio	Total liabilities (Bills payable and Bonds payable) divided by total equity		37.91	38.38
	Total liabilities (Bills payable and Bonds payable)	163,182		
	Divided by: Total equity	430,469		
	Debt-to-equity ratio	0.3791		
Asset-to-equity ratio	Total assets divided by total equity		770.98	808.61
	Total assets	3,318,813		
	Divided by: Total equity	430,469		
	Asset-to-equity ratio	7.7098		
Interest rate coverage ratio	Earnings before interest expense, income taxes, depreciation, and amortization		236.29	274.24
	EBITDA	147,368		
	Divided by: Total interest expense	62,368		
	Interest rate coverage ratio	2.3629		
Return on equity	Net income divided by daily average equity		15.07	15.35
	Net income	62,049		
	Divided by: Daily average equity	411,819		
	Return on equity	0.1507		
Return on assets	Net income divided by daily average assets		1.98	1.93
	Net income	62,049		
	Divided by: Daily average assets	3,133,116		
	Return on assets	0.0198		

Net interest margin (NIM)	Net interest income (return on investment less interest expense) divided by daily average net interest bearing assets Net interest income 127,586 Divided by: Daily average Net Interest Bearing Assets 2,960,101 NIM 0.0431	4.31	4.09
Other ratios:			
Average assets to average equity	Daily average assets divided by daily average equity Daily average assets 3,133,116 Divided by: Daily average equity 411,819 Average assets to average equity 7.6080	760.80	796.78
Net interest to average assets (NRFF)	Net interest income divided by daily average assets Net interest income 127,586 Divided by: Daily average assets 3,133,116 NRFF 0.0407	4.07	3.89
Cost to income ratio	Total operating expense divided by total income (Net interest income and Other income) Total operating expense 83,796 Divided by: Total income (Net Interest income and Other income) 170,139 Cost to income ratio 0.4925	49.25	49.96
Cost to asset ratio	Total operating expense divided by daily average assets Total operating expense 83,796 Divided by: Daily average assets 3,133,116 Cost to asset ratio 0.0267	2.67	2.58
Capital to assets ratio	Total equity divided by total assets Total equity 430,469 Divided by: Total assets 3,318,813 Capital to assets ratio 0.1297	12.97	12.37

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

We have audited the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") as at and for the year ended December 31, 2024, on which we have rendered the attached report dated February 19, 2025. The supplementary information shown in the Reconciliation of the Parent Bank's Retained Earnings Available for Dividend Declaration, Map of the Conglomerate or Group of Companies within which the Bank of the Philippine Islands belongs effective as at December 31, 2024, as additional components required by Part I, Section 5 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280; issued on January 3, 2025, Makati City
T.I.N. 152-015-078
BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026
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Makati City
February 19, 2025

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

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2024
(in Millions of Pesos)

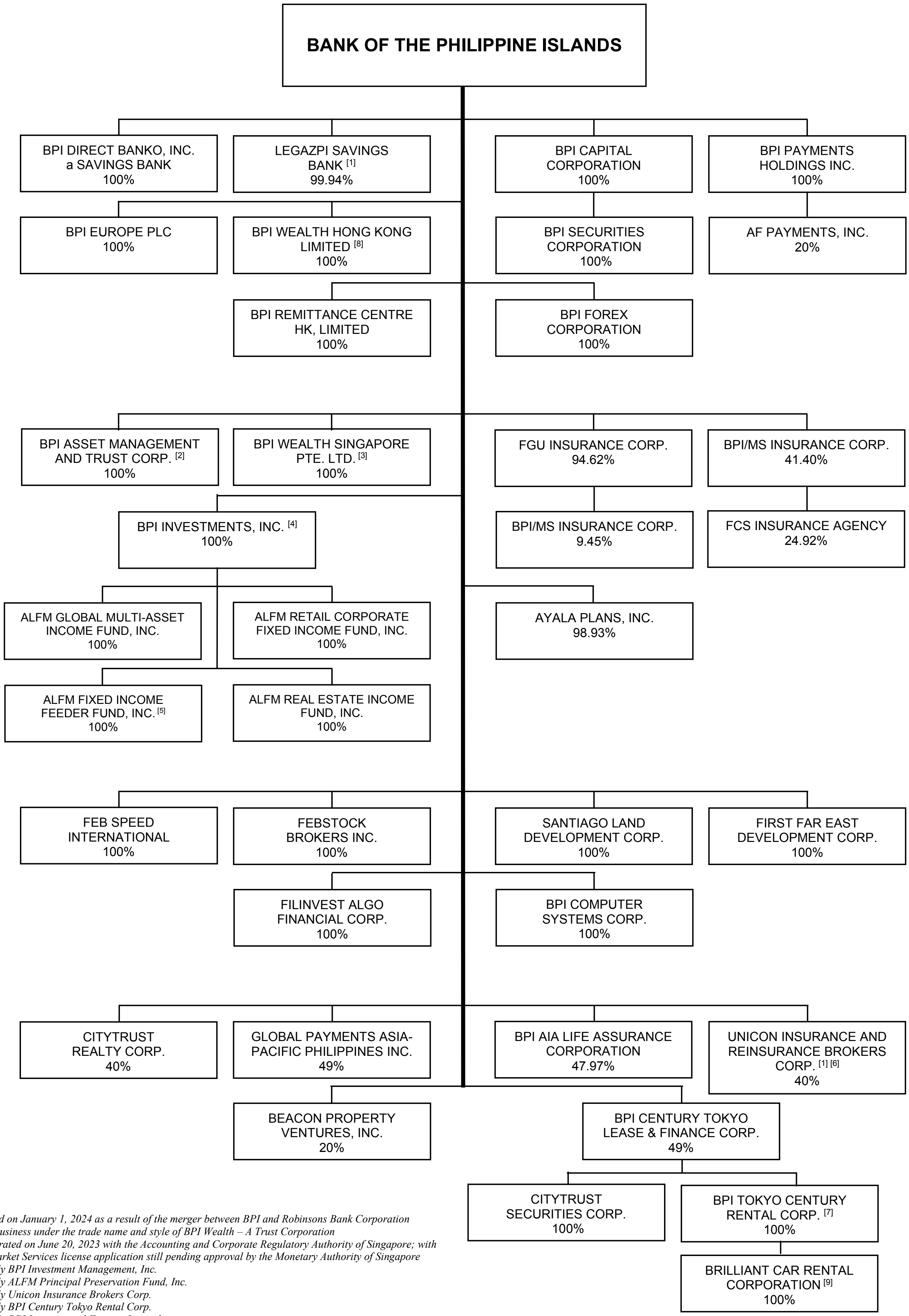
Unappropriated retained earnings, beginning of the year		**149,034**
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (Realized Gain on Sale of FVOCI equity securities)	467	467
		149,501
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	20,878	
Retained earnings appropriated during the reporting period	10,274	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	31,152
Unappropriated retained earnings, as adjusted		**118,349**
Add/Less: Net Income (loss) for the current year		**56,384**
Less: Category C.1: Unrealized income recognized in the profit or loss during the year (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	1,658	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	70	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	1,728
		54,656

(continued)

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	**-**
		54,656
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	557	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	123	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	680
Adjusted net income/loss		**55,336**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	-	**-**
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	**-**
		-

(continued)

Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g ., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	-	
Others	-	**-**
Total retained earnings, end of the year available for dividend declaration		**173,685**



Notes:

[1] Acquired on January 1, 2024 as a result of the merger between BPI and Robinsons Bank Corporation
[2] Doing business under the trade name and style of BPI Wealth – A Trust Corporation
[3] Incorporated on June 20, 2023 with the Accounting and Corporate Regulatory Authority of Singapore; with Capital Market Services license application still pending approval by the Monetary Authority of Singapore
[4] Formerly BPI Investment Management, Inc.
[5] Formerly ALFM Principal Preservation Fund, Inc.
[6] Formerly Unicon Insurance Brokers Corp.
[7] Formerly BPI Century Tokyo Rental Corp.
[8] Formerly BPI International Finance Limited
[9] Wholly owned subsidiary of BPI Tokyo Century Rental Corp. Acquisition was completed on May 23, 2024.

**Updated as of March 18, 2025*

BANK OF THE PHILIPPINE ISLANDS
December 31, 2024
(in Millions of Pesos)

Schedule A - Financial Assets

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Due from Bangko Sentral ng Pilipinas		164,571	
Due from other banks		72,060	
Interbank loans receivable and Securities purchased under agreements to resell		16,715	
Subtotal		253,346	3,109
Financial assets at fair value through profit or loss- Trading securities (*)		41,452	1,238
Financial assets at fair value through profit or loss- Derivative financial assets		5,856	
Subtotal		47,308	
Financial assets at fair value through other comprehensive income (FVOCI) (*)		268,202	11,569
Investment securities at amortized cost (*)		343,108	14,444
Loans and advances, net		2,238,765	159,594
Others		3,970	
TOTAL		**3,154,699**	**189,954**

(*) Please refer succeeding pages for the detailed information on these financial assets.

BANK OF THE PHILIPPINE ISLANDS

December 31, 2024

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non-current	Balance at end of period
		Nothing to report. Transactions with these parties are made under the normal course of business.					

BANK OF THE PHILIPPINE ISLANDS
December 31, 2024
(In Millions of Pesos

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non-current	Balance at end of period
BPI DIRECT BANKO, INC.	1,525	1,152	-	-	2,677	-	2,677
BPI CAPITAL CORP.	8	2	-	-	10	-	10
BPI INVESTMENT MANAGEMENT, INC.	7	1	-	-	8	-	8
BPI SECURITIES CORP.	115	22	-	-	137	-	137
BPI CENTURY TOKYO RENTAL CORP.	-	-	-	-	-	-	-
BPI ASSET MANAGEMENT AND TRUST CORP.	30	18	-	-	28	-	28
BPI/MS INSURANCE CORPORATION	6	5	-	-	11	-	11
	1,691	1,200	-	-	2,891	-	2,891

BANK OF THE PHILIPPINE ISLANDS
December 31, 2024
(In Millions of Pesos)

Schedule D - Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture (Original currency)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (in PHP)	Amount shown under caption "Long-term debt" in related balance sheet (in PHP)	Terms of long-term debts
Parent Bank				
Bonds payable	PHP 36,661	36,586	-	Int Rate : 6.43% Frequency of Payment: Quarterly Maturity Date : 5/13/2025 Face Value : PHP 36,660,800,000
Bonds payable	PHP 33,700	-	33,485	Int Rate : 6.20% Frequency of Payment: Quarterly Maturity Date : 02/09/2026 Face Value : PHP 33,700,000,000
Bonds payable	USD 400	-	22,967	Int Rate : 5.25% Frequency of Payment: Semi - Annual Maturity Date : 3/26/2029 Face Value : USD 400,000,000
Bonds payable	USD 250	-	14,448	Int Rate : 6.21% Frequency of Payment: Semi - Annual Maturity Date : 08/25/2026 Face Value : USD 250,000,000
Bills payable	USD 300	-	17,274	Int Rate : 5.46% Frequency of Payment: Quarterly Maturity Date : 08/24/2026 Face Value : USD 300,000,000
Bills payable		33,340	4,983	Various
SUB-TOTAL		**69,926**	**93,157**	**163,083**
BPI Europe				
Bills payable		99	-	Various
TOTAL		**70,025**	**93,157**	**163,182**

BANK OF THE PHILIPPINE ISLANDS
December 31, 2024

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name and related party	Balance at beginning of period	Balance at end of period
	Nothing to report.	

BANK OF THE PHILIPPINE ISLANDS
December 31, 2024

Schedule F - Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		Nothing to report.		

BANK OF THE PHILIPPINE ISLANDS
December 31, 2024

Schedule G - Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights*	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	5,400,000,000	5,272,095,143	3,260,620	2,338,395,880	74,014,234	2,859,685,029
Preferred A Shares	60,000,000	-	-	-	-	-

** Shares granted but not yet exercised*

BANK OF THE PHILIPPINE ISLANDS

Supplementary Schedule of External Auditor Fee-Related Information
December 31, 2024 and 2023

	2024	2023
Total audit fees	**26,072,200**	21,583,600
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	8,126,800	3,644,000
Total non-audit fees	**8,126,800**	3,644,000
Total audit and non-audit fees	**34,199,000**	25,227,600

Audit and non-audit fees of other related entities

	2024	2023
Audit fees	-	-
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total audit and non-audit fees of other related entities	**-**	-

ISSUER
Bank of the Philippine Islands
25/F Ayala Triangle Gardens Tower 2
Paseo de Roxas corner Makati Avenue
Makati City, Philippines 1226

REGISTRAR, DEPOSITORY, AND TRANSFER AGENT
Philippine Depository & Trust Corp.
29th Floor, BDO Equitable Tower,
8751 Paseo de Roxas,
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Makati City, Philippines 1226

Standard Chartered Bank
20/F, Ayala Triangle Gardens Tower
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Makati City, Philippines 1226

₱200.0 Billion

Bank of the Philippine Islands

Bond and Commercial Paper Program

OFFERING CIRCULAR

25 April 2025