



PRESS RELEASE | August 27, 2019

BPI Assigned 'BBB+' Ratings by S&P Global Ratings

MAKATI CITY, Philippines --- On August 27, 2019, S&P Global Ratings ("S&P") assigned its 'BBB+' long-term and 'A-2' short-term issuer credit ratings ("ICR") to Bank of the Philippine Islands (the "Bank"/"BPI"). The outlook on the long-term rating is stable.

This is the first credit rating assigned by S&P to the Bank, of which the "BBB+" ICR is at par with the Philippine Sovereign Rating of "BBB+". S&P upgraded the Philippine Sovereign Rating on April 30, 2019. S&P classifies the banking sector of the Philippines in group '5' under their Banking Industry Country Risk Assessment (BICRA). The anchor, the starting point for assigning an issuer credit rating to banks operating only in the country, is 'bbb-'.

In S&P's research update, they state the following as the rationale for the assigned rating.

"The ratings reflect BPI's dominant market position as the third-largest bank in the Philippines, its good competitive position, and its strong capitalization. We expect the bank's risk adjusted capital (RAC) ratio to be 10%-11% over the next two years, underpinned by high profit retention and moderation in loan growth.

In addition, we anticipate that BPI's asset quality will continue to be sound, underscoring the bank's good underwriting practices and risk control. However, a minor deterioration in asset quality is likely as the bank grows its higher-yielding, but riskier, consumer and small and midsize enterprise (SME) portfolio.

BPI's funding profile is underpinned by its extensive branch network, well-established franchise, and record of strong depositor confidence. We assess the bank's stand-alone credit profile (SACP) to be 'bbb+'."

The Bank is the first private domestic bank in the Philippines to achieve investment-grade ratings of bbb+/BBB+ in both SACP and ICR.

Amongst the four Bank-Specific Factors comprising the SACP, BPI achieved a "strong, +1 notch" rating for Business Position and Capital and Earnings, an "adequate, neutral position" for Risk Position, and an "average and strong, neutral position" for Funding and Liquidity.

The ICR assigned by S&P is based on available information and projections at the time the rating review was performed and according to the S&P Global Bank Ratings Framework Methodology. S&P's view is that the Bank will maintain its dominant market position and strong capital buffers over the next two years.

The entire ratings process took about three months, from May 2019 to August 2019, in coordination with the Bank's ratings advisor consultant, Mizuho Bank Ltd.

ABOUT BPI

The 168-year-old Bank of the Philippine Islands is the first bank in the Philippines and Southeast Asia. We are licensed as a universal bank by the Bangko Sentral ng Pilipinas to provide a diverse range of financial services: deposit taking and cash management, payments, lending and leasing, asset management, bancassurance, investment banking, securities brokerage, and foreign exchange and capital markets. BPI has significant financial strength, with robust Tier 1 capital adequacy ratios and profitability, underpinned by a stringent compliance and risk management regimes. BPI has investment-grade ratings of BBB- (Fitch), Baa2 (Moody's), and BBB (Capital Intelligence).

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