

A relationship that nurtures your future



"Our digitalization journey is about reaching more Filipinos, and facilitating banking access and transactions in a way that serves and delights many more customers."

- Cezar P. Consing, President and CEO



Our Vision

Building a Better Philippines

Our Mission

We nurture every Filipino's future with a trusted approach to managing money and innovation that makes life easier every day.



BPI Credo

We believe our first responsibility is to our CLIENTS. If we understand and address our clients' financial needs, we will be entrusted with their most important financial transactions, and we will build lasting relationships. We do well when our clients do well.

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

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

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

Core Values

Customer Service

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

Excellence

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

Loyalty

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

Teamwork

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

Integrity

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

Concern for People

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

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About the Report

Scope and Coverage. *A relationship that nurtures your future* is the title of BPI’s 2019 Integrated Report. It covers the Bank’s performance during the period of January 1 to December 31, 2019. It highlights the business operations of BPI and its subsidiaries and affiliates in the Philippines and offices abroad, unless otherwise stated in the data presentation. Our Integrated Report discusses the Bank’s overall financial, economic, environmental, and social performance and how we create value through our products and services. The reporting boundary is aligned with the coverage of our financial reporting and includes other information that help provide context to our disclosures.

The report has been prepared in accordance with the International Integrated Reporting Council’s (IIRC) Integrated Reporting <IR> Framework¹, and Bangko Sentral ng Pilipinas (BSP) and Philippine Securities and Exchange Commission (SEC) guidelines on the submission of annual and sustainability reports, respectively. This report references the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards (GRI Standards) to bring out BPI’s sustainability performance.

Divergence from reporting boundaries are due to the following factors: (1) nature of the data source; (2) inadequate systems for capturing data; (3) insignificance in scale of operations; and (4) non-controllable aspects of operations by BPI management. Employee head count covers all active employees of BPI and its subsidiaries and affiliates in the Philippines as of December 31, 2019. Local hires of BPI’s foreign offices are excluded. Environmental

footprint includes branches, head offices, and business centers in the Philippines, excluding BPI Direct BanKo branches and branch-lite units (BLUs).

Our previous Integrated Report published in April 2019 is available at www.bpi.com.ph.

Additional Reference. BPI’s financial and operational performance disclosures are submitted to the following agencies: Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE), Philippine Bureau of Internal Revenue (BIR), Philippine Dealing and Exchange Corp. (PDEx), Singapore Exchange (SGX), and SIX Swiss Exchange. It forms part of the Information Statement provided to stockholders. These are available online at www.bpi.com.ph.

Data covering the Philippine banking industry, macroeconomic, behavioral, and demographic trends were sourced from the reports of the BSP, Philippine Statistics Authority (PSA), Asian Development Bank (ADB), and World Bank. Other data sources are found in the footnotes.

Contact Information. For questions, comments, and suggestions, contact us through:

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BPI engaged DNV-GL to provide an external assurance assessment on the non-financial disclosures of the report, while Isla Lipana & Co. was engaged to provide external assurance on financial disclosures.

- **Connectivity** - The report recognizes interrelatedness and relationships between the factors that affect BPI’s ability to create value.
- **Stakeholder relationships** - Our key stakeholders impact on our business, and they in turn are affected by our operations. A discussion on the formal platforms of engagement and our responses to key concerns are presented on pages A126-A127.
- **Strategic focus and future orientation** - A discussion on how the Bank creates financial and non-financial value to stakeholders, and how risks and opportunities are managed is presented in business model and value creation on pages 16-17, strategy and performance on pages 24-27, risks and opportunities on pages 28-29.

¹The seven <IR> guiding principles underpin the preparation of the content of the report and how information is presented.

- **Materiality** - BPI undertook a full materiality and stakeholder engagement in preparation for the report. See material topics and indicators on pages A128-A129.
- **Conciseness** - Where applicable, references to prior published information are noted, and only material topics that affect the value creation of the bank is presented.
- **Consistency and comparability** - The report references the GRI Standards for sustainability performance reporting, and comparison on performance of material issues from prior years is provided.
- **Reliability and completeness** - Business Units, including subsidiaries, regularly report their performance to management. Our Internal Audit Division also regularly examines business units across the BPI Group. For 2019,

Our Business



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

We are a member of the Ayala group of companies and we are one of the first institutions to be listed on the Philippine Stock Exchange (PSE). BPI has long recognized the primacy of corporate governance and the culture of integrity, values, and ethics that has always been the hallmark of BPI. Our Board of Directors and Senior Management work towards a sustainable and more inclusive society, framed around prudent and sound banking practices, quality of profits, and business fundamentals leadership.

We aim to provide better access to financial services for every Filipino. We want everyone – from individuals, enterprises, and institutions – to directly or indirectly benefit from the economic value generated and enabled by our business. We shall continue to provide products and services efficiently, always mindful of our corporate values that have guided us through the past 168 years: Customer Service, Excellence, Loyalty, Teamwork, Integrity, and Concern for People.

A fully diversified universal bank and a recognized leader in the banking industry, BPI, together with our subsidiaries and affiliates, offer a diverse range of products and services in consumer and corporate banking, as well as in asset management, payments, insurance, investment banking, foreign exchange, leasing, and securities and distribution. We continue to enhance our digital

infrastructure for a truly digital banking experience in the future, where clients can have delightfully better, more convenient, and secure access to our services.

A foundational component of the digital infrastructure that we continue to build is the Bank’s extensive network of automated teller machines (ATMs), cash accept machines (CAMs), BPI Express Assist (BEA) machines, point-of-sale (POS) debit system, and innovations that have made banking easier for an increasingly mobile population: phone banking, internet banking, and mobile banking.

As of today, our network boasts of 1,167 BPI, BPI Family Savings and BPI Direct BanKo branches and branch-lite units (BLUs) nationwide. We also have more than 2,822 ATMs and CAMs, and about 8.7 million clients, being served by a 21,429-strong employee workforce. Together with our subsidiaries and affiliates in the BPI group, we seek to serve all client segments including corporate, consumer, or small, medium and micro-entrepreneurs.

Overseas, we offer diverse value added services through two banking subsidiaries: BPI International Finance Limited in Hong Kong, and Bank of the Philippine Islands (Europe) Plc, which has a head office and a branch in London. This global presence is further strengthened through 138 international tie-ups, remittance centers, and representative offices in Hong Kong, Tokyo, and Dubai, which have been established to meet the financial services needs of overseas Filipinos.

Our headquarters is now located in Ayala North Exchange Tower 1, Ayala Avenue corner Salcedo Street, Makati City as we are currently redeveloping our original headquarters at the corners of Ayala Avenue and Paseo de Roxas.

Message from The Chairman and President and CEO

JAIME AUGUSTO ZOBEL DE AYALA
Chairman



Dear Fellow Shareholders,

The Philippine economy expanded 5.9% in 2019, the first time it registered a growth of below 6% in the last four consecutive years. The slower economic growth largely stemmed from the late passing of the 2019 national budget. This led to a delay in government spending and consequently, in private sector investments. For the first time in seven years, the country registered a year-on-year decline in investment spending.

The reduction in capital goods imports reduced the current account deficit, which in turn resulted in a stronger peso. A smaller deficit and a stronger peso would normally be seen as a positive indication. However, the opposite is true when robust spending is imperative to sustain our economy's growth trajectory.

Lower inflation over the course of the year allowed the Bangko Sentral to reduce bank reserve requirements from 18% to 14% and the key policy rate from 4.75% to 4.0%. While the increased liquidity sent a positive signal, expansionary monetary policy alone was unable to offset the investment slowdown.

Despite a lower-than-expected economic growth, the Philippines remains one of the fastest growing countries in the region. However, we believe that GDP has to grow at a faster pace if we are to become a middle-income country within this decade.

The Philippine banking industry's performance reflected the macroeconomic story. Slower GDP growth translated into slower loan growth—9.4% in 2019 from 13.7% in 2018 and 16.5% in 2017. Lower interest rates allowed banks with strong deposit franchises to expand their net interest margins, and banks with large securities positions to record good trading gains. As a result, industry profitability was better in 2019 than the year before. However, the banking industry's long-term prospects are primarily dependent on the country growing at a good pace. Increasing profitability in a period of slowing growth is a short-term phenomenon. For 2020, we are hopeful that expansionary macroeconomic policy coupled with a more conducive domestic investment climate—tax reform, coherent and consistent investment policy, reduction in the cost of doing business, better agricultural productivity, forward-looking energy policy—will more than offset the slowdown in international trade and the supply chain disruptions brought about by trade wars and, more recently, the corona virus.

BPI registered Php 28.8 billion in net income in 2019, a 25% increase over 2018. This translated into a ROE of 11% versus 10.2% in 2018, and a ROA of 1.4% versus 1.2% in 2018. Net interest income grew 18% as a result of a Php 165.7 billion increase in average asset base and a 24 basis-point improvement in net interest margin, the most significant expansion in over 10 years. Non-interest income grew by 25% as a result of a 12% increase in fees, commissions, and other income – with almost all businesses up—and a Php 3.3 billion increase in trading gains. The decision to add on to trading positions, and then take profits, was deliberate and very well timed. Asset quality remained strong with a non-performing loan (NPL) ratio of 1.66% (a 19 basis-point improvement), almost Php 6 billion in additional provisioning and NPL loss reserves of Php 25.4 billion, bringing the NPL coverage ratio and the BSP coverage ratio to 102% and 121%, respectively.

BPI has always been a high quality bank, and considerable effort has been made in the last few years to reinforce this view. We continue to get high marks from regulators for a strong capital position, good asset quality, prudent management, good earnings, ample liquidity, and relatively low sensitivity to market risk. In 2019, BPI became the first private domestic bank and only the second of two Philippine companies to be given a credit rating equivalent to the Philippine government (BBB+) by Standard and Poor's. Finally, as measured by Nielsen, BPI is among the strongest companies in the Philippines in terms of strength of corporate equity, which measures how a firm is viewed by its various stakeholders.

Perhaps more important than the headline numbers or ratings is how BPI is changing from within. Consider the following:

1. Financial inclusion in the form of microfinance and SME lending is front and center. Only three years since its relaunch, BPI Direct BanKo is now the second largest microfinance bank in the country, with a loan portfolio of Php 4.3 billion (100% growth in one year), a market share of 15%, and 300 branches. Asiamoney rated BPI Best Bank for Microfinance because of BanKo's growth. On the SME front, the two-year old Business Bank is attempting to replicate the early success of BanKo. While Business Bank's loan portfolio grew only 6%, the lower-end segment of the portfolio – that for loans below Php 15 million—showed a 4.3x increase in approved loan applications, reflecting our tailor-fit solutions and dedicated coverage of the segment.

CEZAR P. CONSING
President and Chief Executive Officer

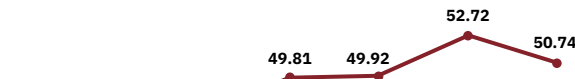
MACROECONOMIC INDICATORS

GDP Growth (%)



2013 2014 2015 2016 2017 2018 2019

Php : US\$ Rate

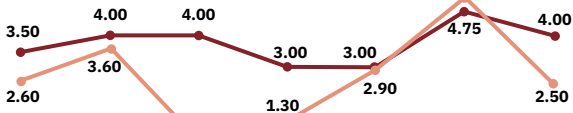


2013 2014 2015 2016 2017 2018 2019

**Sources:*
GDP Growth & Average Inflation: Philippine Statistics Office (PSA)
BSP Policy Rates & Php : US\$ Rate (End of Period): Bangko Sentral ng Pilipinas (BSP)
PSE Index (End of Period): Bloomberg (PCOMP)

Inflation and BSP Policy Rates (%)

— BSP Policy Rate — Inflation



2013 2014 2015 2016 2017 2018 2019

PSE Index



2013 2014 2015 2016 2017 2018 2019

2. Sustainability is embedding itself in how we conduct our business. BPI makes a meaningful contribution to 14 of the 17 United Nations Sustainable Development Goals (“UN SDGs”). This is very evident in how we have allocated our loanable funds. Outstanding loans that have an impact on these UN SDGs have increased from Php 147 billion in 2015 to Php 390 billion in 2019, or a CAGR of 28%. The share of these loans to our total loan portfolio has also increased from 17% to 26% in the last five years. On the funding side, we issued two green bonds in 2019, including the country’s first rated green bond in the international capital market. BPI has been rated by Asiamoney as the Best Philippine Bank for CSR because of the work done by BPI Foundation, which has been consistent in its focus on education, entrepreneurship,

environment, and employee engagement – all critical elements of sustainability. BPI Foundation’s budget has grown almost four-fold in the last six years, and beneficiaries have grown in number from 1,700 to over 270,000 over the same period.

3. Digitalization is gaining considerable traction, with gains that are tangible and visible. Online transactions, which in 2019 were up by 50%, account for practically all of the growth in BPI’s transaction count. About 40% of our customers are now enrolled in one or more of our digital channels, and almost 25% of all customers are regular digital transactors. Digital service fees now amount to Php 1 billion per annum, with over Php 220 million in API revenues added in 2019 alone. The rate at which we are

digitalizing will create about 20% additional capacity in our over 850 BPI and BFB branches by 2021.

4. Data Science is already adding value to our retail businesses. Coupled with thoughtful changes in policies and processes and more disciplined execution, we are already seeing the value of having recruited and trained 25 data scientists in our various consumer businesses. Overall, our SME/consumer loan book grew by 12.5%, outpacing the 7.9% growth of our corporate loan book. This produced a 76 basis-point shift in the corporate-SME consumer loan mix, which contributed to the increase in our overall net interest margin.

5. Capital markets access and expertise has become an important competitive advantage. BPI’s ability to tap the equity and debt capital markets for our own account is becoming increasingly important as we seek to increase the efficiency of our balance sheet, reduce our funding costs, diversify funding sources and take advantage of lending and investing opportunities. We followed up on our one equity and two debt capital raisings in 2018 with five debt capital markets transactions in 2019, each one noteworthy. We raised US\$ 300 million of 5-year money via a green bond, CHF 100 million of 2-year money via a green bond that fetched a negative interest rate (a first in the region), Php 3.1 billion in 5-1/2 year LTNCDs, Php 9.5 billion 2-1/2 year bonds for our savings bank and, at the turn of the year, Php 15.3 billion in 2-year bonds.

The year ahead will require continued emphasis on the SME and consumer businesses, which provide higher lending margins and service fees, strong focus on CASA generation, a moderating of expense growth, continued reallocation of resources in favor of technology and the consumer space, and a continued upgrading of the customer experience. Given the wide-reaching effects

of the corona virus on production output and consumer demand, we also have to guard against an increase in NPLs. The success of all of these efforts will contribute to robust growth, solid profits and, under more benign market conditions, recovery and growth of our share price.

The financial and operating results of 2019 are heartening, in that they tell us that the many initiatives that we have undertaken in the past few years are beginning to bear fruit. While there is much more to be done, we are well positioned for the future. At this juncture, we would like to take a moment to thank our board of directors for their wise counsel, our management and staff for their professionalism and dedication, and you, our shareholders, for your continued support. We go to work every day knowing that we owe you our very best efforts.

JAIME AUGUSTO ZOBEL DE AYALA
Chairman

CEZAR P. CONSING
President and Chief Executive Officer

Financial and Operating Highlights

	Consolidated			Parent Entity		
	2019	2018	Change	2019	2018	Change
BALANCE SHEET (in Php million)						
Assets	2,205,030	2,085,228	5.7%	1,857,838	1,753,141	6.0%
Treasury Securities	353,115	341,498	3.4%	318,014	308,426	3.1%
Net Loans	1,475,336	1,354,896	8.9%	1,231,776	1,125,956	9.4%
Deposits	1,695,343	1,585,746	6.9%	1,456,458	1,347,207	8.1%
Equity ¹	269,577	248,521	8.5%	216,250	199,156	8.6%
INCOME STATEMENT (in Php million)						
Net Interest Income	65,945	55,843	18.1%	52,972	43,158	22.7%
Non-Interest Income	28,389	22,681	25.2%	24,597	15,227	61.5%
Net Revenues	94,334	78,524	20.1%	77,569	58,385	32.9%
Operating Expenses	50,077	43,602	14.8%	38,480	33,661	14.3%
Pre-provision Profit	44,257	34,922	26.7%	39,089	24,724	58.1%
Impairment Losses	5,822	4,923	18.3%	4,666	4,279	9.0%
Net Income ¹	28,803	23,078	24.8%	26,218	15,428	69.9%
FINANCIAL PERFORMANCE INDICATORS						
Profitability						
Return on Equity	10.97%	10.21%	0.8%	12.51%	8.50%	4.0%
Return on Assets	1.38%	1.20%	0.2%	1.50%	0.96%	0.5%
Margins and Liquidity						
Net Interest Margin	3.35%	3.11%	0.2%	3.18%	2.87%	0.3%
Net Loans to Deposit Ratio	87.0%	85.4%	1.6%	84.6%	83.6%	1.0%
Cost Efficiency						
Cost to Income Ratio	53.1%	55.5%	-2.4%	49.6%	57.7%	-8.0%
Cost to Average Assets Ratio	2.40%	2.27%	0.1%	-	-	-
Asset Quality						
NPL Ratio ²	1.66%	1.85%	-0.2%	-	-	-
NPL Cover	102.1%	88.3%	13.8%	-	-	-

	Consolidated			Parent Entity		
	2019	2018	Change	2019	2018	Change
Capital and Leverage						
CET 1 Ratio	15.17%	15.19%	-0.02%	14.08%	13.97%	0.1%
Capital Adequacy Ratio	16.07%	16.09%	-0.02%	14.94%	14.83%	0.1%
DISTRIBUTION NETWORK AND MANPOWER						
Branches/International Offices	1,170	1,059	111	-	-	-
ATMs	2,822	3,034	(212)	-	-	-
Employees	21,429	18,911	2,518	-	-	-
Officers	6,941	6,661	280	-	-	-
Staff	14,488	12,250	2,238	-	-	-
SHAREHOLDER INFORMATION						
Market Value						
Share Price	87.90	94.00	-6.5%	-	-	-
Market Capitalization (in Php million)	396,172	423,230	-6.4%	-	-	-
Valuation						
EPS, Basic and Diluted	6.39	5.35	19.4%	5.82	3.57	63.0%
Book Value per Share	59.81	55.20	8.4%	-	-	-
Price-Earnings Ratio	14.1x	18.9x	-4.8x	-	-	-
Price to Book Value	1.5x	1.7x	-0.2x	-	-	-
Dividends						
Cash Dividends Paid to Common Shareholders (in Php million)	12,165	7,598	60.1%	12,165	7,598	60.1%
Cash Dividends per Common Share	1.80	1.80	-	-	-	-

¹ Attributable to equity holders of BPI

² Based on BSP circular 941



Cultivating an Integrated Approach

Business Model and Value Creation

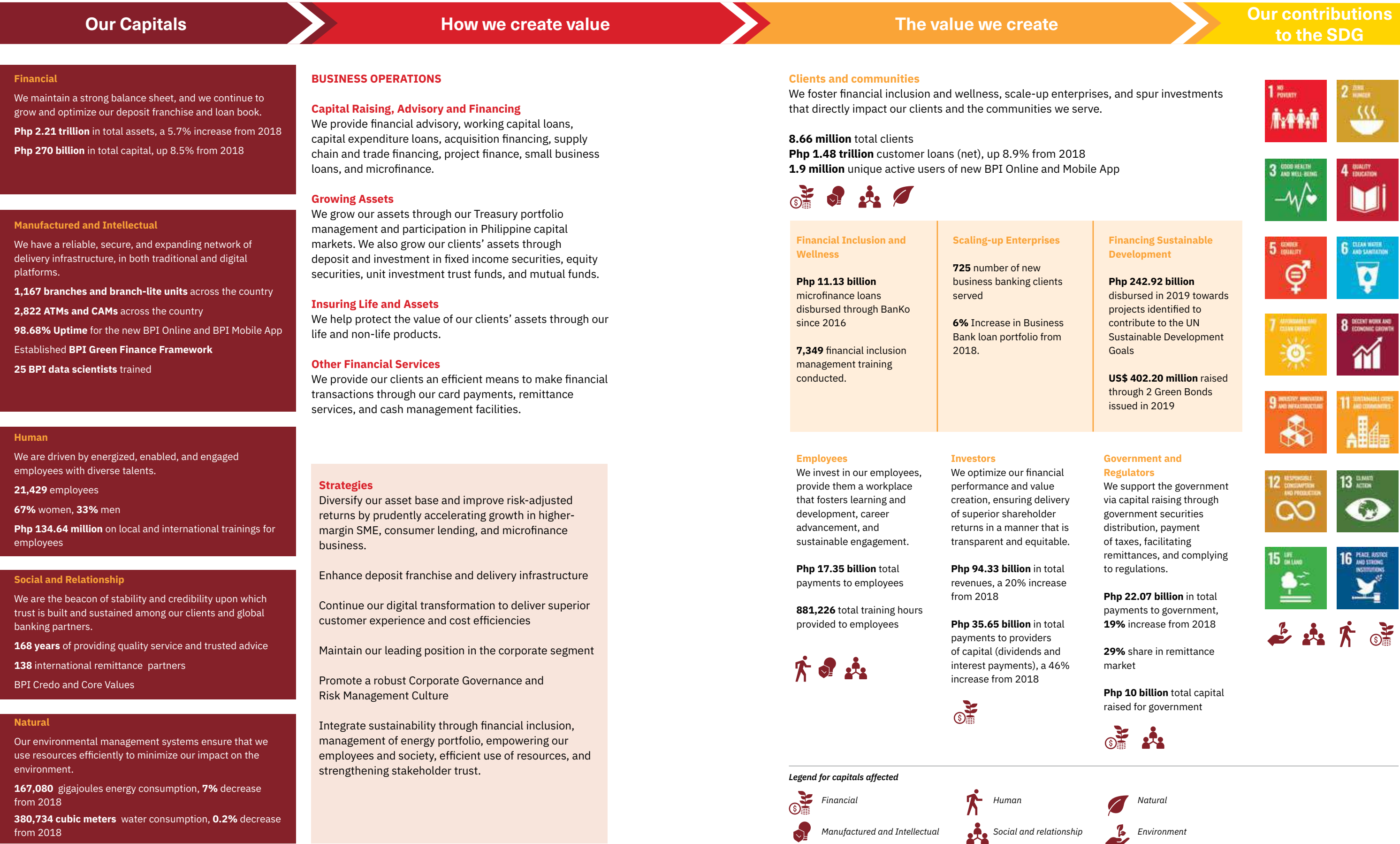
2019 Performance

OUR VISION

Building a better Philippines

OUR MISSION

We nurture every Filipino's future with a trusted approach to managing money and innovation that makes life easier every day.



BPI's Sustainability Strategy

Our Sustainability Strategy Framework highlights how our products and services create shared value for our clients, shareholders, and society as a whole. An enhanced risk-managed delivery infrastructure is in place to ensure efficient delivery of the value we create. Key to the framework as well is how we manage our capitals to ensure long-term sustainability.

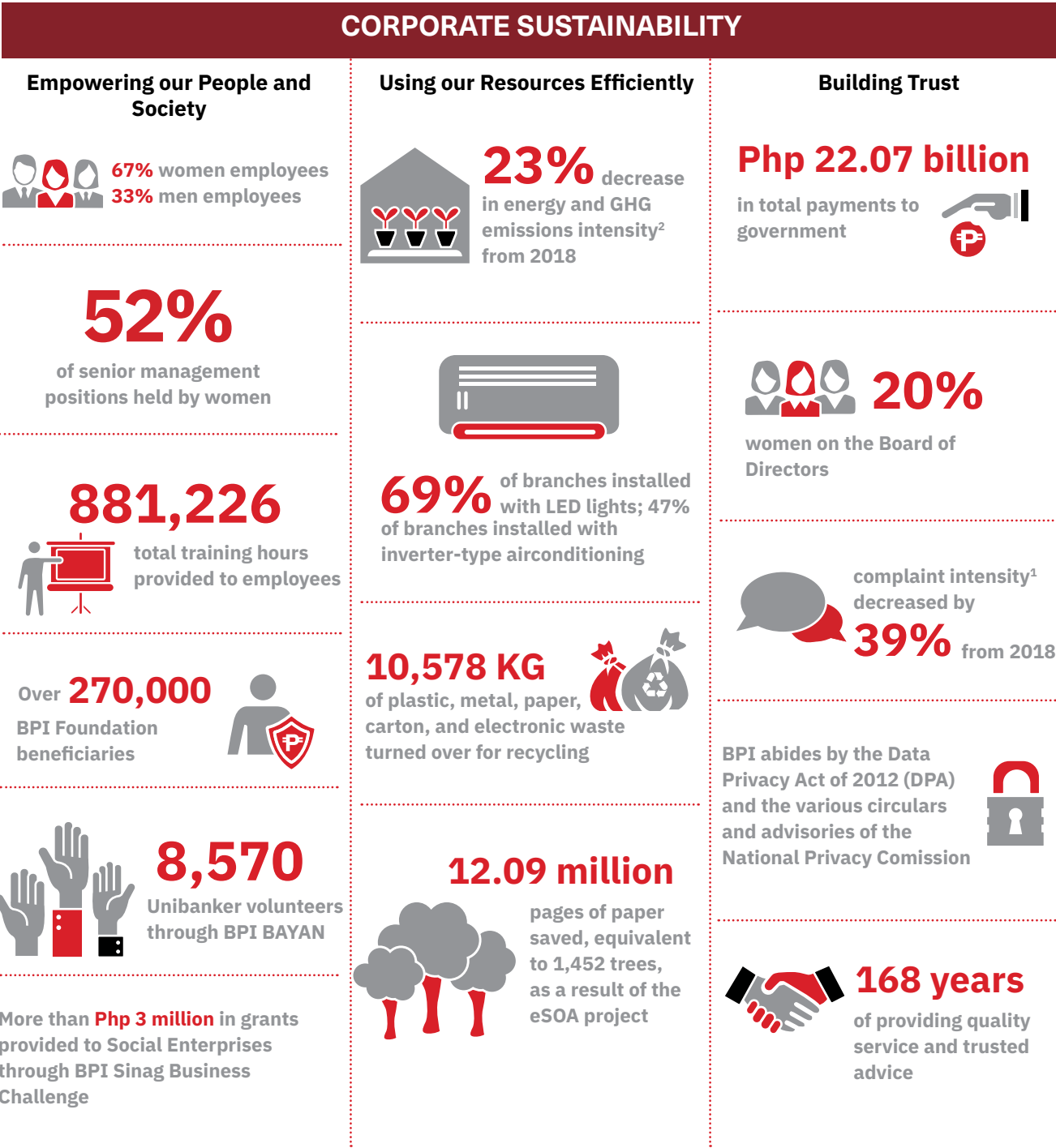
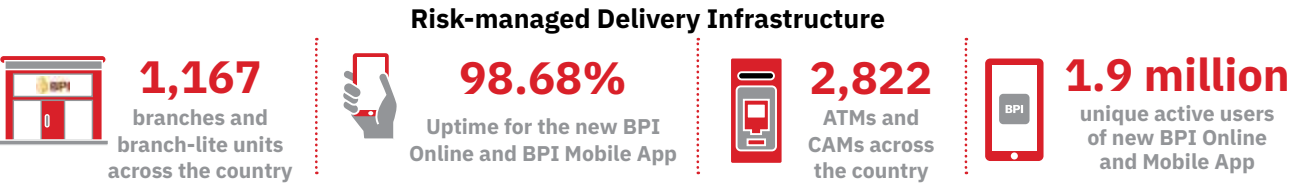
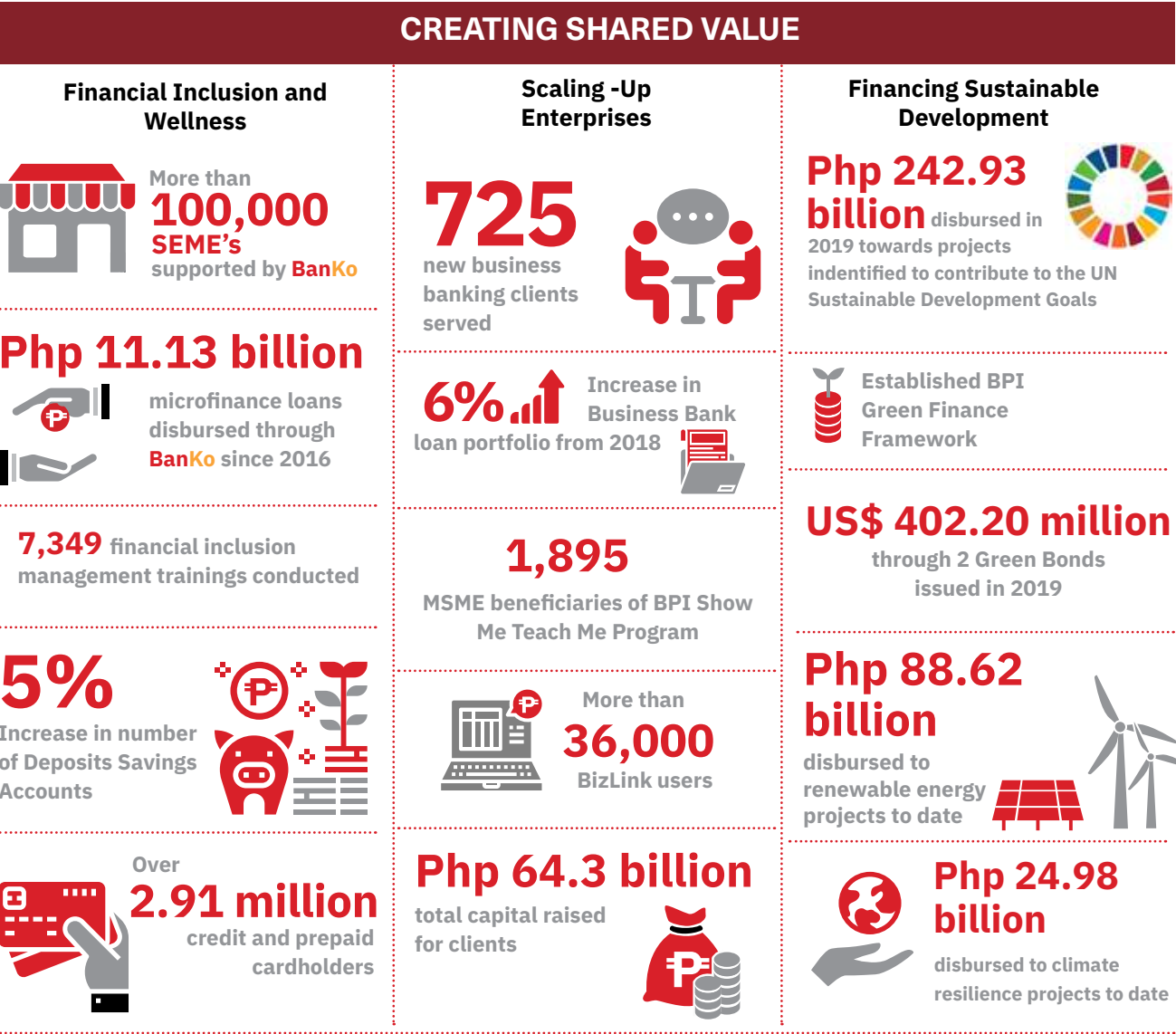
Our value creation focuses on the following:

Financial Inclusion and Wellness – We widen our reach to underserved segments and help our clients grow and protect their assets through customized products and services.

Scaling-Up Enterprises – We support enterprises through financing and capital raising across business segments to help them scale up their operations.

Financing Sustainable Development – We finance projects that support national development and are in line with the UN Sustainable Development Goals.

These are all aligned with the Bank's philosophy as stated in our Credo.



¹ This is calculated as every one (1) complaint per 1,000 transactions
² This is calculated as gigajoule of energy consumed and tCO2e GHG emissions produced for every Php billion in revenue

BPI's contribution to the



1 NO POVERTY



1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

Php 11.13 billion Microfinance loans disbursed since 2016

3 GOOD HEALTH AND WELL-BEING



3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States

Launch of **Hospital Confinement Income Protection (HCIP)** product of BPI/MS in 2019

BPI Centruy Tokyo Leasing (BPICTL) released **Php 788.25 million** through leasing arrangements for hospitals, clinics, and health centers in 2019

5 GENDER EQUALITY



5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

20% of the Board of Directors is comprised of women
52% of senior management is comprised of women

7 AFFORDABLE AND CLEAN ENERGY



7.1 By 2030, ensure universal access to affordable, reliable and modern energy services

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

7.3 By 2030, double the global rate of improvement in energy efficiency

Php 157 billion outstanding loans to energy sector, **38%** of which is towards renewable energy

Php 27.69 billion disbursed to energy efficiency projects to date

Php 88.62 billion disbursed to renewable energy projects to date

2 ZERO HUNGER



2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

Php 216.22 billion loans disbursed towards agriculture in 2019

Php 380.6 million disbursed to Climate Controlled Systems for agriculture in 2019

4 QUALITY EDUCATION



4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all

834 beneficiaries of BPI Foundation Tech Voc program, with **80-100%** employment rate since 2018

Php 1.17 billion loans disbursed towards the education sector in 2019

6 CLEAN WATER AND SANITATION



6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all

Php 1.99 billion loans disbursed towards water-related projects in 2019

8 DECENT WORK AND ECONOMIC GROWTH



8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

82% of staff covered by Collective Bargaining Agreement

1,167 branches and branch-lite units, and **2,822 ATMs and CAMs** across the country

More than **100,000 Self-employed** Micro-entrepreneurs supported through BPI Direct BanKo

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Php 24.98 billion disbursed to climate resilience projects to date

40% of outstanding loans in portfolio contributing to SDGs support goal number 9

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

23% decrease in energy and GHG emissions intensity by revenue from 2018. Completed the installation of LED lights and inverter-type air conditioning units for **69%** and **47%** of branches, respectively.

10,578 KG of plastic, metal, paper, carton, and electronic waste turned over for recycling

Published Sustainability Report using the International Integrated Reporting Council's Integrated Reporting Framework

15 LIFE ON LAND



15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

Hineliban Reforestation of 100 hectares of denuded rainforests through BPI Foundation and Hineliban Foundation in Lanao del Sur.

11 SUSTAINABLE CITIES AND COMMUNITIES



11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–2030, holistic disaster risk management at all levels

Php 11.68 billion disbursed towards low income housing projects in 2019

Php 8.7 billion disbursed to public transportation projects in 2019

Launch of the second phase of the Climate Risk Assessment Program of BPI Foundation implemented by WWF Philippines in 2019

13 CLIMATE ACTION



13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

US\$ 402.197 million from 2 green bond issuances in 2019 (See pages 70-71 for the eligible projects under the green finance framework)

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime

The Bank's Money Laundering/ Terrorism Financing Prevention Program (MTPP) implements sound anti-money laundering practices and combats terrorist financing and other financial crimes through conscientious customer due diligence and know-your-customer (KYC) processes; sanctions screening; automated tools to identify and detect financial transactions of a suspicious nature; and monitoring, testing, periodic review, and timely reporting to senior management. This program also includes periodic and comprehensive AML-CFT training and awareness programs for members of the Board of Directors and all officers and employees.

Market Outlook

External Environment Factors



Economic Growth. The Philippine economy expanded by 5.9% in 2019, below the 6-7% target of the government. Despite the strength of household consumption, delays in the implementation of infrastructure projects and the decline in investment spending dragged growth below the 6% level. For 2020, the COVID-19 outbreak has become the greatest challenge for the global and domestic economies. It is clear that the outbreak will have a negative impact on the economy. However, quantifying the potential impact of COVID-19 on the Philippine economy is difficult given the uniqueness of the event.

Household Consumption. Household consumption recovered in 2019 as inflation slowed down. Stable oil prices and sufficient rice supply pulled down average inflation from 5.2% in 2018 to 2.5% in 2019. Household consumption will likely continue to be the main driver of growth in the medium term with support from OFW remittances and record-low unemployment. However, the enhanced community quarantine in various parts of the economy has crippled household

consumption to an extent not seen since the early 1980s.

Investment Spending. Capital formation contracted in 2019 for the first time in 7 years as demand for machinery and equipment declined. Corporates may have postponed or scaled down the purchase of durable equipment given the elevated global growth uncertainties and expectations of lower interest rates in the coming months. Meanwhile, public construction posted a 2.4% contraction as a result of government underspending. The budget impasse and election spending ban in the first half of the year prevented the government from spending on new infrastructure projects. Looking ahead, capital expenditures may fall as business will most likely prioritize their liquidity to sustain themselves and their employees amid the measures to prevent the spread of COVID-19.

Growth of Major Sectors. Among the 3 major sectors of the economy, services outperformed in 2019 with 7.1% growth. Retail trade grew at a faster pace with the help of lower inflation, while financial



intermediation recorded higher growth given wider interest margins and trading gains resulting from the bond market rally. The industry sector slowed down amid the weakness in manufacturing and construction. Global trade uncertainties weighed down manufacturing growth despite the stability shown by household consumption. In 2020, the COVID-19 outbreak may hurt several industries given the restrictions on movement and economic activity. In particular, the following industries may see a decline in economic output and revenues: tourism, airline, real estate, transport, and manufacturing.

Financial Markets. Low inflation in 2019 gave the BSP the opportunity to revert its policy stance from tightening to monetary easing. Given the liquidity and growth challenges being faced by the economy, the Monetary Board reduced the policy rate by 75 bps from 4.75% to 4.00% and brought down the reserve requirement ratio (RRR) by 400 bps from 18% to 14% in 2019. Benchmark interest rates declined as liquidity improved gradually.

The BSP has reduced the policy rate by another 75 bps so far and may resume its monetary easing in 2020 given the economic damage that COVID-19 could bring. The enhanced community quarantine may squeeze liquidity amid the lack of spending and the need for savings in this time of crisis. As a result, the central bank may inject liquidity into the financial system through its monetary policy tools such as open market operations and further reduction in the reserve requirement on deposits.

Meanwhile, global risk aversion due to COVID-19 may fuel the demand for safe haven like the US Dollar. Emerging market currencies like the Philippine Peso may weaken as investors shift their funds to assets that could protect them from the impact of COVID-19. However, the possible decline in imports and remittances due to supply disruptions may temper the depreciation pressure from risk aversion.

Macroeconomic data presented is based on Banko Sentral ng Pilipinas and Philippine Statistics Authority data.

Strategy and Performance

Our strategy is based on our analysis of the current market outlook, competitive environment, regulatory updates, stakeholder concerns, and other relevant factors to help us gain from opportunities while we manage the risks. We position ourselves as a choice investment, attractive to both domestic and offshore investors.

Taking stock of our performance in 2019, we have made notable progress for each of the key imperatives, an indicator that we are moving in the right direction as we continue to evaluate, adapt, and improve our strategies.

Diversify our asset base and improve risk-adjusted returns by prudently accelerating growth in the higher-margin Small and Medium Enterprises (SME) and consumer lending businesses

We plan to continue to tap opportunities in the growing market of middle-class Filipinos, thriving SME segments, and underbanked areas of microfinance. The potential of these segments is significant, and we will pursue these opportunities in a prudent manner without compromising our stringent risk management standards and overall asset quality.

Small and Medium Enterprises. We know SMEs are the backbone of the Philippine economy, employing 65% of the national workforce and accounting for 35% of the Gross Domestic Product (GDP). We are cognizant of the fact that they face numerous growth challenges, including technical capacity, difficulty in accessing outland markets and, most notably, limited access to financial support. We responded to this opportunity by creating a dedicated team to focus on the needs of SMEs – BPI Business Banking (BB).

We support SMEs nationwide by providing instruments to better manage their cash flows and raise capital. Through a team of engaged and enabled Business Bankers, we provide financial advisory services to

increase their economic potential. This in turn promotes progress, employment, and expansion of their business.

In 2019, we made a number of notable gains across the business, reflecting a good growth momentum. This includes significant improvements in operational metrics such as more than doubling submission of complete loan applications, significant reductions in total turnaround time due to process improvements, and a significant drop in delinquency rate. Our vision is to become the partner of choice of SMEs in the Philippines, addressing their day-to-day requirements as well as their long term needs through fast, simple, and convenient solutions, complemented by trusted advice.

Consumer lending. As of December 31, 2019, only 226,702 or 2.8%, of our retail depositors have availed of our loan products, presenting us with a vast opportunity to further deepen our client relationships. We expect strong growth in the consumer lending market due to the stable growth of the Philippine economy, with household consumption as the foundation, and favorable population demographics. In 2019, the Philippines recorded its highest GDP per capita income of US\$ 3,280, while the Philippine Statistics Authority forecasted that by 2025, majority of the population will be of the working age 15-64 years old. We will capture the long-term growth in demand for homes, vehicles, and consumption spending of the middle-class Filipinos.

This year has proven to be a turn-around year for consumer lending, as we begin to reap the benefits of the previous years' investments in re-engineering our internal processes and enhancing our policies to be more responsive to client needs. In 2019, we were able to show significant growth in our housing loans and auto loans portfolios as we are seeing results in our efforts to re-engineer our processes (refer to page 32 on Retail Clients).



We help Filipinos pay for their basic needs conveniently, affording them new experiences while maintaining financial responsibility. With the BPI Credit, Debit, or Prepaid card, clients have the tools to cover their needs (refer to page 32 on Retail Clients).

Microfinance. Recognizing the need for the unbanked market to have access to credit facilities, we continue to make significant strides in microfinancing. Primarily established to serve Self-Employed Micro-Entrepreneurs (SEMEs), our subsidiary, BPI Direct BanKo, Inc. (BanKo), has expanded to 300 branches in 3 years, increasing the SEMEs' accessibility to affordable and appropriate financial products and

services, while also empowering them with financial advice and solutions that promote the growth and expansion of their enterprises.

Our traditional in-person business model has resulted in a loan portfolio that has doubled year-on-year, with over 100,000 clients served since 2016, proving the successful implementation of necessary know-your-customer processes and adherence to risk standards which lead to improved collection and reduction in Non-Performing Loans (NPLs).

Enhance deposit franchise and delivery infrastructure

To increase deposits in the corporate, SME business, and retail banking segments, we employ a dual-pronged approach of capitalizing on our extensive physical and digital distribution network, and continuing to provide innovative deposit-based products to acquire new clients and attract deposits.

In 2019, we have developed several depositor lending programs, as well as programs for good-repeat clients, recognizing their importance as a key source of good business. As the main operating bank of our clients, we build ecosystems to capture working funds. We aim to become a one-stop shop that provides integrated products and services to our clients, such as cash management, payroll, government and supplier payment services, as well as bancassurance, asset management, securities investments, credit facilities, payments and remittances, and foreign exchange products and services.

Having the second largest branch network, we constantly rationalize our branch operations and locations to ensure their optimum performance. We intend to expand our branch network in a strategic manner in Metro Manila and in key provincial cities showing potential for increasing consumer spending and infrastructure investments. This expansion will be balanced and complemented by the outlays in our digital infrastructure for more efficient digitalized banking processes that will spur financial inclusion in the country.

The evolving regulatory landscape has also presented alternative funding opportunities. With lower reserve requirements on bond issuances vis-à-vis peso deposits, we continue to explore issuances in the domestic and foreign debt markets as opportunities arise. In 2019, we embarked on several milestone issuances of green bonds and LTNCDs,

which allowed for funding cost efficiencies while offering clients attractive investment opportunities.

Continue our digital transformation to deliver superior customer experience and cost efficiencies

We started our digital journey in 2016 and our focus has been on transforming client journeys across our client facing platforms. We recognized early on that “agile at scale” was key to digital transformation. Phase One focused on establishing a technology foundation for our digital aspirations, primarily improving our digital platforms for online and mobile banking. Our focus now is to make digital financial transactions frictionless for clients through the five (5) pillars of our digital journey:

- Omni-channel experience. This is about harmonizing our branch operations with our digital services, giving our clients the choice of where to start out a journey or transaction and where to complete it. More and more of our processes will blend across channels as we move forward in our digitalization journey.
- Customer experience. This is about “reshaping our tools as our tools shape us.” Our tools, for example, our mobile app and website, shape the behavior of our clients. At the same time, how our clients behave using these tools compel us to refine them further and innovate. This will translate into ever-evolving set of tools and services for our platforms.
- High tech, high touch. With more tools given for self-service with high tech, we need to ensure that the few times our clients step into our branches will be of good quality. With our flagship branches, we have design elements that encourage high-value conversations or interactions for the more complex financial needs of clients

- The Bank of every day. Through our open banking services, our clients can transact with FinTechs such as GCash and PayMaya, and cash in with online merchants such as Lazada. This will allow them to go digital for going about many of their day-to-day transactions such as reloading their cellphones, paying utility and credit card bills, making online purchases, etc. This initiative also allows us to expand our reach horizontally by tapping the markets of our open banking partners.
- Cybersecurity and privacy. All our digital initiatives will be futile if our clients cannot transact securely or if data privacy is undermined. We have invested in a cutting edge cybersecurity center.

to continuously enhance overall customer experience, maintain our cost advantage over peers, and generate new revenue streams from our digital channels.

Maintain our leading position in the corporate segment

We plan to maintain our leading position in the corporate segment by continuing to provide a full suite of banking products to large corporates and multinationals. We will focus on improving risk-adjusted returns, capitalizing on strong cross-selling opportunities to offer other services such as the investment banking products of BPI Capital for corporate clients. This improves the profitability of our traditional lending business and provides clients with solutions that go beyond credit and cash management facilities.

As one of the digital pioneers in the banking industry, digitalization will be a core focus in the medium-term as we aim



Risk and Opportunities

RISK DESCRIPTION	POTENTIAL IMPACT	MANAGEMENT AND MITIGATION	RISK EXPOSURE
CREDIT RISK & ASSET QUALITY - risk of loss due to a borrower or counterparty's non-payment of a loan or other credit accommodations (either the principal or interest, or both)	1) Deterioration of the quality of our assets 2) Decrease in our profitability due to an increase in loan losses	Comprehensive set of Credit Risk Management policies and standard procedures covering: 1) Assessment of borrowing clients using credit risk rating models and credit risk scorecards 2) Use of eligible collaterals and legally-enforceable collateral documentation 3) Prompt identification and close monitoring of deteriorating credits 4) Adequate review of loan classification and assignment of loan loss provision 5) Strict remedial and collection measures for problem credits 6) Conduct of credit stress testing on our loan portfolio	Moderate, but Mitigated
MARKET & LIQUIDITY RISKS - risk of loss due to volatility of interest rates, foreign exchange rates or equity prices, and risk that we will be unable to meet a financial obligation to a customer or market in any location, in any currency at any time	1) Decline in earnings 2) Deterioration of the quality of our liquid assets; increased funding needs 3) Consequences from non-compliance to regulatory changes	Comprehensive set of Market and Liquidity Risk Management policies and standard procedures covering: 1) Measurement and monitoring of market risk exposures of trading and non-trading portfolios 2) Maintenance of adequate liquidity levels at all times 3) Establishment of a contingency funding plan 4) Conduct of stress tests 5) Enhancement of risk models and systems	Moderate, but Mitigated
OPERATIONAL & INFORMATION TECHNOLOGY (IT) RISKS - risk of loss due to inadequate or failed internal processes, people, and systems and risk of adverse outcome due to the use of or reliance on IT	1) Increase in operational losses 2) Disruptions in daily operations 3) Unauthorized access to our information assets 4) Inaccurate, incomplete, inconsistent, and/or unavailable information 5) Damage to our physical assets 6) Damage to our brand and reputation 7) Legal liabilities and tax implications 8) Consequences from non-compliance to regulatory changes	Comprehensive set of Operational and IT Risk Management policies and standard procedures covering : 1) Identification, assessment, control/mitigation, monitoring, and reporting of operational and IT risks 2) Risk management processes are embedded in business activity processes (e.g., product development and process enhancements) 3) Development and monitoring of Key Risk Indicators (KRIs) 4) Loss event management process 5) Establishment of systems and programs on business continuity management, information security/cybersecurity management, vendor management, and physical security management. 6) Conduct of operational and IT risk management awareness and appreciation initiatives	Moderate, but Mitigated
BUSINESS & STRATEGIC RISKS - risk to earnings or capital arising from adverse business decisions or strategy, improper implementation of decisions, lack of responsiveness to industry changes, and/or incorrect assessment of changes in business	1) Decline in earnings 2) Increase in operational losses 3) Damage to our brand and reputation	1) Close monitoring of financial and operational performance, strategies, and policies 2) Development and monitoring of key risk indicators 3) Reporting to Senior Management and Board of Directors	Moderate, but Mitigated
ENVIRONMENTAL & SOCIAL RISKS - risk of adverse effects due to the impact on the natural environment and/or communities	1) Increase in operational losses 2) Damage to our physical assets 3) Damage to our brand, reputation, and social capital 4) Legal liabilities and tax implications 5) Consequences from non-compliance to regulatory changes	Delivery of shared value through the following activities: 1) Efficient use of resources and increased focus on digitalization viz-a-vis sustainability and risk management 2) Financial inclusion and wellness initiatives 3) Sustainable development financing 4) Industry-Academe initiatives	Increasing, but Mitigated

Business Review and Client Testimonials

DIGITAL CHANNELS: BUILDING AN ECOSYSTEM OF POSSIBILITIES



Digitization has served as an impetus for BPI to transform and be the bank that Filipinos need today and in the future.

For much of BPI's 168 years, innovation has mostly been incremental and steady, punctuated only by a few instances of radical change. Today, however, digitalization is accelerating the pace of transformation and disruption in banking and finance, promising to change the course of the industry in the coming years.

At BPI, digitalization has served as an impetus for us to seize a new opportunity—an opportunity to transform and be the bank that Filipinos need today and in the future. We aim to deliver banking convenience in the digital space. We commit to continuously build the bank's digital capability to provide a secure, intuitive, digital experience across our electronic platforms, compliant with banking standards, policies, and global best practices.

Our goal — to become your bank of every day, where a digitally enabled lifestyle helps us bring the benefits of financial inclusion to every Filipino, and deliver customer experience that meets clients' financial needs.

Open banking. We continue to strengthen our open banking business model to allow us to expand our digital presence and be accessible to our clients through partner websites and apps. The same facility also

enables us to offer an API (application programming interface) marketplace.

The solutions range from payments, lending, micro investments, even digital credits. We are also studying blockchain, a record-keeping technology that may have applications in banking and finance.

Robust digital ecosystem. We launched our digital ecosystem with 10 new open banking partners, namely, AF Payments, Alipay, BPI M/S, ECPay, Fortune Pay, Magpie, Megapay, Mynt (GCash), Paymaya, and Paynamics.

Through our partner apps and websites, we powered up our clients' access and enabled them to seamlessly transact within our platform. With the same log-in credentials as BPI Online, clients were granted access to the everyday services that make life easier for them.

Partnerships with fintechs, or financial technology companies, such as GCash and Paymaya and online merchants such as Lazada also enabled the growth of open banking transactions for the bank.

Expanding digital capabilities. We have the most extensive digital capabilities among local banks with 70 online banking and 40 mobile app features in 2019. We



Transfer funds via QR code

Load RFID via your mobile app

also successfully transitioned our online user base to the new digital platforms, reaching a substantial 44% increase in transaction count among active users.

In 2019, we implemented these new digital capabilities in our platforms that empower and encourage our clients to:

- Be more personalized. Self-service functionalities are available such as the setting of branch appointments, updating of mobile number, changing of one's password, etc.
- Enjoy new payment options. More e-wallet loading partners (beepTM, GCash, Paymaya, Autosweep RFID, and Easytrip) enable opportunities to tap our clients' different needs such as travel and shopping.
- Explore more options to send money. Transfers to other banks via InstaPay and Dollar-to-Peso transfers satisfy the needs of clients to send money.
- Get full access to investment accounts. Clients can complete their investment transactions services on the digital platforms.

- Receive mobile alerts in real-time. Event-triggered alerts are sent to a client's mobile device, e.g. whenever money is transferred or a prepaid card is loaded.

Enhanced digital experience for ATMs and CAMs. We made our ATM and Cash Accept Machines (CAMs) network more easily accessible to our clients through continuous improvements in availability and the expansion of our network with over 2,800 ATMs and CAMs nationwide.

More ATM and CAM screens now have a new design aesthetic, easier navigation, instructions in English or Taglish, time-sensitive greetings and images that provide an overall fresh experience for our clients. The screens also enable faster transactions with viewable and paperless balance inquiry, resulting in cost savings.

Powering up financial inclusion with Bankware. Bankware is a cloud-based alternative deposit and payment system. It supports basic deposit, microfinance, digital payments, and agency functions for BPI Direct BanKo, BPI's financial inclusion arm. With the BPI BanKo app as its first implementation, Bankware was able to reduce 1/3 of the cost compared to traditional services.

RETAIL CLIENTS:
NURTURING DIGITAL
SAVVY FILIPINOS

From 300,000 clients using BPI Online in 2008, we now have over 3.6 million clients with digital access to our platforms, a 12-fold increase, a 12-fold increase in over 11 years. In the same period, digital transactions soared from 35 million to 820 million transactions, a 23-fold surge.

On any given day, billions of bits of data zip through our digital network. They represent financial transactions that help us deliver the financial services that our clients need. The result is changing the dynamics dynamics of traditional banking services at the branches and the digital way of banking that delivers convenience and efficiency.

From a banking relationship that is predominantly transactional, BPI is adopting a more relationship-driven approach, aided by digitalization. It is the high tech, high touch approach, a concept borrowed from futurist Alvin Toffler, where technology serves convenience and security, and high touch fulfills the need for a more personal approach when it comes to complex or high-value financial services.

We aim to be the Filipinos’ Bank of Choice in the various segments that we serve — Private, Preferred, Personal, and Overseas Filipinos (OFs).

Digital highlights. In less than five years, our online transactions have tripled, requiring us to upgrade our core banking system. We embarked on two upgrades in 2019. Our system must be state-of-the-art if it is to be ready for the torrent of data that digitalization will surely bring in the years to come.

The first upgrade needed changes to 21,000 programs, 15,000 lines of codes and 5,100 copy books, over 41,000 changes in all. We believe these continual upgrades are necessary because our clients deserve the best of what the future has to offer.

Our BPI Online and BPI Mobile app have also been revamped with a new look and loaded with new features for a more enhanced digital experience. Security features that include the OTP, or One-Time PIN, and biometrics via fingerprint and facial recognition further strengthened safety of online and mobile transactions.

Innovative Consumer Banking. Our subsidiary BPI Family Savings Bank (BFSB) continues to be the largest thrift bank in the country. Its assets have reached Php 285 billion, constituting 13% of the total assets of BPI as of end-2019. Its net income of Php 4 billion is 15% of the BPI Group’s total net income.

The year 2019 has proven to be a turn-around year for BFSB, as it started to reap the benefits of the previous years’ investments. In 2019, we were able to improve our loan portfolio, as housing loans grew by 12%, and auto loans by 5%. While industry car sales grew by a modest 3.7%, the number of auto loan releases increased by close to 10%.

For the past two years, we have been making headway in simplifying loan requirements, shortening our turn-around time for loan processing, and sustaining the trajectory throughout 2019. Our commitment to enhance customer experience has started to manifest in net promoter scores for Auto and Housing Loans that are above benchmark.

We have also invested in developing scorecard models that use internal and credit bureau data to support an efficient, yet prudent loan underwriting process.

Our cards business, through BPI Credit, Debit, and Prepaid cards, has helped clients pay for their basic needs conveniently and affording them new experiences while maintaining financial responsibility. We have over 2.3 million active debit card customers, 1.6 million credit cards, and about half a million prepaid cards. Transaction volumes reached Php 263 billion, coming from 84.6 million transactions in 2019.



HENDY WIDJAJA
Certified Information Technology Practitioner

AN EXPAT’S IDEAL BANK

When Hendy Widjaja arrived here in the Philippines in 2004 for a job with a multilateral lending institution, he began looking for a local bank that will make life easier for him and his family.

He finally found it in BPI. The digital part is just what he needed.

“I really feel the ease of banking, in completing a transaction,” he said. “BPI is the leader in digital. That’s the way I see it.”

Of course, there are the digital banks who have embraced digital in their business models when they set up shop here in the country. But for the breadth of services that BPI offers and the way it integrated all of them into its digital platforms, that is, BPI Online and BPI Mobile app, BPI has no equal, at least for Hendy.

He has availed of a range of products from BPI—savings account, current account, credit card, investment funds—and he frequently uses features of the online facility and mobile app such as money transfer and bills payment.

Something that Hendy really loves is the variety and range of investment funds that BPI manages. All of these are available with a few taps on his mobile phone using the BPI Mobile app, from the US equity feeder fund to the peso bond fund through BPI’s subsidiaries such as BPI Asset Management and Trust Corporation (BPI AMTC) or BPI Investment Management Inc. (BIMI).

“This is something that I love and share to my friends,” he said.

Having a facility for numbers, Hendy, a certified IT practitioner who once worked for PricewaterhouseCoopers (PwC), is a practical man, with a predilection for convenience and security, especially when it comes to his own money.

“I have automatic deduction for my investments. I don’t want to think too much. And I love the fact that once I established my accounts, for example, mutual funds, I can buy and sell continuously without any human intervention. And redeeming investments is not a problem,” he said.

For Hendy, paying bills is also a breeze. Credit cards, electricity bills, water utility bills, phone bills, and a litany of merchants he can pay for products and services rendered.

“Whether it’s a school, insurance company, you name it, BPI has it in its list of merchants. Those are the things my colleagues and I find really useful. Just one app for payments and every receipt is sent to your email,” he said.

Even Hendy’s kids—16, 15, and 11 years old—understand the value of this digital way of banking. They have accounts with BPI but they’re not able to invest yet on their own due to age requirements.

“The kids nowadays are being asked by their school to watch CNN and BBC. And they’re being introduced to, if they are in high school, the different equity markets, bond markets, to learn about the economy and investing,” he said.

He talks to them about investments and tells them which are risky and which ones offer a good return. In time, they’ll be looking for digital ways to invest just like their dad.

Hendy, being an advocate of efficient use of resources, sees BPI shifting more into digital transactions while training people for more higher-value interactions with clients.

“This will further increase the trust of clients in BPI. It’s really a win-win for the Bank and its clients,” said Hendy.

We continue to give customers wise spending options and the best value for money as we offer low foreign exchange conversion, exclusive retail promos and Special Installment Plan (SIP) deals with BPI Credit Card. Part of our drive towards digitalization is the electronic Statement of Account, or eSOA, which allows clients to easily monitor their statements and manage their finances, and at the same time reduce their carbon footprint.

With the EMV-enabled BPI Debit Mastercard, clients are now able to enjoy global acceptance in-store and online on top of local point-of-sale (POS) purchases and withdrawals here and abroad. To complement the wider acceptance, we enhanced the card’s security features, launching 3D Secure One-Time PIN (OTP) functionality for online transactions, and customer-initiated card control on withdrawal and spending limits.

BPI continues to be one of the leading prepaid issuers in the country despite the rapid emergence of digital wallets and QR payments in the market. With no maintaining balance, clients can transact in usage channels comparable to a debit card. In 2019, we also migrated all clients with non-EMV prepaid cards to EMV-enabled prepaid cards.

BPI Personal Loans is a no-collateral, multi-purpose loan with low interest. Clients can avail of a loan up to three times their monthly income, and pay back in flexible monthly installments. The loan is quickly and safely available through a client’s BPI account and payable through easy and convenient payment schemes such as BPI’s auto debit facility.

Strong insurance business. BPI Philam and BPI/MS—which offer clients life and non-life insurance products, respectively—continued to remain strong in 2019. BPI Philam was again awarded the Best Life Insurance Company in the Philippines by World Finance, an international finance magazine. It was the third time that BPI Philam was lauded by the publication.

BPI-Philam also launched three new life insurance products for 2019: Family Care Plus, a 10-year renewable life insurance plan that covers two family members under one policy; Dollar Protect Plus, a regular-pay US dollar-denominated savings and life insurance plan that allows the customer to invest in global funds; and Critical Care 100, a comprehensive health and life insurance plan that protects customers from up to 100 critical illnesses until age 100.

BPI/MS launched the 365 Personal Accident (PA) product. It is a very affordable product with premium of Php 365 only for a one-year coverage of PhP 1 million. This is exclusively offered to BPI debit cardholders in BPI branches. The Hospital Confinement Income Protection (HCIP) product, which was exclusively offered to Unibankers in 2018, was introduced to other clients starting in 2019.

Moreover, BPI/MS also sought to reach more clients through cost-effective digital channels. In 2019, it added another product in its e-commerce platform, the Annual Travel Personal Accident insurance product, which enables frequent travelers to purchase an insurance policy anytime through their computers or mobile phones.

Value for Overseas Filipinos. We continued our efforts to reach out to OFs to make sure that their needs are met. Aside from our OF Regional Sales teams strategically located in areas with high concentration of OFs, we participated in events that helped us build relationships with them. One such event was the Philippine Consulate Caps 1st Philippine Retirement Summit in the US Midwest, together with other Ayala Group companies, where we held talks on financial wellness to OFs in the area. A similar event together with the Ayala Group was held in Dubai.

Our strategic efforts to spread the benefits of financial inclusion included a series of financial education seminars, both local and abroad, that sought to teach OFs how



DR. EDWIN MANUEL
Anesthesiologist

IT’S ALL ABOUT CONVENIENCE AND SERVICE

Dr. Edwin Manuel is one very busy anesthesiologist. As the Medical Director of the Metro Lemery Medical Center in Lemery, Batangas, he says he’s like the “mayor” of the hospital.

He goes around talking to people, asking how they are, with a ready smile and a hearty laugh that likely keeps patients at ease. Fellow doctors and hospital staff likewise respond to his good-natured levity.

Aside from his duties at the hospital, he goes to other nearby hospitals such as Our Lady of Caysasay Medical Center, Taal Polymedic Hospital, Ospital ng Calaca and others.

And while he is a doctor by vocation, he is a golfer by avocation. You will find him two to three times a week at the golf course, mostly practicing and competing in tournaments, which pleases his wife, especially when he brings home another trophy. A reasonable ROI for the wife, said Dr. Manuel.

“I don’t have time to go to the bank anymore. It’s very rare that I go to the bank,” he said. His savings, checking, investment accounts are all easily available on his mobile phone. He checks his statements of account and monitors his car loans using the app, too.

He opens his BPI Mobile app and checks his account. “Oh, my PF was credited already,” he said. Professional fees (PF) are easily checked with a few taps on his phone.

As the medical director of the hospital, he approves the salaries of the hospital staff and the PF of the doctors for crediting through BizLink, another BPI app.

“I consider BPI the best bank in innovation. With regard to online banking, I prefer BPI because of the ease of use and its features,” he said.

It was in 2007 when Dr. Manuel and his wife, an obstetrician-gynecologist at the same hospital, became clients of BPI. Earlier in 2002, they tried to settle in Bulacan, where Dr. Manuel hails from, but there were few hospitals there at that time.

His wife, a Batanguena, convinced him to relocate and they never looked back. That new beginning in Batangas was also the start of a strong relationship with BPI. As their careers flourished, so did their relationship with BPI.

“Now even my two kids have BPI accounts, and they have regular subscription plans for UITF. I taught them how to invest,” he said.

One child is already a pilot undergoing further training, while the other is a pre-med student studying in the University of Santo Tomas. They, too, will reap the benefits of having a financially savvy father who has started them on their financial journey.

“The convenience and the value that BPI provides me are enough for me to tell my friends about my good experience. BPI has everything I need,” he said.

to save, invest, and secure their families' future. BPI strives to be the trusted partner of OFs. Through remittance products and services as well as financial education seminars, BPI aims to empower these clients to have control over their finances as they take on their challenging role as OFs. (Financial Inclusion: Teaching Financial Management page 53-54)

Wide range of investment solutions.

Through BPI Investment Management Inc. (BIMI), BPI Asset Management and Trust Corporation (BPI AMTC), and BPI Securities, we provided clients with the investment solutions they need to reach their financial goals.

In late 2019, BIMI entered into an agreement with PhilAm Asset Management, Inc. (PAMI) to assume the management and distribution of nine mutual funds previously managed by PAMI. The deal was completed in January 2020. With the seamless transition of the funds to BIMI, investors in the PAMI funds can expect to benefit from the consistent track record and expertise of BIMI.

The addition of the PAMI funds under BIMI's management, doubles its product offerings to 18 and nearly triples its client base from 50,000 to 140,000. The deal will see BIMI's assets under management (AUM) increase to nearly Php 165 billion.

BPI AMTC also started working on the upgrade of the funds distribution system in line with the commitment to employ state-of-the-art technology in the management of our client's funds. The company believes

in the need to innovate and therefore launched the peso unit class of one of our US dollar denominated funds, the BPI Invest US Equity Index Fund.

This will make it convenient for investors to diversify their funds to global markets and US denominated outlets without the need to convert their local currency to US dollars.

BPI Securities, our equity securities brokerage arm with over 75,000 clients, is one of the leading brokerage houses in the country.

In 2019, BPI Securities posted YoY volume growth of 12.3%, outpacing that of the whole industry (+2.7%). This was fuelled by Php 36 billion of block trades executed in 2019 including trades in connection with the Phinma Energy tender offer.

We also brought our Invest-In-You Trading Academy (I-TRAC) online, increasing our reach and accessibility to both current and potential clients as we continue to strive to advance stock market education in the Philippines.

We implemented two major updates for BPI Trade, BPI Securities' online trading platform, enhancing performance, reliability, and robustness. We have also started working on an advanced platform for our clients with more sophisticated needs and a mobile app to cater to customers who are increasingly digital.

CORPORATE BANKING: DELIVERING STRATEGIC VALUE TO CLIENTS

BPI Corporate Banking builds and strengthens relationships with institutional clients consisting of large local corporations and conglomerates, as well as multinational companies in the Philippines, through its strong Relationship Management network and advisory, and comprehensive range of reliable products. We aspire to be our clients' go-to bank for growing their businesses (strategic), managing their operations efficiently (day-to-day), caring for their stakeholders (employees, clients, suppliers, and other stakeholders), and mitigating business risks.

BPI Corporate Banking is poised to accelerate its business growth in the new decade. We will continue to pursue our vision to be the trusted financial advisor and main operating bank of the largest Filipino companies and multinationals in the country.

Bigger, better Corporate Banking

organization. In 2019, the Corporate Banking organization expanded, consolidating the client coverage and support teams with the product units catering to corporate clients - Corporate Credit Products, Transaction Services, and Remittance and Funds Transfer. This new set-up resulted in better portfolio management and service, tighter collaboration, and faster decision-making and communication within the organization.

Furthermore, Corporate Banking's Relationship Management Group was divided into two sub-groups: Top Corporates, Multinationals, and Sectors, which recognizes the need to provide more senior coverage for clients with the most sophisticated banking needs, and Large Corporates, which responds to the need for a better and more efficient coverage of clients in different geographical locations, with homogeneous requirements. This move was done in order to sharpen the focus of the coverage team.

As part of its continuing digitalization, Corporate Banking also rolled out a new enterprise CRM solution, enabling easier coordination between relationship managers and product sales and servicing units. The application allows the RMs to log account plans, manage client appointments, record and share sales call action points with relevant parties, identify and scope opportunities, push these opportunities to product partners, and make follow-ups until conversion. Ultimately, the CRM solution improved customer experience across customer touch points.

IMPROVING BUSINESS EFFICIENCY THROUGH TRANSACTION SERVICES

Cash Management. Our Cash Management business is a fundamental component of our strategic initiative to build corporate CASA (current account, savings account) deposits and offer premier digital solutions to corporate customers. We cater to a diverse group of business customers covering conglomerates, large local corporations, multinational corporations, and Micro, Small and Medium Enterprises (MSMEs).

BPI services a cash management customer base of over 37,000 companies. The composition of companies availing of cash management facilities is 80% SMEs (with asset size less than US\$ 2 million) and 20% large corporates and MNCs, or multinational companies. In 2019, there were over 80 million transactions processed through the online banking platform.

Our Corporate Cash Deposit Machine (CCDM), officially launched in 2018, was a first of its kind in the industry. The CCDM is installed in the corporate customer's business location or office premises. It facilitates the deposit of cash directly into the customer's bank account, without the need to physically travel to the Branch or rely on costly cash pick-up services via armored car.

The most notable CCDM implementation contributed to the operational efficiency of one of the fastest-growing start-ups

SUPPORTING COMMUNITIES THAT MATTER TO CLIENTS

Cargill, just like BPI, has been around for more than a century. It was founded in 1865 with a single grain flathouse, a building for storing grain, in Conover, Iowa, in the United States.

The vision of the founder, William W. Cargill, was clear: “helping farmers prosper, connecting markets, and bringing consumers the products they’re seeking.”

In 1948, the Philippines saw a glimpse of that vision when Cargill started its copra trading business in Mindanao. Today, Cargill is a global behemoth in food, agriculture, financial, and industrial products and services, and its business in the Philippines has expanded.

That success, according to Sonny Catacutan, Country Representative for Cargill Philippines, Inc., is predicated on taking care of the communities where the company operates in.

“Our footprint is understandably in the countryside and focused on the food and agriculture sectors,” he said. “This means we have to work with farming communities both as suppliers of our raw materials and customers for our products. And as you know, agriculture is among the least banked sectors of the economy. Many farmers don’t even have access to formal credit.”

Sonny said support for medium-term funding, working capital, and transaction banking is a given. The company needs something else.

“We need banks who can support the credit requirements of our agricultural suppliers and our customers to ensure they have access to sufficient funding at reasonable cost. We need our suppliers and customers to be successful in order for our business to grow,” said Sonny.

Cargill’s businesses in the Philippines cover four areas: 1) grains, coconut oil, and copra meal; 2) animal nutrition and health; 3) poultry production; and 4) food and beverage ingredients.

One big project is the company’s joint venture with Jollibee Foods Corporation--a poultry processing plant located in Santo Tomas, Batangas, inaugurated in December 2017. It is the largest of its kind in the country and can process 45 million chickens annually. BPI helped make this plant possible.

Sustainability is another byword frequently on the lips of Cargill’s leaders. But it’s backed up by action, too. Aside from its corporate responsibility programs covering scholarships, clean-up drives, training and knowledge-sharing, school-based feeding, and infrastructure



SONNY CATA CUTAN
Country Representative
Cargill Philippines, Inc.

development, the company instituted another pioneering project in the area of sustainable development — the Sustainable Certified Coconut Oil Production (SCNO).

Aside from sustainability, Cargill shares with BPI an appreciation of and focus on digital technology to transform its businesses.

These include real-time scans of barns and houses for chickens to ensure efficient temperature control and use of space, and digital tools and modeling to measure the growth of shrimp and predict the most profitable harvest.

And speaking of harvests, Cargill is reaping the benefits of digital banking, too. It has a broad spectrum of tools to manage payments and receipts, among other digital tools.

“We are working with our banks to explore mobile, digital, and cashless solutions that will increase visibility and utilization of cash, and safety and security, not just for Cargill but also for our customers and suppliers,” said Sonny.

For him, however, it’s not only these shared views on sustainability and digitalization of Cargill and BPI that makes the relationship work. And it’s not only BPI’s suite of products, either.

“BPI has developed the capability to support our suppliers and customers. In banking, the right partner bank is not just somebody who provides reliable credit and services at the best cost, but also a bank that mobilizes its resources to support the counterparts and communities that matter most to Cargill. BPI does that,” he said.

in the Philippines. The start-up company is engaged in end-to-end processing of e-commerce transactions across five of the top digital trading platforms in the Philippines. The company manages the sales, order tracking and delivery of products to consumers for these online merchants.

In 2019, collection volume from CCDMs increased by 230%. The CCDM customer base consists largely of restaurant chains, logistics companies, construction supply retailers, department stores, retail stores, convenience stores, schools and real estate developers. With the increasing demand for CCDMs among corporate customers, we expect an overall 20% growth in corporate cash collections in 2020.

We launched our self-service check printing in September 2019, addressing the need of MSMEs for automation of their basic check printing requirements. Based on customer probing and insights, a large number of MSMEs still prepare their checks manually, consuming one business day for check preparation and manual signing of these checks. With self-service check printing, the process is minimized to one hour. Additionally, reconciliation of payments is automated through Bizlink. As checks are negotiated by the payees, the status of issued checks via Bizlink is automatically updated to “negotiated” status through a simple upload of the Client’s electronic statement of account. The auto reconciliation saves up to 2 days of reconciliation work for the MSME.

Trade and Supply Chain. One of the key marketing strategies that led to our strong revenue performance for our trade and supply chain business was the focus on industries boosted by the “Build Build Build Program” of the Philippine Government. These industries include construction, steel, logistics, and heavy machinery. Given the opportunities in these industries, we streamlined our resources to support this growth. We focused our selling efforts on trade solutions relevant to these industries.

This strategy resulted in significant revenue growth in our business from these industries: steel up by 145%; construction

by 14%, logistics by 96%, and heavy machinery by 39%.

We further enhanced our Quick Assist Program, a facility that secures a hold-out on deposits for letters of credit (LCs) and standby letters of credit (SBLCs), to provide a 7-banking-day turnaround time solution to MSME distributors and suppliers. See page 61-63 for more information.

A notable win is our business with a top tier local company engaged in the power and energy business. The win was significant to BPI as it entailed customization of its LC processing for the client, necessitating internal coordination among various units of the Bank, including Trade Operations, Treasury and Remittance Departments. The customer’s maiden LC transaction was successfully executed in May 2019.

Focus on economic trends was also a key strategy for Supply Chain Finance. We closed a deal for a Supplier Financing Program with one of the country’s leading telecommunication providers in October 2019. BPI won the Supplier Financing mandate of the telco customer through its product advantages, which addressed their need for an alternative financing structure.

DRIVING GROWTH AND SUSTAINABILITY THROUGH CORPORATE LOANS

In 2019, the cut in interest rates and reserve requirement by BSP enabled the banks to offer lower interest rates to clients, which encouraged borrowing. By taking advantage of the opportunity, BPI registered a loan portfolio growth of 8.96%. Corporate Banking was the main contributor to the growth, constituting 76.6% of the total loan bookings of BPI. Manufacturing, real estate, and financial intermediation were the top industries with strong loan demand.

Sustainable Finance. BPI started a program called Sustainable Energy Finance (SEF) with the International Finance Corporation (IFC) 11 years ago to help clients reduce electricity consumption and produce clean energy. To date, BPI has expanded its program to include

AN IDEOLOGY BUILT ON SUSTAINABILITY

When Jose Franco B. Soberano stepped out of the Columbia University campus in 2012 with a master’s degree in Real Estate Development, he was brimming with ideas.

He could hardly wait to get back to the Philippines with a newly acquired Weltanschauung — a new set of eyes to see the world with, so to speak — that promises to take Cebu Landmasters, Inc. (CLI), the company his father founded in 2003, to the next stage of its growth.

“Our CEO founder brought his experience from our big brother ALI (Ayala Land Inc.), where he worked for 23 years. But what I brought from my education abroad was a more global way of planning for projects, a global way of designing real estate,” said Franco, who is now the Executive Vice President and Chief Operating Officer of CLI.

At Columbia University in New York City, Franco was part of a five-man team that was one of the top 4 finalists in the Gerald D. Hines Urban Design and Development Competition, a prestigious nationwide competition in the US that taps the brilliance and creativity of graduate students to come up with innovative development plans for real large-scale sites.

His experience in that competition greatly influenced him. He became an advocate of “the ideology called the triple bottom line”.

“You want to make sure that you focus on people, planet, and profit,” said Franco, now only 34, and still full of youthful energy. “You look at a real estate project and think of what people need, how they will thrive in this development, how secure they will feel. Then you look at the barangays, the roads, the drainage.”

“Then you consider the planet. It’s about reasonable planning, not about maximizing everything, but doing what’s right. When you’ve considered the people and the planet, profit comes naturally. We think about the long term,” he said.

That kind of philosophy resonated with BPI, which places a premium on sustainability in the projects and clients it supports, and on digitalization, which enables sustainability.

Beauregard Grant L. Cheng, CLI’s Chief Finance Officer, said CLI faces challenges that need the support of a bank like BPI.

“Real estate is really a very capital-intensive industry. You are essentially cash out for the majority of the project. A condo building or a house and lot subdivision is an investment of



JOSE FRANCO B. SOBERANO
Chief Operating Officer
Cebu Landmasters, Inc.

GRANT L. CHENG
Chief Finance Officer
Cebu Landmasters, Inc.

anywhere between Php 1 billion to Php 2.5 billion. And you will only get a positive cash flow upon turnover,” said Grant, a young 39-year-old overachiever like Franco.

Before joining CLI, Grant was a private banker managing the wealth of high net worth individuals and institutions in Singapore. Then he became an investment banker handling complex transactions involving large deals.

Grant is a numbers guy who appreciates a reliable partner bank that can help with CLI’s multi-billion-peso projects.

“BPI’s service level and understanding of our business is just unparalleled,” he said. “We understand how to be prudent in our financial management so we want to repay the trust of our bank. BPI has always been there reciprocating that trust.”

Both Franco and Grant also appreciate BPI’s investment in digitalization. For their personal banking needs and those of CLI, they regard BPI’s online facility and apps as among the best.

“They’re among the most user-friendly as far as I can tell,” Franco said. “There’s the ease of managing your funds, and for us corporate clients, there are many features now to help our treasury and accounting teams in getting up-to-date data.”

With sustainability and digitalization firmly entrenched in the psyche of CLI and BPI, their relationship has been, according to Franco, further “strengthened by success.”

“BPI is driven by values,” said Franco. “It’s even summed up in its tagline, ‘Ready today. Ready tomorrow’. BPI is a bank that will be ready to help, ready to find a solution for its clients,” he said.

green building construction and climate-controlled systems for livestock housing facilities.

Since we introduced SEF in 2008, BPI has continued to be a market leader funding 332 sustainable projects as of end-2019. BPI SEF’s business model aims to ensure that projects are not only meeting global standards for being green, but are also designed to achieve higher business productivity, efficiency, and profitability, thus the tagline, “turn your business green to gold”. To this end, BPI has its own in-house SEF team, aided by IFC-trained and accredited consultants, which ensures projects funded are technically feasible, financially viable, and compliant with environmental policies and regulations.

To BPI, this does not only mean the realization of its sustainability goals. These achievements meant successful projects that help mitigate the impact of climate change and increase resiliency to environmental risks. To date, BPI SEF, which provides technical assistance to small to middle-sized companies, has a total cumulative loan disbursement of Php 62.8 billion to projects that have helped reduce an estimated 904,336 tCO₂e (tons of carbon dioxide equivalent) per year of greenhouse gas (GHG) emissions from energy and 133,877 tCO₂e from embodied energy from building materials.

BPI’s Structured Finance Division (SFD), which in turn covers large pure play renewable energy projects, has cumulative disbursements of Php 78.46 billion for sustainable energy projects, which are estimated to reduce GHG emissions by 10.52 million tons of carbon dioxide equivalent per year.

In November 2019, we launched our expanded Sustainable Development Finance (SDF) program to bolster our commitment to sustainable business growth in the country. With SDF, we have consolidated our financing activities for Renewable Energy (RE), Energy Efficiency (EE) and Climate Resilience (CR) and Sustainable Agriculture (SA). Moving forward, BPI will be reporting its

sustainability initiatives under the umbrella program of SDF, BPI’s direct contribution to the UN Sustainable Development Goals (SDGs). We have made it our goal to shift sustainability from niche to norm. We hope to grow our SDF portfolio at a faster rate than our traditional categories to achieve a loan portfolio with a bias in favor of sustainability initiatives.

Agribusiness Solutions. BPI is one of a few banks that has a dedicated Agribusiness division to cater to the needs of clients in the sector. The bulk of our clients are engaged in post harvesting of agricultural products, comprising about 40% of our total portfolio. Piggery and poultry clients, on the other hand, comprise about 25%.

In line with our sustainability goals, our agribusiness solutions contribute to modernization and shift to climate resiliency and renewable energy by local agribusinesses. We do this by funding the construction or conversion of agribusiness facilities specially constructed to increase the efficiency of production while combatting the effects of climate change. These projects include tunnel-ventilated facilities for poultry farms or piggeries that help decrease production mortality, biogas digesters that convert animal wastes into electricity, and automated processing plants for post-harvest activities.

In July 2019, we held an awareness campaign for a viral swine disease called African Swine Fever (ASF), which broke out and spread throughout the Philippines. The disease was fatal to hogs, and costed many backyard hog farmers much of their livelihood. We partnered with the Pig Improvement Company and hosted seminars for our external and internal clients to aid in the dissemination of information on appropriate security measures and the prevention of misinformation regarding ASF.

We will continue to support the modernization of agricultural systems. Our goal is to help elevate the local agricultural industry to become more competitive with neighboring countries in terms of price, quality, safety of products, and efficiency

in production. BPI Agribusiness will also continue to encourage our clients to employ the best biosecurity measures in their businesses. With the constant threat of different diseases affecting livestock and poultry, we aim to help our clients protect their livelihood.

CREATING VALUE THROUGH LEASING

Through BPI Century Tokyo Lease & Finance Corporation (BPICTL), our joint venture with Tokyo Century Corporation, one of the biggest leasing companies in Japan, we closed some notable transactions including a top-of-the-line flight simulation machine, warehouse racking systems, IT equipment for a major telecommunications company, software and licenses to support a local bank’s digitalization initiative, rooftop solar systems, various construction equipment and motor vehicles, and various diagnostic, hospital, and laboratory equipment.

Despite the volatile market in 2019, we saw opportunities in truck financing as the government and business owners moved towards replacing old trucks and vehicles. The emergence of car rental services also presented opportunities that we will continue to make the most of in 2020.

BUILDING A STRONGER ECONOMY
THROUGH INVESTMENT BANKING

Through BPI Capital Corporation, we are committed to creating value and significantly contributing to the development of the Philippine economy through landmark investment banking transactions. We continue to be a champion of nation-building through our various initiatives, especially in the infrastructure space. We support the country’s key economic players by promoting inclusive growth and by providing them with financial solutions that have stronger strategic impact and economic potential.

Our leadership in the debt and equity capital markets, project finance, structured finance, advisory, and mergers and

acquisitions guarantees that we can deliver even the most meticulous and complex investment banking solution.

In 2019, BPI Capital made landmark deals for foreign green bond issuances:

- Priced the first ever Philippine issued-Swiss franc-denominated negative yielding ASEAN Green bond, which was sold in the international capital markets
- Acted as Sole Global Coordinator, Joint Lead Manager, and Joint Bookrunner for the first ever fixed-for-life green bond global issuance of AC Energy, Inc., amounting to US\$ 400 million.

PROVIDING INNOVATIVE SOLUTIONS
THROUGH REMITTANCE AND FUND
TRANSFERS

In July 2019, we launched our inter-bank funds transfer services: Instapay via Online/Mobile for retail clients and PesoNET via BizLink for corporate clients.

In October 2019, we became the first local bank to launch SWIFT GPI (Global Payment Innovation), allowing clients to enjoy faster and traceable cross-border payments via SWIFT. Our clients can track at any point in time the status of their outward cross-border payment. Our corporate and personal banking clients have found this innovation valuable as it provides increased transparency and timely updates.

In closing 2019, BPI has partnered with additional remittance tie-ups to enable more senders to remit funds into a BPI account. On the international side, this allows the bank to expand its network overseas, providing more access points for overseas Filipinos to remit to the Philippines. On the domestic end, the upcoming service called ‘Remit to Account’ will allow our customers to receive payments and remittances to their BPI accounts in almost real time, via over 2,400 MLhuillier branches nationwide, even after banking hours and during weekends.

BUSINESS BANKING:
MAINTAINING GROWTH
MOMENTUM

Despite their importance to the country’s economy and accounting for 35% of the country’s Growth Domestic Product (GDP) and 65% of the national workforce, Small and Medium Enterprises (SMEs) still face myriad of challenges that include limited technical expertise, difficulty in accessing markets, and, most notably, meager financial resources.

BPI Business Banking, which was created to help SMEs overcome these hurdles, aims to become the partner of choice of SMEs in the Philippines by addressing their day-to-day requirements as well as their long-term needs through fast, simple, and convenient solutions through a team of engaged, enabled and energized Business Bankers.

Faster turnaround time. Significant reductions in total turnaround time were made possible through process improvements and digitalization. In 2019, two new simple and convenient products were launched to make raising capital easier and faster: BPI Credit SMEase or Off-The-Shelf-Loan and Zero Collateral Loan.

BPI Credit SMEase, or Off-The-Shelf-Loan, an express term loan facility, was designed to cater to the urgent financing needs of the country’s SMEs with a swift turnaround time of approximately 10 days and with minimal documentation, creating an overall client friendly experience. With the **Zero Collateral Loan**, no collateral is required from preselected clients. It offers instant processing, requiring only one document and with an approval of two days.

BizLink. BizLink was enhanced to provide clients with an improved, more intuitive and scalable business banking portal as a means to address the basic needs of SMEs in an efficient manner. Through BizLink, SMEs can conveniently operate their businesses and maintain control over their cash flow anytime, anywhere.

Automation and digitalization. Many SMEs are determined to forge ahead with digital transformation strategies to gain an edge over their competition. SME customers have higher service expectations. These customers expect service to be rendered faster than ever, pushing companies to elevate their ability to deliver. Applying digital technology would help organizations achieve near real-time fulfillment, provide contextual personalization, and enable increasingly problem-free user experiences.

BPI Business Banking launched several game-changing system enhancements to automate processes and improve customer management and engagement such as ECRM, or Electronic Customer Relationship Management, which enables, among others, the tracking of customers’ loan applications in an efficient and timely manner.

We will continue to automate and digitalize in order to build connectivity and efficiency. These system enhancements will also allow us to tap and leverage an ever growing ecosystem of partners. This will provide opportunities of co-creating new products, capitalizing on external expertise and collective innovation as well as pursuing new markets, sales channels and customer touch points.

HELPING CLIENTS BECOME PART OF THE GREEN REVOLUTION

The Villa-Abrilles are one of the first families to invest in and develop Davao City. Their relationship with BPI started just after the second World War, when an aunt of Atty. Leoncio P. Villa-Abrille took out a loan with the BPI branch across one of their properties.

The history of the Bank and their clan is deeply intertwined, and their relationship with the Bank continued throughout the decades, both for their personal accounts and business needs – in particular securing loans for their early forays into commercial realty along the prime Magsaysay Avenue in Davao City in the early 1970s.

Leoncio, the current patriarch of the clan, said that it was thanks to the encouragement of a friend who happened to be a BPI officer that they secured a Php 1-million loan – a large amount during the time – which enabled them to build a five-door commercial building, and another one with eight spaces for lease soon after.

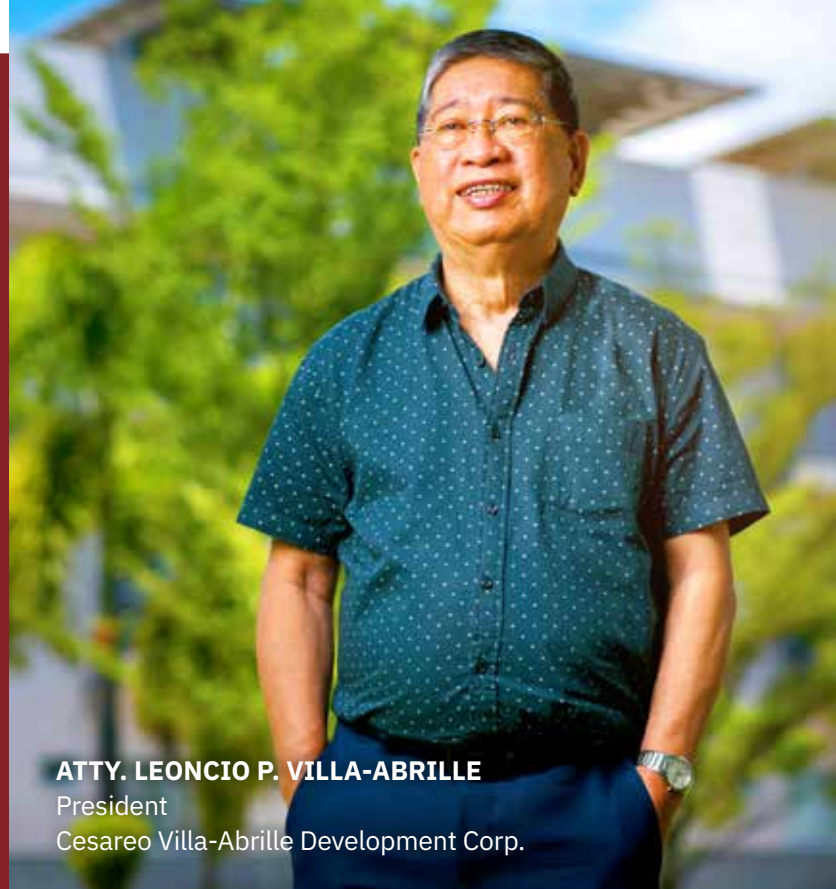
They followed this initial success with a 16-door, all-concrete office building in the section of Davao City that has been named after their family – Villa Abrille. This was considered an impressive edifice for the city at the time, and would later prove to be just the start of the family’s spirit of innovation.

The next decade, however, saw Leoncio having to cede the management of the family business to his siblings after constant threats from the authorities, including expropriation of the family estate, during Martial Law. He returned in the 1990s and resumed his role in heading the family’s business.

“Thankfully, our business proved to be resilient and was quite unaffected by the economic upheavals during and after Martial Law. In fact, things proved to be favorable to us, because many Cotabato-based businessmen ended up relocating to Davao City and they became our lessees,” he recalled.

In 2012, BPI helped finance their biggest project yet – a 200-room dormitory strategically situated near the region’s premier universities. The project was built with a Php 200-million loan from BPI.

“We didn’t actually plan on entering the dormitory business. That was supposed to be a hotel, but as we were nearing the end of construction, a businessman approached us, offering a lease-management agreement to operate it as a dormitory,” he said.



ATTY. LEONCIO P. VILLA-ABRILLE
President
Cesareo Villa-Abrille Development Corp.

The arrangement suited them and proved to be highly favorable, providing them with a reliable income and shielding them from the ebbs and flows that come with the hospitality and tourism industry.

In 2019, BPI is helping usher the Villa-Abrille into a more environmentally conscious future, by financing the city’s first EDGE-certified commercial building under the Bank’s Sustainable Development Financing (SDF) Program. EDGE, which stands for Excellence in Design for Greater Efficiencies, is an innovation of the International Finance Corp., a member of the World Bank Group.

“We’re at the point where we could no longer ignore the environmental degradation around us. We want to be part of the green revolution. It is no longer enough that we comply with basic requirements – we have to do better. We’re a relatively small real estate company, especially when you compare us to the large conglomerates, but we want to show that no matter your size, you can do your part in making things better – even if it does cost us a little more. The benefits would be worth it,” Leoncio said.

“BPI proved to be a great help to us in this undertaking. We were initially hesitant to take out such a big loan and the EDGE-certification process seemed intimidating, but BPI helped us every step of the way,” he said.

BPI’s SDF program puts sustainability front and center in the Bank’s operations, by expanding the Bank’s green finance initiatives and bolstering the bank’s commitment to enable sustainable businesses in the country and contribute to the United Nations Sustainable Development Goals.

BANKO: ENABLING MORE MICROENTREPRENEURS

After three years of operations, 300 branches, Php 7 billion in loans, and more than 100,000 self-employed micro-entrepreneurs served, the work of BPI Direct BanKo, Inc. (BanKo) has just begun.

As BPI’s microfinance arm, BanKo has made banking services more accessible to more unbanked and underserved Filipinos through aggressive expansion, financial literacy programs, and continuous service improvements. Our main product is the NegosyoKo loan, a microfinance loan with affordable rates and flexible terms that has helped tens of thousands of micro-entrepreneurs in expanding their businesses.

Expanded distribution network. From a mere handful of branches three years ago, BanKo now has a total of 300 branches nationwide, a strong and steady clip of around a hundred branches a year. The demand for microfinance products, particularly in areas not reached by traditional financial institutions, remains strong, and BanKo has reached out to more of these places in a strategic way.

Market vendors, barbers, operators of small beauty parlors, carinderia (small eatery) owners, and other microentrepreneurs now have a more accessible bank that offers the financial services they need to grow their businesses.

More BanKoMares and BanKoPares.

In 2019, BanKo hired 800 new loan specialists called BanKoMares and BanKoPares to support the bank’s expansion and community engagement programs. BanKoMares and BanKoPares continue to make the application process easier by visiting their clients in their places of business where the loan officers can explain the features of the program and recommend terms that meet the client’s needs and capabilities.

“Palengke Caravans.” Since many microentrepreneurs hold business in and around the public market area, BanKo held “Palengke Caravans”, or caravans in the wet markets, in 53 cities and municipalities across the country. Financial education seminars were held, and attendees were also pampered with beauty and wellness treatments, such as haircuts, manicures, pedicures, and massages. There were consultation booths, too, where BanKoMares and BanKoPares answered questions about BanKo’s products and accepted loan applications.

It was BanKo’s way of reaching out to the underserved market, opening up opportunities to help microentrepreneurs who need to manage their finances better and use their capital more efficiently.

Financial inclusion powered by digital. In 2019, BanKo shifted its core system to the Alternative Deposits and Payment System (ADPS), which supports basic loans, deposits and mobile wallets, allowing the bank to cover more clients. BanKo will also be re-launching the new PondoKo Savings Account as an app-based product, making it easier for more Filipinos to open and access their accounts. It promises to be a fully digital banking experience.

Empowered microentrepreneurs. BanKo has received awards in 2019, among them the one from AsiaMoney, a leading regional financial publication, which recognized BanKo as Best in Microfinance in the Philippines for its accomplishments in bringing microfinance loans to grassroots communities.

A more concrete and meaningful achievement can be seen in two clients of BanKo who were given the Microentrepreneur Award in the 8th Mindanao Business Leader and Entrepreneur Awards.

A COFFEE RECIPE FOR SUCCESS

Back when she used to work for a construction company, Teresita used to watch in envy as the engineers and foremen would sip on steaming cups of coffee. Her hyperacidity, however, meant she was advised against drinking coffee.

“The smell of the coffee was really so tempting, but the few times that I gave in and drank a cup would leave me in so much pain,” Teresita said.

A naturally resourceful and determined woman, she was determined to find a way around her dilemma. She remembered a relative who had a food production business and asked if there was a way to neutralize the natural acidity of coffee or to find substitutes that can let someone like her enjoy the taste without compromising her health.

After months of trial and error, and consultations with the production plant’s chemists and nutritionist, they were able to develop a recipe for a coffee drink that also had weight loss and nutrition benefits.

“It was made with a special combination of natural herbs and flavorings that let me enjoy the sweet and milky taste of the coffee that I used to envy so much in my old office. As a bonus, it helped me a lot in losing unwanted weight. I went down from 62 kilos to just 49 kilos within one year,” she said.

She had only intended it to be for her personal consumption, and her coffee drink was only produced in small batches at her relative’s factory. However, as people started to notice her weight loss and asked how she did it, she started sharing samples of the drink with her colleagues and neighbors.

“People loved it! They started asking for orders for themselves, and that was when I realized that I wasn’t alone in needing a product like this. There’s an entire market that could benefit from what we developed,” Teresita said.

She then started to pour her own money into buying more raw materials and increasing production at the factory and her first customers soon started spreading the word about the drink, and they began ordering for their contacts.

Soon, she was making enough from selling her coffee to leave her job at the construction firm. She branded her coffee as “Pure Angel Coffee” and rented a small stall at the Munoz Market in Quezon City.



TERESITA NEGRIDO
BanKo Client
Cubao, Quezon City

Business was brisk, and she would often find herself sold out by midday. She was making a tidy income, but found that to order raw material in bulk and secure higher production slots at the factory would strain her daily finances, and she did not want to borrow from informal lenders – colloquially known as ‘5-6’ – because she’s seen enough people get financially crippled by having to pay usurious interest rates.

She learned about BPI Direct BanKo through her fellow market stall owners and made inquiries. Her BanKo NegosyoKo Loan application for Php 90,000 was approved and Teresita was able to significantly ramp up production as well as rent a much larger stall in the Munoz Market where she now has a small café and meeting room for rent.

Her product is now being sold by distributors in 17 provinces. She relies on BPI’s online payment and transfer system to let her focus on running her coffee shop while making payments and remittances to her distributors, wherever they may be.

“I never imagined that I could be an entrepreneur with a nationwide reach! I even have clients who sell my product through their OFW friends in territories like Hong Kong. BPI BanKo has helped me become more than I ever imagined,” she said.



DOMIN VILLABITO
BanKo Client
General Santos City

BREAKING FREE FROM ‘5-6’ LENDERS

When Domin Villabito lost his job as a salesman for a lightbulb company three years ago, he was at a loss on how to support his young family.

His wife helped augment the family income with a small backyard business selling milk bars, homemade creamy ice pops using her recipes, but he knew that it would not be able to tide them over for long, especially once the rainy season sets in and nobody was interested in cold treats.

“The milk bars sold well for as long as the sun was shining, but once it rained, our sales would be absolutely zero,” said Domin.

Refusing to be completely idle, he lent a hand to increase their production and reach within the community. He then used his sales training and management degree to diversify this little undertaking and transformed it into a steadier source of income by providing a basic need of Filipinos - pan de sal and other baked goods.

“Desserts are a treat, but bread is a daily need for almost every person, and would be eaten in any weather. I’m very lucky that my wife also knows how to bake and we just had to come up with money to buy ingredients in bulk and ovens and other equipment to let us produce enough to make a good profit,” he said.

They initially took out a loan from an informal lender, colloquially known as ‘5-6’, but the usurious interest rates meant that most of their daily earnings went into repayments. Through word-of-mouth from their neighbors who were market vendors, they learned about the NegosyoKo loans offered by BPI Direct BanKo (BanKo) and their easier payment terms.

His first loan application was denied. Domin says that in hindsight, his first feasibility study needed improvement, and they did not yet meet the 2-year operation requirement of BanKo.

Undeterred, he tried again in 2018 and BanKo approved a Php 100,000 loan which he used to purchase a mixing machine and freezers. He was also able to hire more bakers and bakery staff, and buy a multi-cab to deliver his baked goods to neighboring barangays.

The lighter repayment terms of the BanKo NegosyoKo loan meant that Domin is able to better cycle his funds and bring home more income for his family. In 2019, he was given an opportunity to take out a second loan, and his application for a Php 300,000 loan was approved.

The bigger funding meant that Domin could invest in more freezers and ovens with larger capacities, allowing him and his team to increase their production. He bought more multi-cabs and second-hand trucks to expand their market reach, selling their baked goods to neighboring towns and provinces, going as far as Saranggani Province.

“I hope more small business owners like me will learn about BPI Direct BanKo. It made a really big difference that we didn’t have to borrow from the ‘5-6’ anymore. I used to feel like I was in business just to pay the lender off, instead of providing for my family. Now I’m not just able to give my family a comfortable life, I am also able to give decent jobs to others,” said Domin.

BanKo has helped tens of thousands of self-employed microentrepreneurs such as Domin achieve financial resilience and business growth with accessible loan products and personalized banking services through the BanKo Mares and Pares that bring BPI’s mission of financial inclusion to life.

GLOBAL MARKETS: AT THE FOREFRONT

BPI Global Markets is responsible for optimizing the Bank's resources through multi-currency liquidity and portfolio management, position-taking and trading in financial markets, and distribution of foreign exchange, fixed income, and derivatives products. It generates revenues mainly from the interest differential and gapping businesses, as well as non-interest income from trading and sales activities.

In 2019, Global Markets tapped the debt capital markets four times, and these fund raising activities grew BPI's assets to Php 2.12 trillion. The overwhelming success of these issuances reflect investors' confidence in the Bank's credit strength. The cost efficiency of these landmark debt issuances also allowed BPI to further

strengthen its balance sheet, while also giving clients quality investments.

Inaugural CHF ASEAN Green Bond.

On August 29, 2019, BPI successfully priced its inaugural Swiss Franc-denominated 2-year Fixed Rate Foreign Senior Unsecured ASEAN Green Bond at 100.040% with a re-offer yield of -0.020% and carry an annual coupon of 0.00000%.

The offer, which raised CHF 100 million, was a landmark transaction representing the first ever public benchmark bond out of the Philippines. It is the first ever green bond deal from Southeast Asia to be launched in the CHF market, and at the same time the first ever negative yielding bond to be issued out of the Philippines and Southeast Asia.



Listing of BFSB's Php 9.5 billion 2.5-year peso bonds

The transaction marks the first ever CHF-denominated bond offering out of the Philippines, setting a benchmark for future issuances. It is the first ever offshore green bond offering by a Philippine bank, the first green bond by BPI.

The transaction priced tighter than BPI's existing 5-year bond and achieved a negative new issue premium, which has not been seen in the Philippines since January 2018.

US dollar ASEAN Green Bond. On September 3, 2019, BPI successfully priced its landmark USD-denominated 5-year Fixed Rate Senior Unsecured ASEAN Green Bond via a drawdown under its US\$ 2 billion Medium-Term Note Programme. The bonds were priced at 99.641 with a re-offer yield of 2.577%. The bonds will carry a coupon of 2.500% p.a., payable semiannually.

The transaction marks the first ever USD-denominated green bond by a Philippine bank, the lowest coupon and yield ever paid for a USD-denominated bond from the Philippines, and the lowest credit spread ever paid by a Philippine bank.

Php 3-billion LTNCTDs. On October 25, 2019, BPI successfully listed its Php 3 billion worth of Long-Term Negotiable Certificates of Time Deposit (LTNCTD) Due 2025. With quarterly coupons priced at 4%, the issue's proceeds will support the bank's business expansion.

BFSB Php 9.5-billion Maiden Bond. On November 25, 2019, BPI's wholly owned thrift bank and consumer lending arm BPI Family Savings Bank (BFSB) issued Php 9.5 billion in 2.5-year peso bonds, exceeding its target of Php 2 billion. This prompted the Bank to cut its offer period short by a week and a half.



Listing of BPI's Php 3 billion Long-Term Negotiable Certificates of Time Deposits (LTNCTDs)



Delivering Shared Value

Financial Inclusion and Wellness



BPI Foundation's FinEd-in-a-Box with soldiers



BPI Direct Banko's Palengke Caravan

We aim to provide every Filipino with easy, convenient, and better access to financial products and services, making it easier for more Filipinos to save, borrow, and invest while protecting their assets.

Since the start of our Shared Value journey, Financial Inclusion and Wellness has been central to how the Bank positively impacts the country. We are continuously working to reach out to underserved segments, ensuring their access to useful and affordable financial products and services delivered in a sustainable way.

BANKING THE UNDERBANKED

Financial inclusion is at the front and center of the Bank's journey into a sustainable future. It is also BPI's commitment to the Ayala Sustainability Blueprint, where we champion SDG 8: Decent Work and Economic Growth. We are committing to expand access to banking and financial services to 25% of the underbanked population of the Philippines (addressable C and D market).

A key component in our commitment is to grow our microfinance business since supporting micro-entrepreneurs is critical to the continued growth of the economy. Through BPI Direct Banko, we have extended financial services to more than 100,000 self-employed micro entrepreneurs (SEME), and disbursed Php 11.13 billion to date.

Banko's microfinance product, the NegosyoKo loan is tailor fit to the needs and resources available for SEMEs. More information can be found on page 45. In the last quarter of 2019, those who availed of the NegosyoKo loans were also offered BPI/MS Banko Secure Assist Microinsurance. This is an affordable Personal Accident and Fire Insurance bundle that provides financial assistance in case of accidents and catastrophic events. As of year-end 2019, case count already totaled 18,574 for the BPI/MS Banko Secure Assist Microinsurance.

Banko's PondoKo is a zero-maintaining balance deposit product which offers a 0.5% interest per annum to savings accounts with at least Php 500 average

daily balance, making savings easier for the underbanked sector. Clients can easily deposit and withdraw funds through Banko Cash Agents nationwide. To date, 394,192 clients have opened PondoKo Savings accounts.

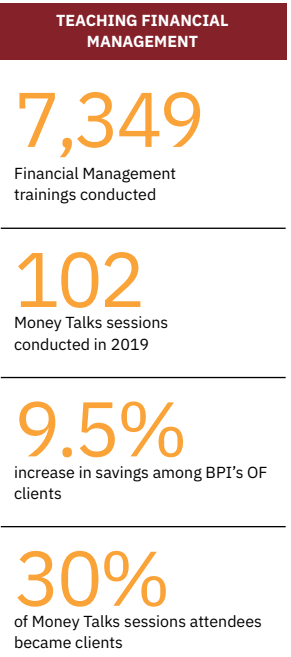
We view digitalization as a way to make financial inclusion truly sustainable, reducing the cost to serve, thus allowing us to bank a much greater proportion of the population, including those who may not have the means to leave a lot of money in their deposit accounts. Banko is being fitted with full digital capabilities. The PondoKo Savings Account may now be accessed via the Banko App. The application, while still on its soft launch, is already available in both Google Play and Apple App Store.

TEACHING FINANCIAL MANAGEMENT

In order to improve financial literacy in the country, we help educate Filipinos in managing and making informed decisions about their finances. Through our business units and subsidiaries, we aim to expand our reach, not only to our clients, but also to the general public.

BPI Asset Management and Trust Corporation (BPI AMTC), BPI Securities, BPI/MS, BPI Direct Banko, Global Markets, Overseas Filipino Segment share insights on financial well-being through trainings, learning sessions, and briefings. BPI Foundation brings tailor-made programs to schools, barangays, and farming communities to teach the unbanked about the basics of finance. More information on the Foundation's financial education program can be found on page 81-82.

As trusted financial partners of Overseas Filipinos (OFs), we have continued our Money Talks sessions that provide financial knowledge and advice on savings and investment options for them and their families. Apart from the Money Talks sessions, the Bank also conducts regular product briefings for OFs at Pre-Departure Orientation Seminar (PDOS) venues.



This year, BPI Direct BanKo took its message of financial inclusivity to 53 marketplaces around the Philippines through the BanKo Palengke Caravan. Through this initiative, BanKo aims to educate SEMEs on how they can better manage their finances and grow their businesses. The caravans also spread awareness on the requirements for SEMEs to access easy and affordable financial products and services. Each Palengke Caravan session is a full day event that includes a financial education workshop, business consultations, and an orientation on BanKo’s NegosyoKo Loan.

MAKING SAVINGS EASY

To encourage the habit of saving before spending, there are simple tools which make it easier to save, start the journey towards financial wellness, and provide deposit solutions that go beyond just savings.

The Jumpstart Savings product teaches children the value of saving and engages parents to help teach their children basic money-management skills. In 2019, the volume of accounts grew by 12% and the

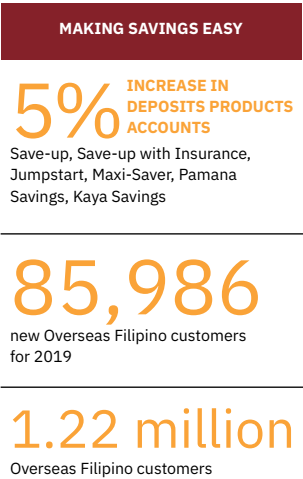


savings volume increased by 8%. More information on BPI’s savings and deposits products is available at www.bpi.com.ph

Our specialized products catering to OF and their families are: Pamana Padala and Padala Moneyger. BPI Pamana Padala offers the convenience of transferring money to BPI accounts of relatives in the Philippines and a free remittance continuation benefit through a life insurance coverage of up to Php 300,000. The Padala Moneyger offers a safe, secure, and efficient way of receiving remittance from abroad. It has no maintaining balance requirement as long as there are four remittances made to the account in a year.

ACCESS TO PERSONAL FINANCING

As our clients learn how to save and grow their money, we enable them to achieve their dreams and goals in their financial journey. We believe every Filipino deserves a comfortable life. More Filipinos can now afford a decent home or a convenient ride through BPI Family Savings Bank’s Housing and Auto Loans.



In 2019, Housing Loans released Php 47.47 billion, which increased by 25% from 2018. For Auto Loans, a total amount of Php 22.88 billion was disbursed, a 12% increase from 2018.

BPI Personal Loans have also been made more accessible to customers. In 2019, we were able to book a total of over Php 5.66 billion in multi-purpose loans.

INCREASING PURCHASING POWER

We help Filipinos pay for their basic needs conveniently, affording them new experiences through our suite of card-

based products. Our cardholders number over 8.3 million across BPI Credit, Debit and Prepaid Cards. For more information, refer to page 32-34.

Keeping in mind the various needs of our clients and the growing need for flexible payment terms, we continue to offer Special Installment Plans (SIP) for credit cards, such as SIP Loans for Hospitalization and Education with low and fixed add-on rates.

BPI Prepaid Cards ushers the underbanked into the world of financial services with



reloadable cards. To date, there are about 1.2 million Prepaid cardholders who can now conveniently and securely purchase goods and services in- store or online. We have activated real-time loading through BPI's Cash Accept Machines (CAM), allowing our clients to transfer funds at their own convenience and immediately use their card.

INSURING LIFE AND ASSETS

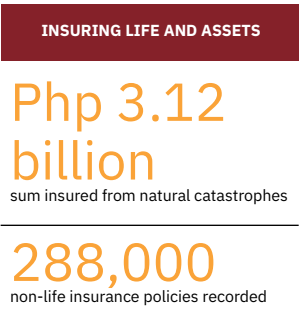
Recognizing that protecting assets and managing risks is important in ensuring long-term financial wellness, BPI works to increase client's awareness of risks surrounding their businesses and assets and helps to foster resilience to risks through our Bancassurance products.

BPI-Philam continues to uphold its promise of accessible and affordable life insurance for every Filipino. The professional and expertly-trained Bancassurance Sales Executives (BSEs) assigned in every BPI and BPI Family Savings Bank branch nationwide carry out financial advisory services to address each customer's financial and protection needs.

BPI-Philam launched three new life insurance products for 2019 - Family Care Plus, Dollar Protect Plus, and Critical Care 100. We have about 335,000 unique customers with insurance policies. By protecting the goals and aspirations of people and their loved ones, we have assured about Php 82.45 billion against any untoward life events, with a total amount of Php 1.14 billion in claims in 2019. More information can be found on page 34.

BPI/MS offers a complete range of non-life insurance products that provides financial protection against unexpected losses brought about by perils such as natural disasters, vehicular accidents, robbery, and theft. An insured property can be restored after a natural disaster and financial aid can be provided in case of an accident. Thus, non-life insurance provides peace of mind to clients in case unexpected events occur.

In 2019, BPI/MS launched the 356 Personal Accident product (more information can be found on page 33), and in the last quarter of 2019, BPI/MS started the market distribution of the BPI/MS BanKo Secure Assist Microinsurance.



The Hospital Confinement Income Protection (HCIP) product, which was exclusively offered to Unibankers in 2018, rolled out to BPI clients in 2019. HCIP positions itself as an inexpensive alternative to health insurance plans. It provides cash benefit for every day of hospital confinement to defray the cost of medical services, which are sometimes not covered under medical insurance, when the Insured is confined in the hospital due to an accident or illness.

GROWING ASSETS

We believe that more Filipinos should be given access to investment outlets. Through our accessible and affordable investment plans, investing is no longer intimidating for Filipinos who want to benefit from our growing economy. We have engaged more Filipinos into developing the attitude of investing and leveling up their knowledge on the stock market, mutual funds, and other investment instruments.

Through BPI Asset Management and Trust Corporation (BPI AMTC), the Bank helps clients address investment needs in terms of wealth and institutional fund

management, employee benefit plan management and administration, custody, escrow, mortgage trusts and other fiduciary services, unit investment trust funds, and Personal Equity and Retirement Account funds. Another tool that helps clients save and invest regularly is the Regular Subscription Plan (RSP), an investment program that allows the purchase of units for an investment fund account on a regular and periodic basis, either monthly or quarterly. As of December 2019, there were about 11,000 investment accounts under this program.

BPI AMTC believes that financial knowledge is especially important in an increasingly complex financial environment. Leveraging on its investment expertise and pool of local and foreign fund managers as resource speakers, BPI AMTC's thrust is to build a financially equipped society by simplifying the world of finance through digestible content.

Aligned to the Bank's key growth strategies of financial inclusion and digital transformation, BPI AMTC explored digital alternatives in conducting these investment fora. This allowed us to expand



our reach geographically and capture a wider audience, both internally and externally, with minimal and efficient spending.

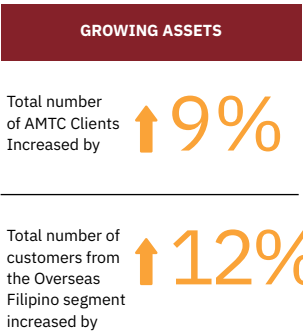
BPI AMTC also conducted financial wellness programs for employees and clients. In 2019, we launched Financial Literacy for You (FLY), BPI AMTC’s flagship financial inclusion program that aims to educate the underserved and unbanked market. Through FLY, we were able to tap various non-government organizations with the mission to alleviate poverty and improve the lives of Filipinos by empowering them with valuable knowledge in managing their finances and investing.

BPI AMTC also partnered with universities such as De La Salle University, College of Saint Benilde, and Colegio de San Juan de Letran to propagate financial education. Sessions on financial wellness for students and members of the academe discussed the common mistakes in handling finances, the importance of investing, and more importantly, how to make investing a habit.

Defined Contribution Benefit Roadshows were conducted for BPI employees nationwide and employees of our corporate clients. These roadshows educated employees on the basics of investing and the different investment options based on the investor risk profile and raised awareness on investing for retirement.

ADVANCING STOCK MARKET EDUCATION

One of the challenges in investing in the stock market is knowing where and how to begin. BPI Securities Corporation, the Bank’s stock brokerage arm, has an educational program called the Invest-In-You Trading Academy (I-TRAC), which offers a range of courses that develop and enhance the knowledge and skills of new and existing investors to help them make sound investment decisions. In 2019, over 3,000 client accounts were opened, about 2,600 individuals attended our training program, and with the I-TRAC program brought online, reach and accessibility increased.





WE'RE NOW ON SPOTIFY!

Get updated in the market and learn about investing by listening to **Investment Insights**, a podcast by BPI Asset Management and Trust Corporation.

NOW PLAYING
Smart Goals - Basics of Investing
by Suzette Bumanglag
Head of Distribution and Channel Management



Follow this podcast by searching **BPI Asset Management and Trust Corporation** on Spotify.



BPI AMTC webinars allowed us to touch base with clients who wanted to start investing for their future, but had no idea on how or where to begin. Through the Investment 101 Session Webinars, we provided a platform for Filipinos to air their questions and apprehensions, and clarify investment concepts that would have impeded them from reaching their financial life goals. With expert investment insights from our resource speakers, subscribers had access to real-time feedback and response to their investment queries. Free Estate Planning Webinars were also conducted by legal professionals to provide clients with the basics of estate planning and wealth transfer.

BPI AMTC went a step further by providing access to our financial wellness sessions via Spotify’s streaming platform. Top notch investment advice and market updates are now a few clicks away, with the use of Spotify, the largest music streaming platform in the Philippines today.

Scaling-Up Enterprises



Small and medium enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to socio-economic development in terms of GDP growth and widespread equal distribution of income through job creation. However, SMEs are vulnerable in cases of crises given that they have limited potential for flexibility because of a lack of business diversification and low levels of capitalization.

BPI is well aware that access to finance is a key constraint to SME growth and, in response, offers a variety of products and services to address the needs of SMEs. BPI Business Banking was created in 2018 to provide tailor-fit solutions for SMEs to better manage their cash flows, raise capital, and provide financial advisory to increase their economic potential. This in turn promotes progress, employment, and expansion of their business.

In 2019, a new sales team was formed solely to focus on acquisition of new clients in order to help more SMEs grow their business. Simultaneously, two new, simple, and convenient products were launched to make raising capital easier and faster for them.

STRENGTHENING INTERNAL SUPPORT SYSTEMS

Several game-changing system enhancements were implemented to automate processes and improve customer management and engagement such as an Electronic Customer Relationship Management system, which helps track customers' loan applications in an efficient and timely manner. The enhanced BizLink continues to provide its over 36,000 SME clients a platform to remotely manage their financials. See page 43 for more information.

BizTalks were done in key areas to further expand SME knowledge on key topics such as Managing Risks for SMEs, Taxation for SMEs, and One-Person Corporation. Likewise, economic briefings were conducted to keep SMEs updated with the

latest economic trends and impart market insights for decision-making and business planning.

CUSTOMIZED PRODUCTS AND SERVICES

SMEs form a large part of the pool of distributors and suppliers for various industries in the local economy. BPI helps businesses conveniently maintain healthy cash flows across its supply chain through its Cash Management services, which cater to various business requirements and allow them to spend more of their time and resources on other aspects to grow the business.

It is also common practice of suppliers to give buyers credit terms as part of trading terms. At times, suppliers experience a working capital gap, preventing them from increasing production and expanding their business. BPI's Quick Assist Program addresses the SMEs' challenge to access credit while helping them comply with trade requirements. This is done by securing hold-out on deposits for the Letters of Credit and Standby Letters of Credit with a turnaround time of seven banking days.

Enhancements to the program made in 2019 included an increase in its limits by 50% and an adjustment in the standard pricing for Quick Assist transactions, making it more competitive vis-à-vis local competition. During this period, the Quick Assist Program increased its customer base by 165% and transaction value by 40%.

The Supplier Financing Program offers a low-risk financing option for a customer and vendor's joint requirement for funding. The customer is given the opportunity to extend its credit terms with the vendor while the vendor is able to receive early payment by selling their trade receivables to BPI. This model creates a win-win outcome for the customer, vendor, and the Bank, allowing companies to fulfill orders and business owners to focus on their business operations while their finances are managed.

725
new corporate and SME clients served through Business Banking

STRENGTHENING INTERNAL SUPPORT SYSTEMS

99.18%
recorded BizLink uptime

11%
increase in BizLink transaction volume

CUSTOMIZED PRODUCTS AND SERVICES

54
SME suppliers enrolled in the Quick Assist Program

35%
increase in throughput volume

Financed
Php 14 billion
worth of trade receivables for SMEs

SMEs form
70%
of Transaction Banking client base

Php 126 million
extended to SMEs through BPI Century Tokyo Leasing



PROTECTING ENTERPRISES

SMEs work within a tight budget but foregoing preparation for events that could harm or financially decimate the business could end up costing more than the cost of protection. Despite the country’s geographic location making the Philippines prone to flooding and earthquakes, BPI’s non-life insurance products and services allow clients to keep their businesses running despite the threats of such natural calamities.

Specifically designed for SMEs, BPI/MS Insurance Corporation’s Business Care Advantage provides affordable fully-loaded insurance packages that will protect the business from possible hazards, financial loss, and destruction. It helps the company remain better positioned to recover from any business interruption, property damage, and financial impact that a natural disaster or man-made event may cause.

Maximizing Capital Resources

Through BPI Capital Corporation, the Bank also supports the country’s key economic players by providing them with financial solutions that have stronger strategic impact which help increase economic potential. With the country’s continued economic growth, businesses have developed a need for more intricate financial solutions. Our leadership in project finance, structured finance, debt and equity products, and advisory guarantees that we can deliver even the most meticulous and complex investment banking needs. We continue to be a champion of nation-building through our various initiatives, especially in the infrastructure space. See page 42 in the Business Review section for more information.

Leveraging on its strong economics and market research capabilities, as well as a

MAXIMIZING CAPITAL RESOURCES

Php 506.28 billion
total capital loaned from BPI

Php 235.90 billion
total capital loaned to government

Php 64.30 billion
total capital raised for clients

Php 9.99 billion
total capital raised for government

2 GreenBonds
issued in 2019
See page 48-49, 70-71 for more information



highly competent team of sales personnel, the Global Markets Segment provides timely market updates and tailor-fit financial advisory and treasury solutions to clients. For example, SMEs that are ready to expand globally can make use of hedging strategies by tapping BPI’s trading experience and skills to help manage risk exposures in foreign exchange that is influenced by turbulence in the global political and economic environment.

A clear understanding of the clients’ needs has enabled the bank to successfully execute complex deals and introduce products relevant to the changing market

landscape. By maintaining active presence in liquid markets for currencies, rates, credits, and derivatives, we are able to increase market share and provide competitive pricing to clients.

SUPPORT FOR SOCIAL ENTERPRISES

BPI Foundation has been supporting SMEs and social entrepreneurs with the provision of intellectual, financial, and social resources to make their business more sustainable and scalable. Read more about their programs entitled BPI Sinag and Show Me Teach Me on page 82.

MAXIMIZING CAPITAL RESOURCES

22%
increase in number of SMEs engaged by Global Markets

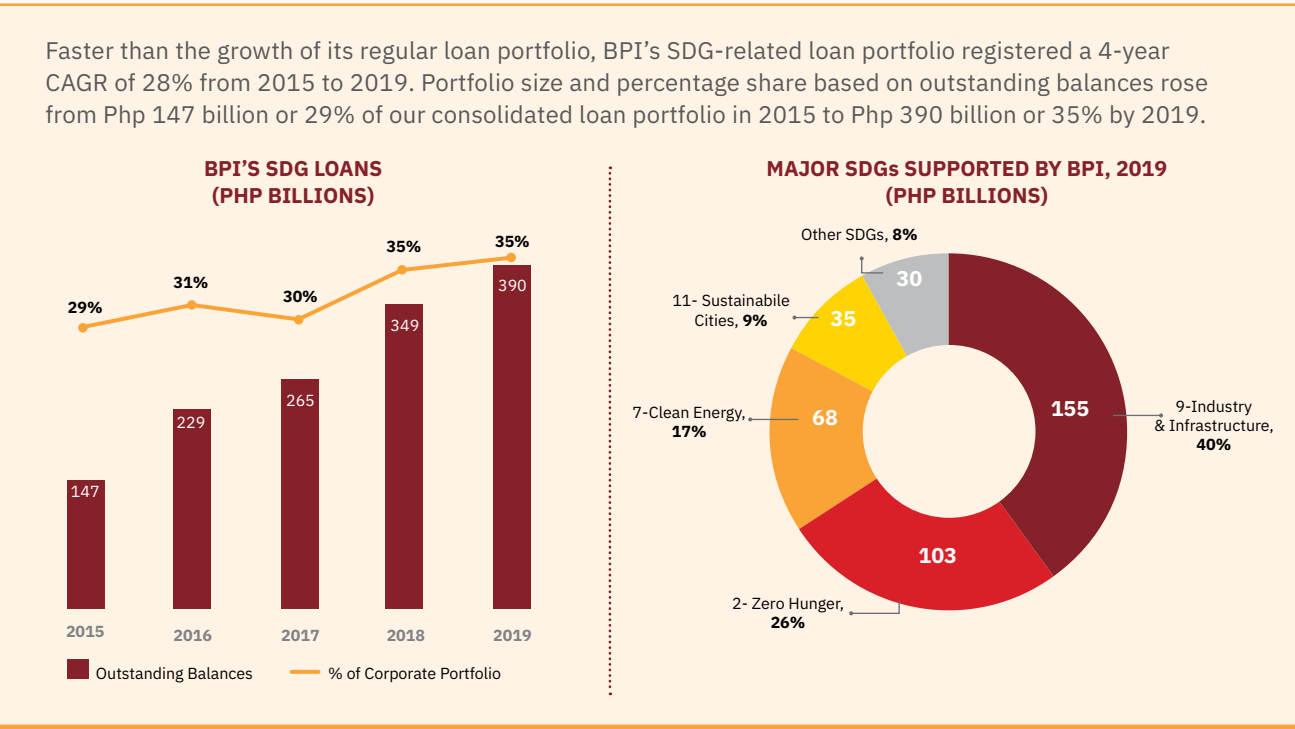
SUPPORT FOR SOCIAL ENTERPRISES

42
social enterprises linked to mentors and investors

1,895
participants for Show Me, Teach Me

Financing Sustainable Development

BPI acknowledges that banks are enablers of sustainable development through the mobilization of funds towards business activities that have economic, environmental, and social impacts. There is much pressure on the finance sector to facilitate financing of projects for sustainable development, particularly to help achieve the United Nations Sustainable Development Goals (SDGs).



BPI has been a champion of sustainable development in the Philippines for the past 168 years. To date, the Bank has financed Php 242.93 billion that impacts 11 out of 17 of the SDGs through our products and services which include lending, capital-raising, and leasing arrangements, among others.

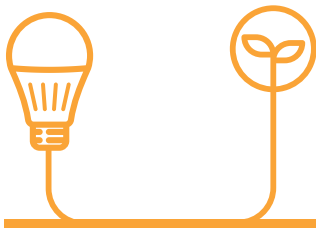


BPI's Contributions to the SDGs (Loan Disbursements in 2019)		
SUSTAINABLE DEVELOPMENT THEME	PHP BILLIONS	PERCENTAGE
Micro and small business	7.22	2.972%
Food and Agriculture	216.22	89.005%
Nutrition, Healthcare, and Wellness	0.79	0.325%
Education	1.17	0.482%
Water Sanitation Systems	1.99	0.819%
Sustainable Energy Generation	2.74	1.128%
Infrastructure	1.11	0.457%
Sustainable Housing	11.68	4.808%
Sustainable Mobility	0.01	0.004%
TOTAL	242.93	100.000%

LAUNCH OF CORPORATE BANKING'S SUSTAINABLE DEVELOPMENT FINANCE

As BPI finances projects aligned with the SDGs, the bank gives particular attention and provides specialized technical support to four specific sectors with high impact innovations: Energy Efficiency, Renewable Energy, Climate Resilience, and Sustainable Agriculture.

In November 2019, BPI Corporate Banking, the industry's pioneer in Sustainable Energy Finance projects, expanded its current scope of energy and climate projects to cover Sustainable Agriculture. This new and expanded program is called Sustainable Development Finance (SDF), another first in the banking industry. All projects specifically tagged as SDF go through rigorous technical evaluation by energy, climate, and agriculture experts before being financed by the bank and included in the SDF portfolio.



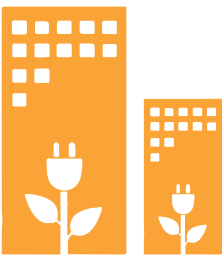
ENERGY EFFICIENCY PROJECTS

Switch to inverter aircons, LED lights, and more efficient machinery and equipment



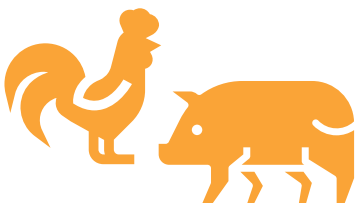
RENEWABLE ENERGY PROJECTS

Ground-mounted and rooftop solar, biogas, hydro, wind, and geothermal facilities that generate energy using natural resources



CLIMATE RESILIENCE PROJECTS

Primarily green building projects that meet the quantitative energy, water, and materials savings required by the IFC-World Bank tool called EDGE, short for Excellence in Design for Greater Efficiencies



SUSTAINABLE AGRICULTURE PROJECTS

Currently focused on climate-controlled facilities for chicken and pigs that can withstand extreme weather conditions, help protect the animals from diseases, achieve higher efficiency, and reduce cost per animal

OPPORTUNITIES FOR MSMEs



Financial inclusion and microfinance enable individuals to engage in income-generating activities or self-employment, which helps them become financially independent and break the cycle of poverty. BPI Direct BanKo disbursed Php 7.1 billion in loans to self-employed micro-entrepreneurs (SEMES) in 2019. BPICTL, our leasing subsidiary, also financed Php 125.84 million to micro and small businesses for shipping, professional services, manufacturing, and others industries.

FOOD SECURITY AND AGRICULTURAL PRODUCTIVITY



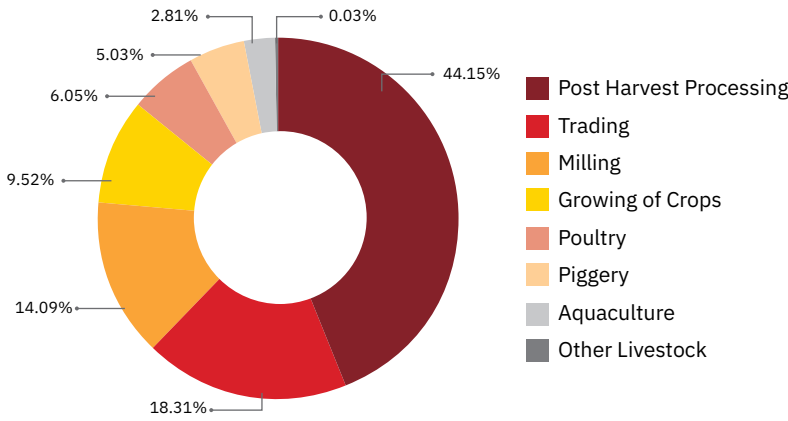
BPI’s Agribusiness loans can finance the set-up, expansion, or rehabilitation of farming businesses, as well as acquisition of fixed assets and working capital. We engage with various agricultural industries such as livestock, poultry, aquaculture and fishery; fruits, vegetable, and crop production; post-harvest processing; and trading, among others.

Providing entrepreneurs and corporations access to funding for modernizing their facilities will improve efficiencies and increase productivity, leading to higher profits. Such upgrades are also particularly necessary for managing the risk of losses in today’s extremely volatile environmental conditions.

Total Agribusiness loan disbursements for 2019 amounted to Php 216.17 billion. BPICTL financed Php 54.05 million for leasing of farm equipment and trucks for transporting agriculture produce.



DISBURSEMENTS TO AGRIBUSINESS IN 2019



HEALTHCARE AND WELL-BEING



Access to quality and affordable healthcare and wellness products and services is among the fundamental needs of the community. In 2019, BPICTL released Php 788.25 million through leasing arrangements for hospitals, clinics, and health centers.

SUPPORT FOR ACCESS TO EDUCATION



BPI supports the funding requirements of educational institutions, particularly in the acquisition, construction, maintenance, and expansion of school buildings and other educational facilities. 2019 disbursements for this sector reached Php 1.08 billion from the Business Banking Group and Php 89.04 million from BPICTL.

SUPPORT FOR ACCESS TO CLEAN WATER



Access to clean water and sanitation requires that infrastructure for its collection, processing, storage, and distribution is available and of good quality. It is, likewise, essential that our water resources and related ecosystems are protected and restored. BPI has financed Php 1.61 billion for various water-related projects that help provide access to safe water-related services through our Structured Finance Division and Php 378.4 million through our Business Banking Group.

SUSTAINABLE ENERGY AND CLIMATE RESILIENCE



As a leader in sustainability initiatives in the banking sector, BPI maintains a dedicated unit that caters to financing SME to middle-sized projects on sustainable energy such as improving efficiency of energy generation, distribution, and utilization.

Energy efficiency innovations aim to reduce operating costs by at least 15% by improving project designs or shifting to lighting and cooling equipment and devices that use less electricity while ensuring reliability, reducing greenhouse gas and other pollutant emissions, and mitigating operating costs.

Despite the uptake in clean energy investments, the increased frequency of natural calamities in the Philippines has brought about enormous recovery costs to SMEs; thus, the need to increase business resilience to the impacts of climate change. As a response, BPI went beyond funding energy projects alone and covered Climate Resilience projects such as green buildings and climate controlled systems (i.e. tunnel-ventilated housing) of livestock as early as 2014.

In 2019 alone, the BPI Sustainable Energy Finance team helped finance Php 10.14 billion worth of projects classified under the three categories listed below, bringing cumulative disbursements to Php 62.82 billion in 2019. The team also continued to harness its strength in providing free technical training and assistance in order to adopt best global sustainability practices, latest technologies, as well as comply with regulatory requirements, which all contribute to ensuring the projects’ technical feasibility and profitability. Relatedly, BPICTL disbursements in 2019 for sustainable energy projects amounted to Php 48.07 million.

Large-scale renewable projects handled by BPI’s Structured Finance Division make up the majority of the Bank’s portfolio on clean energy. In 2019, Php 2.17 billion were disbursed for solar and hydropower projects, bringing cumulative disbursements in loans to Php 78.46 billion. GHG emissions were reduced by an estimated 10.52 million tCO2e per year through these projects.



SUSTAINABLE ENERGY FINANCE

Php 608.52 million
disbursements in 2019

Energy Efficiency

Shift to equipment which consumes less energy while achieving the same or higher output

Php 518.84 million
disbursements in 2019

Renewable Energy

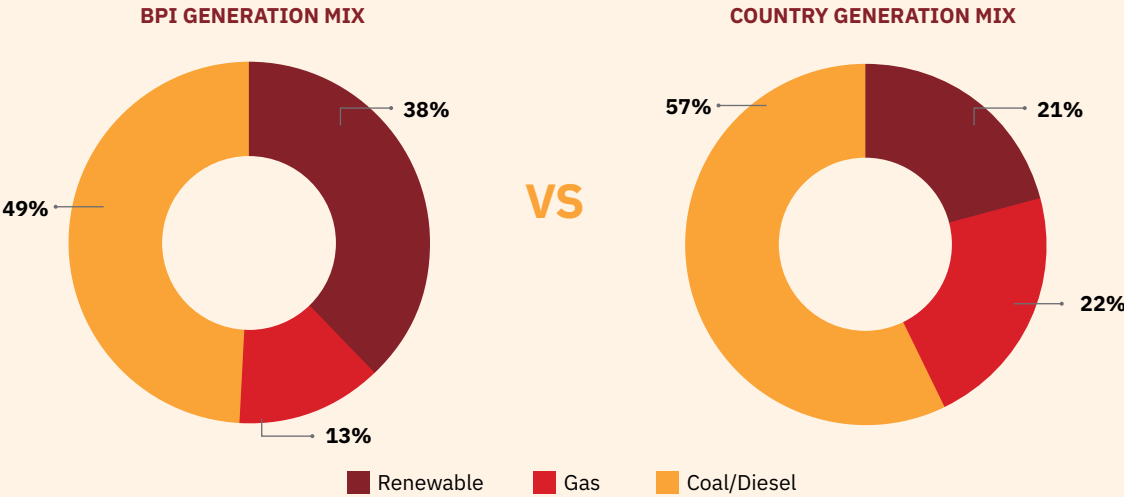
Production of energy from sources that naturally replenish

Php 9.01 billion
disbursements in 2019
(95.8% of which are for green building projects)

Climate Resilience

Structural and operational projects aimed at preparedness to impacts of extreme weather conditions

While the Philippines’ consolidated Power Energy Generation Mix shows that renewables account for only 21%, BPI’s comparable generation loan portfolio mix in 2019 indicates a larger share for renewables at 38%.



Source: National Grid Corporation of the Philippines

INFRASTRUCTURE DEVELOPMENT



Investments in infrastructure, manufacturing, and technology are crucial in achieving sustainable development. The availability of infrastructure supports growth in productivity and industrialization, allowing communities to keep up with globalization, which will bring progress to the community. BPI has long been supporting the government’s Build, Build, Build program through project financing and leasing arrangements under Public-Private Partnerships. BPICTL released a total of Php 399.35 million for infrastructure investments in 2019 while our Structured Finance Division disbursed Php 714.41 million.

AFFORDABLE HOUSING



Housing loans provided to the community through the BPI Family Savings Bank have amounted to Php 11.68 billion in 2019. BPI caters to the funding requirements of both developers, through construction loans and

working capital, and individuals, through housing loans. Some corporate clients offer sustainable homes that further benefit low-income families, such that homes that are energy efficient result in low utility bills or expenses.

SUSTAINABLE MOBILITY



Safe, reliable, and low-carbon transportation systems are vital at both the individual and institutional levels. Rapidly increasing populations alongside depleting resources, such as fuel and space, threaten the efficient movement of people and goods that will affect the country’s economic productivity. BPI provides funding for various transport-related projects and business endeavours. BPICTL financed Php 8.7 million in point-to-point buses in 2019.

BPI GREEN FINANCE FRAMEWORK

Green finance is a key driver for change towards a sustainable economy that encourages investments towards projects that provide environmental benefits. The BPI Green Finance Framework, under which the Bank issued green bonds or loans in 2019, enhances the Bank’s existing policies and processes in funding projects with environmental benefits, as aligned with the UN Sustainable Development Goals.

The Framework is aligned with the International Capital Market Association Green Bond Principles, the ASEAN Green Bond Standards, and the Loan Market Association Green Loan Principles. A second-party opinion was provided by Sustainalytics, a reputable name in the green finance space, which ensures that the Framework is in line with industry standards and best practices based on the use of proceeds, project evaluation and selection, management of proceeds, and reporting.

CHF 100 MILLION GREEN BOND AUGUST 29, 2019	US\$ 300 MILLION GREEN BOND SEPTEMBER 3, 2019
• First ever Swiss franc-denominated negative yielding ASEAN Green bond to be issued out of the Philippines in the international capital markets • First ASEAN Green Bond benchmark for BPI	• First USD-denominated ASEAN green bond issued by a Philippine bank • Lowest coupon and yield ever paid for a USD-denominated bond from the Philippines

The overwhelming success of the green bond issuances is a reflection of investors’ confidence in the Bank’s credit strength. It speaks of their trust in the Bank’s capacity to fulfil its commitment set through the Framework, particularly in identifying eligible and impactful projects. Net proceeds of the green bonds or loans were allocated to eligible projects in various categories that meaningfully contribute to one or a combination of the following SDGs:

SDG’s targeted under BPI’s Green Bond Framework



ELIGIBLE GREEN PROJECT CATEGORIES

01



Renewable Energy
Energy production and transmission, distribution, and smart grid projects

02



Energy Efficiency
Refurbishment or renovation of properties in order to improve energy efficiency

03



Sustainable Water & Wastewater Management
Wastewater treatment, integrated water management, and sustainable urban drainage systems

04



Pollution Prevention & Control
Waste management and recycling projects

05



Green Buildings
Development, acquisition, renovation, or otherwise completed residential, public and commercial properties that have or will receive (i) a design stage certification, (ii) a post-construction certification, and/or (iii) an in-use certification in any of the following building certification schemes at the defined threshold level or better:
a. LEED “Gold”
b. EDGE Certified or EDGE Compliant
Buildings as determined by a third party
c. Other national equivalent such as BERDE

MANAGEMENT OF PROCEEDS

In September 2019, BPI issued US\$ 300 million and CHF100 million green bonds under its US\$ 2 billion Euro Medium Term Note (EMTN) Programme. Details of the bonds are as follows:

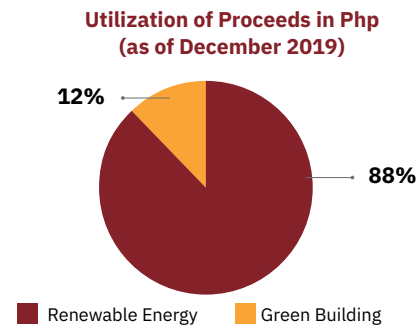
ISIN Code	Coupon Rate	Tenor (in years)	Issue Date	Maturity Date	Amount in Original Currency	Amount in US\$
CH0495570944	0.00%	2	September 24, 2019	September 24, 2021	CHF 100,000,000.00	US\$ 102,197,240.67
XS2050923825	2.50%	5	September 10, 2019	September 10, 2024	US\$ 300,000,000.00	US\$ 300,000,000.00
					Total	US\$ 402,197,240.67

Net proceeds from their issuance have been allocated towards financing or refinancing of projects and assets in accordance to the Bank’s Green Finance Framework Eligibility Criteria. Since its issuance, the net proceeds from the green bonds have been 100% utilized to fund three renewable energy and three green building projects. There are no unallocated funds as of end 2019.

OUTSTANDING BPI GREEN BONDS PROJECTS (AS OF DECEMBER 2019)

BPI Project	Green/Social Project Category	Original Currency	Amount funded by BPI (outstanding balance in original currency)	Amount converted to US\$
BPI Project 1	Renewable Energy	US\$	US\$ 305.9 million	US\$ 305.9 million
BPI Project 2	Renewable Energy	Php	Php 2.1 billion	US\$ 42.4 million
BPI Project 3	Renewable Energy	Php	Php 360 million	US\$ 7.1 million
BPI Project 4	Green Building	Php	Php 862 million	US\$ 17 million
BPI Project 5	Green Building	Php	Php 655 million	US\$ 13 million
BPI Project 6	Green Building	Php	Php 1 billion	US\$ 19.7 million
			Total	US\$ 405.1 million

IMPACT REPORT



RENEWABLE ENERGY PROJECTS			
BPI Project	Amount funded by BPI (outstanding balance in original currency)	Amount converted to US\$	Projected GHG emission reduction (tCO ₂ /year from energy)
BPI Project 1	US\$ 305.9 million	US\$ 305.9 million	3,254,196
BPI Project 2	Php 2.1 billion	US\$ 42.4 million	97,326
BPI Project 3	Php 360 million	US\$ 7.1 million	5,197
		Total	US\$ 355.4 Million
			3,356,719

GREEN BUILDING PROJECTS					
BPI Project	Amount funded by BPI (outstanding balance in original currency)	Amount converted to US\$	Projected GHG emission reduction (tCO ₂ /year from energy)	Projected GHG emission reduction tCO ₂ from materials	Electricity Savings (MWh/Year)
BPI Project 4	Php 862 million	US\$ 17 million	411	2,574	854
BPI Project 5	Php 655 million	US\$ 13 million	546	1,569	923
BPI Project 6	Php 1 billion	US\$ 19.7 million	678	1,856	1,410
		Total	1,635	5,999	3,187

For more information on BPI Green Bonds issuance see pages 40 and 48-49. More information on the BPI Green Finance Framework, Sustainalytics Second-Party Opinion, and Management of Proceeds is available on www.bpi.com.ph

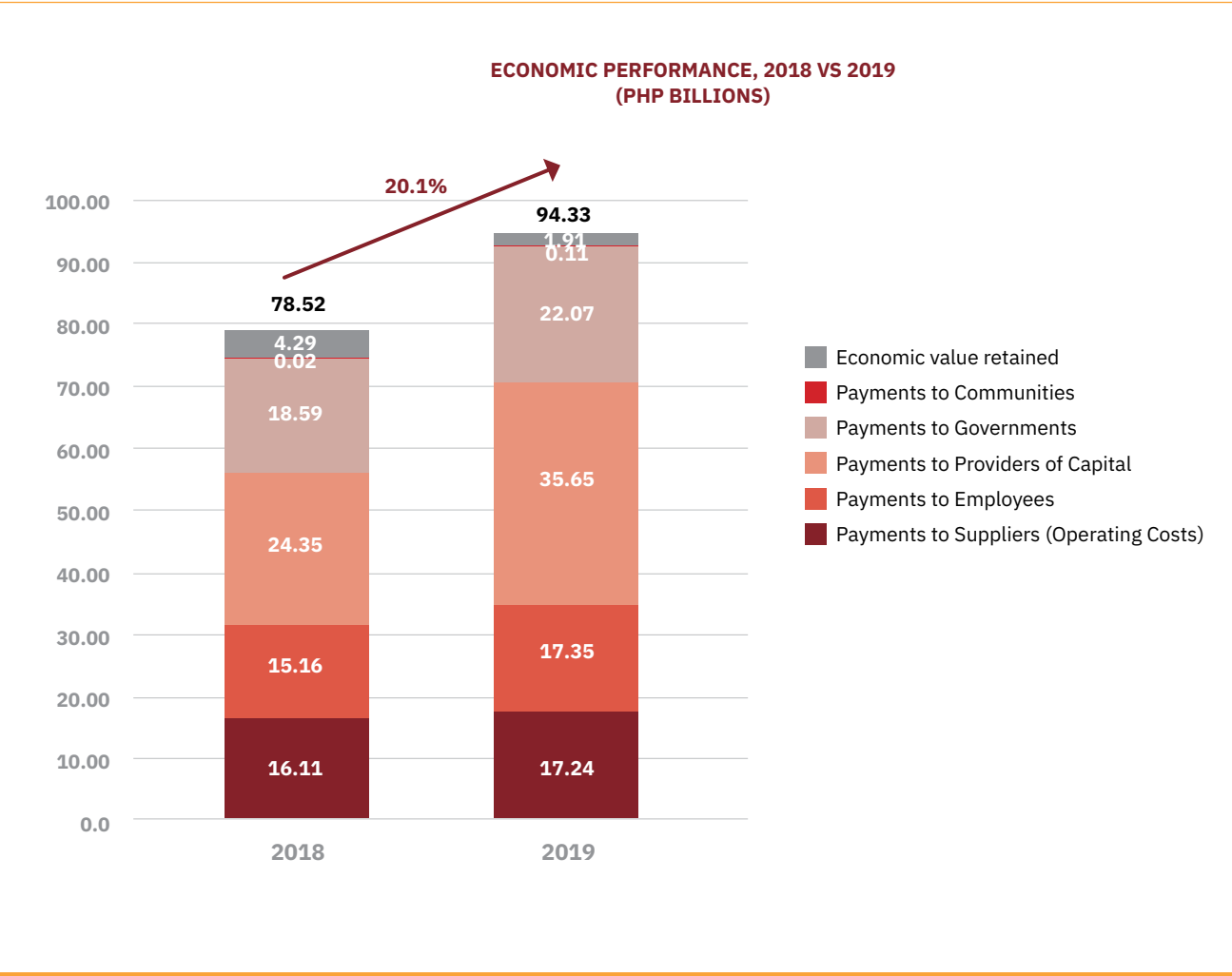


Managing Our Capitals

Economic Performance

BPI helps drive meaningful and inclusive economic growth primarily through the generation of financial value through our business operations and distribution to our stakeholders.

Total economic value generated increased by 20.1% from Php 78.52 billion in 2018 to Php 94.33 billion in 2019. An aggregate of Php 92.42 billion was provided to suppliers, employees, shareholders, government, as well as community investments.



Based on the 2019 Audited Financial Statements

Php 94.33 billion
ECONOMIC VALUE GENERATED
(REVENUE)

Php 92.42 billion
ECONOMIC VALUE DISTRIBUTED

Php 1.91 billion
ECONOMIC VALUE RETAINED

Php 17.24 billion

OPERATING COSTS

Payments to suppliers for materials, services procured, and other operating expenses

Php 17.35 billion

EMPLOYEES

Disbursements due to salaries, bonuses, and employee benefits

Php 35.65 billion

PROVIDERS OF CAPITAL

Dividends paid to shareholders and interest payments for deposits and borrowings

Php 22.07 billion

GOVERNMENT

Tax payments for corporate revenue streams (interest income, foreign exchange, security trading, fees, commissions, and other income), properties, operational transactions, and related penalties

Php 110 million

COMMUNITY INVESTMENTS

Donations and contributions to charities, including direct costs of BPI Foundation programs

In addition, we distributed non-financial value to our stakeholders in the following ways:



CLIENTS – Offering trusted financial advice, products, and services that are suited to the needs of our clients, in an accessible, reliable, and efficient manner



SHAREHOLDERS — Implementing business strategies focused on driving long-term shared value-creating growth within a competitive landscape so as to deliver superior long-term returns



EMPLOYEES — Providing learning and development programs, volunteer opportunities, as well as health and other benefits to our employees



GOVERNMENT AND REGULATORY AGENCIES — Continuing active participation in the government’s public-private partnership initiatives and strict adherence to relevant national laws and regulations



COMMUNITIES — Promoting financial inclusion and wellness, supporting MSMEs and social enterprises, and advancing countryside development and sustainable environment

Social Performance

ENGAGING OUR EMPLOYEES

With a history spanning 168 years, BPI draws its strength and resilience from its solid and dynamic leadership and a highly competent and committed cadre of professionals.

In 2019, the Bank implemented major changes in its organization to make it more agile and customer-oriented. Specifically, effective May 2019, the Bank reorganized itself to integrate product and channel teams for major customer segments, and consolidated control functions. The resulting structure allowed us to enhance our ability to execute our strategy seamlessly and effectively, ensure clarity of roles and foster collaboration, and allocate the Bank’s human resources more optimally.

Understanding that our employees are crucial to our success, we emphasized the importance of sustainable employee engagement. In 2019, we administered the Employee Engagement Survey, which registered a 98% response rate, the highest in the history of BPI. After the survey results were released, our Human Resources (HR) team organized a series of action planning workshops to gather inputs on institutional and local interventions to address specific engagement levers.

TOTAL HEADCOUNT	2017	2018	2019 ³
Direct Hires¹	17,052	18,911	21,429
By gender			
Male	5,215	6,037	7,022
Female	11,837	12,874	14,407
By age			
Over 50 years old	1,058	1,162	1,286
30-50 years old	7,494	8,206	8,255
Below 30 years old	8,500	9,543	11,888
By region ²			
National Capital Region (NCR)		11,671	12,611
Luzon		3,897	4,807
Visayas		1,998	2,324
Mindanao		1,345	1,687
Indirect Hires⁴		2,725	2,636

¹All active employees of BPI and its subsidiaries in the Philippines as of December 31,2019. Local hires of BPI’s foreign offices are excluded.

²NCR is part of Luzon, monitoring formalized 2018

³Includes Project Hires

⁴Includes outsourced personnel from security, janitorial, and messengerial agencies. Tracking started in 2019.

EMPLOYEE DEMOGRAPHICS	2017	2018	2019
Senior Management	198	219	211
By gender			
Female		107	109
Male	98	112	102
By age			
Over 50 years old	121	132	133
30-50 years old	77	87	78
Below 30 years old	0	0	0
By region ²			
NCR		205	199
Luzon		6	6
Visayas		5	2
Mindanao		3	4
Middle Management	6,441	6,442	7,141
By gender			
Female	4,233	4,219	4,641
Male	2,178	2,223	2,500
By age			
Over 50 years old	553	616	695
30-50 years old	4,036	4,408	4,605
Below 30 years old	1,822	1,418	1,841
By region ²			
NCR		4,395	4,815
Luzon		1,092	1,262
Visayas		573	619
Mindanao		382	445
Rank-and-File	10,427	12,250	14,077
By gender			
Female	7,489	8,548	9,657
Male	2,938	3,702	4,420
By age			
Over 50 years old	384	414	458
30-50 years old	3,381	3,711	3,572
Below 30 years old	6,662	8,125	10,047
By region ²			
NCR		7,071	7,597
Luzon		2,799	3,539
Visayas		1,420	1,703
Mindanao		960	1,238

In 2019, BPI began a culture change program, branded as #OurBPI, which aims to support the digitalization journey that the Unibank has embarked on and addresses areas of improvement identified from the Organizational Health Index survey conducted by McKinsey in 2018. The program also supports the Bank’s new vision and mission by aligning its objectives in the achievement of these aspirations.

Twenty-four (24) results-to-action workshops were conducted to cover various units of the Bank, which resulted to local initiatives. Cascades of the initiatives were also done via town hall meetings to inform employees that their feedback and concerns are being addressed by Unibank management.



NEW HIRES ¹	2018	2019
Total	3,649	4,575
By gender		
Female	2,212	2,834
Male	1,437	1,741
By age		
Over 50 years old	8	9
30-50 years old	832	785
Below 30 years old	2,809	3,781
By region		
National Capital Region (NCR)	2,018	2,408
Luzon	876	1,237
Visayas	432	473
Mindanao	323	457
By employee category ¹		
Senior Management	9	10
Middle Management	795	867
Rank and file	2,845	3,698

¹Tracking by employee demographic data formalized in 2018

ATTRITION ¹	2018	2019
Total	1,786	2,069
By gender		
Female	1,172	1,306
Male	614	763
By age		
Over 50 years old	150	194
30-50 years old	531	570
Below 30 years old	1,105	1,305
By region		
National Capital Region (NCR) ²	1,263	1,424
Luzon	296	372
Visayas	125	156
Mindanao	102	117
By employee category ¹		
Senior Management	23	22
Middle Management	505	639
Rank and file	1,258	1,408

¹Tracking by employee demographic data formalized in 2018



New Employee Orientation



Officership Training Program graduation

TAKING CARE OF OUR PEOPLE

We recognize our employees’ needs for wellness, security, and empowerment. We address this through employee benefits, volunteerism opportunities, wellness programs, and safety and security measures.

Employee experience is as primordial as customer experience. To ensure HR services are more accessible to employees, HR improved on the capabilities of its information systems, and introduced a mobile app where employees can view their pay slips, absences and leaves on the go.

BENEFITS

The Bank is always on the lookout for market trends and takes into account the ever-changing demographics in designing its compensation and benefits. Last April, we launched MyFlexBen, BPI’s flexible benefits program, which initially covered officers and specialists. The benefits with available flex options are group term life, health insurance, and car facility. BPI is the first local bank to offer a flexible benefits program to its employees.

We aim to continuously improve MyFlexBen through the expansion of coverage benefits available. Additionally, we have increased the scope of our Defined Contribution Retirement Plan and continue to offer stock benefits for officers to provide them a sense of equity at work. See pages 140-141 and our 2018 Integrated Report via www.bpi.com.ph for more information on benefits.

EMPLOYEE WELFARE

We strictly comply with the labor laws and regulations in the Philippines and uphold the rights of freedom of association and collective bargaining. This year, the Bank also successfully closed the Collective Bargaining Agreement with BPI Employees Union that affected 7,000 Unibank staff employees. See page 141 for more information.

COLLECTIVE BARGAINING	2017	2018	2019
Employees covered by CBAs	8,348	10,525	9,361
Total rank-and-file employees	9,738	11,506	11,294
Percentage Covered	86%	91%	83%
Total existing labor unions	25	25	25



BPI Nationwide Volunteer Day

The Bank is always after the welfare of its employees. In the calamities experienced in 2019, specifically Typhoon Tisoy and the earthquake in Northern Luzon, we provided financial assistance to support affected personnel. This ranged from Php 2,500 to Php 10,000, depending on the severity of the damage to their residences.

SAFETY AND SECURITY

Employee welfare and our clients’ banking experience are a priority to the Bank. Our Central Security Office (CSO) is responsible for ensuring their safety and security within the vicinity of our facilities. The CSO oversees security personnel, technology upgrades to security systems, and employee preparedness training.

In 2019, the CSO enhanced its employee safety measures via drills and training dedicated to health and safety. 606 employees underwent first aid and basic life support training, 139% more than the previous year. The CSO conducted 5 fire drills with a total of 4,125 participants, and 9 earthquake drills with a total of 8,104 participants.

The CSO ensures that all branches and offices are adequately manned by capable security personnel at all times. All security personnel undergo at least 4 hours of training each quarter. They are trained on bank security enhancement, security guard customer care, gun safety and proficiency firing, bomb identification and detection,

robbery and hold-up procedures, first aid and basic life support, basic occupational safety and health training, fire safety, and disaster awareness.

VOLUNTEERISM

BPI held its biggest Nationwide Volunteer Day to date, where 1,800 employee volunteers worked hand-in-hand to build shelters in 23 communities of Gawad Kalinga and Habitat for Humanity, providing hope to over 8,536 individuals from 1,940 families in these underserved areas.

Apart from the Nationwide Volunteer Day, BPI Foundation, through its program BPI BAYAN, provides an avenue for employee volunteers to organize needs-based volunteer initiatives in the communities where BPI offices and branches are located. Some of these projects include providing skills and livelihood training for a deaf community, a sustainable restaurant that employs indigenous peoples, and mangrove reforestation and waste management training for fisher-folk communities.

In 2019, the program was able to engage with 8,570 employee volunteers through employee-led community programs, donation drives and other volunteer activities. We are currently refining our processes of measuring volunteer hours.

SAFETY AND SECURITY

21,924

Training hours dedicated to health and safety for employees



Executive Training Program

EMPLOYEE TRAININGS

881,226

TRAINING HOURS

An average of 41 training hours for each employee.

PROVIDING CAREER DEVELOPMENT OPPORTUNITIES

The Bank continues to empower and enable its workforce by enhancing its employee development programs. More opportunities on leadership development for frontline leaders and management trainees were given more focus through various classroom training from Development Dimensions International and the introduction of e-learning modules from Harvard Manage Mentor.

2019 was also a banner year for executive development, where BPI provided executive coaching and strategy-aligned programs to all high potential and high performing senior officers. With management’s drive to employee development, we further democratized learning by investing on Degreed, a new digital learning platform, and Coursera, an international online learning course provider. These significantly expanded the learning portfolio of the Bank and widened the reach of training programs. In the coming year, BPI will continue to target more digital learning channels and make more programs accessible to all employees anytime, anywhere.

In 2019, employees underwent a total of 881,226 training hours, an average of 41 training hours for each employee.

Another approach to enabling the Bank’s workforce is managing performance. In 2019, we enhanced our Performance Management System (PMS) with the introduction of a new set of leadership competencies with behavioral indicators per job level. These new

competencies intend to enable the culture shifts that the Bank embarked on, which focused on being more customer focused, breaking existing silos, and building a heightened sense of ownership and accountability. In addition, we migrated the PMS to a cloud server that improved the efficiency of the performance evaluation process.

These initiatives are testaments to BPI’s dedication to both the professional development and personal well-being of its employees. The Bank commits to work consistently on making its people programs relevant, responsive and competitive.

AVERAGE TIME IN RANK (YEARS)	2017	2018	2019
Junior Management	7	7	7
Middle Management	7	8	8
Senior Management	13.5	17	14

PROMOTIONS (COUNT)	2017	2018	2019
Junior Management	573	782	734
Middle Management	213	105	228
Senior Management	25	24	27



BPI Foundation’s financial literacy seminar for soldiers

CREATING SOCIAL VALUE FOR COMMUNITIES

BPI Foundation, the social development arm of BPI, cultivates hope and creates change in under-served sectors where we engage in, by fostering financial inclusion through our programs in entrepreneurial development, financial education and sustainable environment. In alignment with the Bank’s thrust in digitalization, the Foundation has incorporated digital learning modules in its programs to reach more beneficiaries and magnify outcomes even in areas beyond the scope of our business.

The Foundation scaled-up its programs’ positive social impact by expanding partnerships, deepening interventions, and by engaging more beneficiaries. From the previous year in 2018, we have grown our reach by 51% to over 270,000 beneficiaries across the country.

FINANCIAL EDUCATION

BPI Foundation’s financial education programs cater to various sectors of society. Manny and Me and Senior High School Acceleration Program (SHAPE) trains teachers on integrating value of money and saving in classroom lessons for public elementary and senior high school students. FinEd-in-a-Box is a customized financial literacy module geared towards

BPI FOUNDATION BENEFICIARIES IN 2019

267,424¹

FINANCIAL EDUCATION

Financial Education in a Box, Manny and Me, BPI SHAPE, Sulong

2,394

ENTREPRENEURIAL DEVELOPMENT

BPI Sinag, Technical Vocation Program, Show Me Teach Me

968

SUSTAINABLE ENVIRONMENT

Farm to Table Program, Hineliban Reforestation

the underbanked sectors, such as teachers, police and military personnel, and low-income earners. BPI Sulong is a learning program on financial management for overseas Filipino workers and their families in the Philippines.

In 2019, BPI Sulong, through its partnership with Atikha Overseas Workers and Communities Initiative, Inc., expanded its reach from Hong Kong² to Singapore. Singapore is one of the Philippines’ top sources of OFW remittances and employs over 180,000 OFWs. BPI Sulong advocates shared financial responsibility among OFWs and their family members. The program educates OFWs on how to save, grow, and invest their earnings. The program has reached over 4,213 OFWs and 12,532 of their family members in 2019.

FinEd-in-a-Box was able to reach more uniformed personnel through partnerships with Ayala Corporation, the Armed Forces of the Philippines, and the Philippine National Police. To date, Fid-Ed-in-a-Box has been able to reach 25,756 beneficiaries. Manny and Me and BPI SHAPE introduced e-learning materials to help guide DepEd teachers in integrating financial literacy in their lesson plans. These modules are readily available through the DepEd’s learning portal or Learning Resources and Development System, and is in line with BPI Foundation’s goal to help standardize and improve the quality of the teaching aids used by public school teachers.

¹Includes indirect beneficiaries of BPI SHAPE and Manny and Me
²The focus this year was on OFW families based in the Philippines, since the program's implementation in Hong Kong for OFWs was impeded by the current political developments in the area.



BPI Sinag bootcamp

ENTREPRENEURIAL DEVELOPMENT

Show Me Teach Me (SMTM) is a capacity building program for micro, small, medium entrepreneurs (MSMEs) with the objective of enabling them with basic financial management, product development, and marketing management capabilities. The BPI Tech-Voc Program aims to capacitate community members and self-employed micro-entrepreneurs (SEMEs) to optimize their productivity by providing them with training programs that combine technical-vocational skills with entrepreneurial and management skills. Since the program’s inception in 2018, it has generated a 80-100% employment rate for the community members who complete the Tech-Voc training.

Continuing to champion more Filipino social entrepreneurs, BPI Sinag business challenge marked its fifth year with an enhanced incubation program that integrates updated modules in business and technology, empowering social enterprises to leverage the latest digital tools and platforms today to further scale up their impact on communities. On its fifth year, BPI Sinag launched “Technology, Social, and Market Innovations in Social Enterprises: The BPI Sinag Accelerate Initiative”, a book authored by the Philippines’ social entrepreneurship guru Dr. Eduardo Morato, Jr. The resource book features 15 case studies on select BPI Sinag Alumni, which are aimed at sharing tools, frameworks and best practices for other social enterprises.

Social entrepreneurship modules were also digitalized through an e-learning platform, Sinag Online, to reach more enterprises beyond the BPI Sinag community.

SUSTAINABLE ENVIRONMENT

The twin challenges of fighting climate change and ensuring food security have become more daunting than ever, as the growing population strains the earth’s resources. The latest initiative under BPI Foundation’s environmental sustainability pillar is the Farm to Table program, which aims to increase farmers’ output by using the latest climate-adaptive farming technologies.

The Farm to Table program, implemented in partnership with Green Earth Heritage and RiceUp, includes enhancing the capabilities of farmers through farmpreneurship modules on farm schools, money management and financial wellness, basics of costing, computer skills, community organization, and environmental protection. Since its launch, the program was able to engage with over 880 farmers in Bulacan, Pampanga and Davao.

2019 also saw the launch of the second phase of the BPI Climate Risk Assessment program implemented together with WWF-Philippines. Taking off from the first study concluded in 2014, the latest study will involve a different group of cities, namely: Tuguegarao, Cabanatuan, San Fernando, Tarlac, Lucena, Sta. Rosa, Legazpi, Masbate, Roxas, Tagbilaran, Calbayog, Ormoc, Pagadian, Dipolog, Malaybalay, and Tagum. The study will look into these cities’ likely climate and environmental vulnerability, socioeconomic profile, and how livelihood will be affected by changing weather patterns.

For more information on the Foundation’s programs, you may go to www.bpifoundation.org.

DATA PRIVACY

BPI abides by the Data Privacy Act of 2012 (DPA) and the various circulars and advisories of the National Privacy Commission. The Bank has a Data Privacy Office (DPO) that manages the fulfillment of data privacy requirements across the organization.

A Sustainable Privacy Management Framework and Program approved by the Board guides all aspects of our operations in upholding the public’s right to data privacy. Apart from the two mandatory e-learning courses on data protection and data privacy, we integrated the privacy lectures in the New Employee Orientation Program (NEOP) and Officership Training Program (OTP) to equip all personnel regarding proper handling of personal data. To further embed privacy risk management into operations, the Data Privacy Office piloted Privacy Business Briefings with select business groups characterized by extensive use of personal data.

DPO also continuously reviews privacy-related documents and forms ensuring that the principles of data privacy are observed and embedded in the contracts, privacy notices, declarations, marketing communications and consent forms. Included in DPO’s mandate as well is the assessment and review of new and existing Privacy Impact Assessments on new initiatives and updates on existing processes.

In 2019, the DPO reviewed 93 privacy-related documents and forms and 65 new and existing Privacy Impact Assessments. The DPO also responded to, or assisted various business units in, addressing complaints received from the public.

For more information, see page 129

CUSTOMER EXPERIENCE

In 2017, Customer Experience Management Office (CXMO) initiated the BPI Customer Assistance Program to establish guidelines that will help ensure that the Bank’s consumer protection policies are aligned with feedback from customers across all touch points and potential customers are well handled. The designated Customer Assistance Officers underwent onsite training to equip them with skills to address customer issues and to ensure compliance with the Bank’s Consumer Protection Program. Continuous information and education campaigns as part of the Financial Consumer Protection (FCP) Program have been a major priority of the unit.

To deepen customer engagement and address specific customer needs, CXMO monitored customer complaints in each business area and identified the business units

with most complaints, the root causes of said complaints and the required action plans to address them. CXMO intensified the conduct of FCP roll-outs in the branches, including customer complaints handling with scenarios based on actual customer complaints received.

The Customer Feedback Database, created in 2017, has undergone improvements from its original design to one that is more efficient and seamless with respect to complaints handling process. Instructional guidelines were added in the notifications to assist the frontliners and Complaints Handling Team (CHT). It has also facilitated immediate routing of customer feedback from various touchpoints to the concerned business units, aimed at timely resolution or disposition of complaints and feedback provided to the client.

This further strengthens the role of the frontliners in addressing and reporting customer issues. The type of product or channel and corresponding descriptions of complaints are already loaded in the database to facilitate ease of filing by the frontliners. Complaints filed in the Customer Feedback Database are electronically routed to the CHT of the business unit concerned, accompanied by an immediate email notification. Similarly, an e-mail notification is also automatically sent to the frontliner (maker) once feedback for resolution is provided by the CHT in the database.

The Bank monitors customer feedback concerning its products and services, determines root cause of significant issues, and implement appropriate actions to address these issues. The table below shows the number of customer complaints received and the number of customer transactions recorded for the same year. Complaints count decreased by 39% from 2018 to 2019. The compliance rate for complaint resolution to our internal turn-around time was 88% in 2019. As of year-end 2019, from the complaints received for 2019, 88% have been resolved. The enterprise-wide complaint report is regularly reported to BPI Senior Management and BSP.

Percentage of Complaints vs Total Transactions or complaint intensity decreased by 39% from 2018 to 2019. This is calculated as every one (1) complaint per transaction.

	2017	2018	2019
Complaints vs Total Transactions (%)	0.030%	0.028%	0.017%
Complaints (in thousands)	437	424	416
Transactions (in millions)	1.442	1.541	2.384

The Bank complies with product and service information and labeling regulations and voluntary codes for consumer protection such as the Banking Code for Consumer Protection of the Bank Marketing Association of the Philippines (BMAP) and its Council of Advisors and product governance such as Markets in Financial Instruments Directive II (MiFID II). In 2019, there were no confirmed incidents of non-compliance.

SUPPLY CHAIN MANAGEMENT

The Facilities Services Group (FSG) facilitates the supplier accreditation application and renewal request on behalf of the proponent business units. Business units conduct vendor and service provider reviews and vetting for their specific vendors. On the other hand, FSG oversees the accreditation of vendors limited to suppliers of architectural products and services, janitorial services, and products and services related to construction such as general and specialized contractors, design consultants, and related trades.

Our engagements with service providers, contractors, and suppliers follow our internal general policy on third-party engagement; policies on managing the accreditation/dis-accreditation of suppliers/service providers / business partners; and accreditation criteria and document requirements for suppliers and other service providers. These policies serve as reference for all business units in their vendor selection process prior to engagement and enables us to identify vendors who meet quality standards.



SUPPLY CHAIN

476
accreditd local and foreign suppliers

Our required accreditation documents include permits, licenses, certificates, and proof of authority in order to assess vendors for their suitability, as well as environmental and social compliance. Examples of these, depending on the nature of business are: business permits; certifications from the Department of Labor and Employment; and licenses from the Philippine Contractors Accreditation Board and Department of Transportation and Communications.

Suppliers undergo a re-accreditation process every year, requiring an evaluation from proponent business units and resubmission of permits, licenses, certificates, and proof of authority.

In 2019, our supplier pool consisted of 476 accredited local and foreign suppliers. This is a 7% increase of suppliers from 2018. This increase is attributed to the Next Gen Branch project implemented in line with BPI's focus on digitization. We paid a total of Php 17.24 billion for products and services rendered by these contractors, suppliers, and other providers.

Environmental Performance

Recognizing our role as a responsible financial institution, we aim to reduce negative environmental impact coming from our business operations and become more cost-effective through mindful leadership of the organization, leading to overall improved margins.

We track the environmental impact in our business, gathering data on energy and water consumption, and carbon emission for branches, head offices, and business centers in the Philippines¹. Data on energy and water consumption of our branches and kiosks are consolidated per geographical business area. The Facilities and Services Group (FSG) monitors those of our head office and other business hubs.

BPI continually explores technological innovations that could reduce our resource consumption and improve our environmental tracking systems. We also encourage our clients, suppliers, and partners to reduce their own environmental footprints.

ENERGY CONSUMPTION

BPI's energy consumption comes from the electricity requirements of our daily branch and corporate office operations. FSG commissioned a third-party energy audit to determine the management approach to the installation of LED lights and inverter-type air-conditioning units to manage resources more efficiently and save on utility costs. Based on the findings of the audit, FSG has completed the installation of LED lights and inverter-type airconditioning units to 69% and 47%

of branches, respectively. This has resulted in Php 18.7 million in cost savings for LED lights and Php 8.7 million in cost savings for inverter type airconditioning for the year.

For 2019, electricity consumption decreased by 7% from 2018, despite the Bank's extension of banking days to include weekends for 74 branches to serve the needs of our clients. In terms of energy intensity – energy consumption against annual revenue, we have decreased this ratio by 23% from 2018. Our 2019 energy intensity level is at 1,771 gigajoules of energy for every Php 1 billion of revenue⁴ earned.

In previous reporting cycles, fuel consumption was reported for generator sets and diesel fuel for armored vehicles. In 2017, fuel from generator sets was determined to be insignificant in scale of our operations and deemed as immaterial. In July 2018, the contract for armored vehicles changed from leased to outsourced, resulting to the shift of fuel management from BPI to the armored vehicles agency, taking it out of the Bank's reporting scope.

WATER CONSUMPTION

Our water consumption comes from pantry sinks, washrooms, and maintenance faucets in our offices and branches. The water used is sourced from water utility companies. For 2019, water consumption decreased by 0.2% from 2018.

ENVIRONMENTAL FOOTPRINT		2017	2018	2019
	Electricity Consumption ² (gigajoules)	175,797	180,278	167,080
	Scope 2 GHG Emissions ³ (Tonnes CO2e)	28,701	35,860	33,234
	Water Consumption (cubic meters)	387,087	381,443	380,734

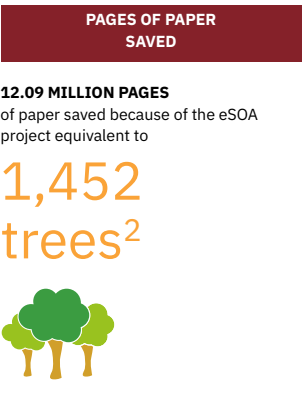
¹ Includes branches, head offices, and business centers in the Philippines, excluding Banko branches and BLUs
² Branch data for January and December 2019 is dependent on the different billing schedules of utility service providers.
³ GHG emissions computed based on the Department of Energy Grid Emission Factors (<https://www.doe.gov.ph/electric-power/2015-2017-national-grid-emission-factor-ngef>).
⁴ Total Revenue for 2019 is Php 94.33 billion



BPI unbankers at a Sustainability Exposure Visit at Daila Farms



Recyclables Fair at BPI Buendia Center



GREENHOUSE GAS EMISSIONS

Our greenhouse gas (GHG) emissions fall under Scope 2 of the GHG Protocol Corporate Standard. Scope 2 covers indirect emissions from the generation of purchased energy. It is computed based on the electricity consumption that fall under Scope 2 and the Department of Energy Grid Emission Factors.

For 2019, our Scope 2 GHG emissions decreased by 7% following the decrease of electricity consumption. In terms of GHG emissions intensity – GHG emissions against annual revenue, we have decreased this ratio by 23% from 2018. Our 2019 GHG emissions intensity level is at 352 tonnes CO2e for every Php 1 billion of revenue¹ earned.

SHIFT TO PAPERLESS BILLINGS

The Centralized Operations Group (COG), has been closely working with the electronic Statement of Account (eSOA) Project team to fully implement the migration of paper heavy (Statement of Accounts, Notices, and Financial Statements) BPI products to align with the Digitization strategy and most importantly to improve customer experience while streamlining expenses.

2019 saw the full implementation of the BPI Credit Cards eSOA project, whereas in previous years, the eSOA was only fully implemented for BFSB Credit Cards. This year the bank was able to save 12.09 million pages of paper, a 578% increase from 2018 when eSOAs were only available for BFB Credit Cards. The migration to eSOAs has allowed BPI to save approximately 1,452² trees from being cut for paper in 2019.

The Bank is taking steps to maximize digital migrations and will be testing the roll-out of eSOAs to an expanded list of products covering investment and deposit accounts. COG is also testing a new eSOA server to improve operating capacity.

¹Total Revenue for 2019 is Php 94.33 billion
²Based on the calculation of Conservatree.org (1 tree makes 8,333.3 sheets of copy paper)

OTHER EFFORTS

Although our core business and operations is not heavy on material resource consumption and waste generation, we are aware that our day-to-day activities still generate waste as an externality. We encourage our employees to use and dispose of materials responsibly. The Bank, through FSG, facilitates compliance to Department of Environment and Natural Resources related regulations on clean air, water, and hazardous waste disposal. A pollution control officer, as required will be assigned per geographical cluster to ensure compliance thereof.

The Bank continued with the regular recyclable fairs and special pick-ups within the Metro Manila initiated by the Sustainability Office to ensure the responsible disposal of paper, plastic, and electronic waste for branches and corporate offices. The Recycling effort was boosted by the file digitization campaign of the branch network, which allowed them to turnover old folders for recycling. In total, 513 kilograms of plastic and metal waste, 9,951 kilograms of paper and carton waste, and 114 kilograms of electronic waste was turned-over to our partner recyclers.

Recognizing the need to establish a sustainability mindset for all, the Sustainability Office organizes Learning Sessions, Sustainability Exposure Visits, and other information campaigns. To date, we have run 6 Sustainability Exposure Visits and 16 Learning Sessions attended by over a thousand Unibankers.

Senior Management

OFFICE OF THE CHAIRMAN AND PRESIDENT

Senior Vice Presidents

- Asis, Ma. Cristina F.
- Cruz, Rosemarie B.
- Gayares, Marita Socorro D.

Vice Presidents

- Almazan, Jinky C.
- Amado, Frances S.
- Gealogo, Noravir A.
- Maramag, Angela Pilar B.
- Mendiola, Nicanor A.
- Paz, Jonathan John B.
- Sumagpang, Sylvia P.
- Villaflores-Balatan, Melissa B.

OFFICE OF THE CHIEF CREDIT OFFICER

Senior Vice Presidents

- Alonso, Joseph Anthony M.

Vice Presidents

- Baron, Michael Louie M.
- Jacinto, Miriam Jane M.
- Mina, Andrea G.
- Silva, Elisa M.
- Tan, Ma. Elizabeth V.

MASS RETAIL

Executive Vice President

- Ocampo, Marie Josephine M.

Senior Vice Presidents

- Gomez, Jesus Angelo O.
- Lacerna, Jenelyn Z.

Vice Presidents

- Aldip, Alma G.
- Bejar, Mary Catherine A.
- Bengzon, Joaquin Augusto Angelo A.
- De Jesus, Ma. Cynthia Leticia S.
- De Vera, Jose M.
- Feranil, Catherine Y.
- Florentino, Maria Angelica G.
- Gatuslao, Carlo Carmelo S.
- Macatangay, Abraham Daniel J.

CORE RETAIL

Vice Presidents

- Cutiongco, Ma. Perpetua A.
- Marquez, Ma. Carmina T.

MARKETING

Senior Vice President

- Santamaria, Mary Catherine Elizabeth P.

Vice Presidents

- Aguilar, D'Artagnan M.
- Lamasuta, Aileen S.
- Melliza, Madeline H.
- Santos, Ma. Claudina C.
- Tined, Edelinda R.

BUSINESS BANKING

Senior Vice Presidents

- Dimayuga, Raul Marcelo D.
- Luchangco, Eric Roberto M.
- Parungao, Joseph Philip Anthony S.

Vice Presidents

- Ampolitud, Mary Jane L.
- Ballelos, Luisito R.
- Catelo, Felices V.
- Cruz, Katrina Joy G.
- Cruz, Socorro Jessymel T.
- Lualhati, Genaro IV N.
- Pagulayan, Rhodora Adelaida C.
- Paulino, Ma. Genalyn R.
- Ramos, Erick M.
- San Diego, Ma. Cristina L.
- Sangco, Jose Martin S.

CORPORATE BANKING

Executive Vice President

- Syquia, Juan Carlos L.

Senior Vice Presidents

- Cariaso, Reginaldo Anthony B.
- Cruz, Luis Geminiano E.
- Go, Raymond H.
- Tagaza, Manuel C.
- Untalan, Barbara Ann C.
- Veloso, Roland Gerard Jr. R.

Vice Presidents

- Basilio, Maria Cristina A.
- Bonoan, Francisco Javier P.
- Casals, Sheree N.
- Cirujano, Raymond Anthony M.
- Cortez, Marie Antoinette S.
- De Guzman, Ivy Maria E.
- De Jesus, Marie Joan Socorro J.
- De Paula, Noel Isabelo S.
- Dela Paz, Cecile Catherine A.
- Dulay, Melinda V.
- Eala, Jo Ann B.
- Elefano, Ria Gloria B.
- Felipe, Herman Rufino S.
- Garcia, Jeanette J.
- Gatuslao, Dennis S.
- Gozar, Carmencita Lilia B.
- Laquindanum, Mary Jane Y.
- Lim, Maria Teresa Anna K.
- Lim, Steven S.
- Macapagal, Juan Jesus C.
- Marcos, Noelito C.
- Oliva, Arnold E.
- Pandan, Michelle Therese B.
- Ruelo, Arsenio B.
- Santoyo, Kristine Joy V.
- Sison, Ana Maria C.
- Valenzuela, Miriam Socorro K.

SALES & SERVICE CHANNELS

Senior Vice Presidents

Ang, Olga S.
Jereza, Jose Raul IV E.
King, Angelie O.
Sta Ana, Ana Liza C.

Vice Presidents

Altea, Bernardo R.
Badua, Arrex S.
Braganza, Sonia S.
Catindig, Myra Liza D.
Chua, Ma. Lea Jasmin O.
Dionisio, Florisa F.
Farinas, Ritche G.
Galvez, Marwin L.
Gasa, Jose Mari Israel V.
Lucero, Joseph L.
Monfort, Virginia L.
Perez, Art Gerald B.
Quimbo, Joseph Sidney D.
Raterta, Francisco III G.
Saguindang, Isagani M.
Sampang, Maya B.
Santos, Mylene Riza C.
Segui, Maribeth G.
Sy, Cristina J.
Taguba, Janette B.
Ureta, Joy L.

WEALTH MANAGEMENT

Senior Vice President

Chuidian, Tomas S.

Vice Presidents

Bustamante, Ma. Carmencita S.
Diomampo, Irene A.
Mapanao, Perlita S.
Roxas, Vilma L.
Ty-Gosingco, Leslie Ann N.
Velez, Gemma T.

GLOBAL MARKETS

Senior Vice President and Treasurer

Gasmen, Dino R.

Senior Vice Presidents

Fernandez, Rinaldo H.
Pineda, Donarber N.

Vice Presidents

Ang, Irene L.
Arceo, Henry C.
Barrameda, Ma. Lourdes D.
Cabral, Voltaire P.
Cayetano, Alan C.
Crisostomo, Mari Len S.
Espiritu, Ruben Enrique A.
Figueroa, Susan C.
Garcia, Cyril S.
Gingco, Rowena M.

Go, Donna May P.
Neri, Emilio Jr. S.
Picache, Ma. Josefina P.
Salvan, Jose Esteban J.
Singian, Jennifer Gayle P.
Sorra, Jethro Daniel S.
Yulo, Lizbeth Joan P.

STRATEGY AND FINANCE

Executive Vice President and

Chief Finance Officer

Javier, Maria Theresa Marcial

Senior Vice President

Lukban, Maria Consuelo A.

Vice Presidents

Agdeppa, Maria Lourdes Valerie C.
Campos, Lourdes Suzanne S.
Chee, Fitzgerald S.
Gatmaytan, Ma. Lourdes P.
Gonzales, Glenda M.
Osalvo, Emmanuel Jesus G.
Santiago, Richard M.
Sevilla, Christmas G.
Tan, Cherish Honey C.
Ysmael, Paul Roderick A.

ENTERPRISE SERVICES

Executive Vice President and

Chief Operating Officer

Jocson, Ramon L.

Senior Vice Presidents

Abola, Joaquin Ma. B.
Calleja, Michael D.
Marquez, Pilar Bernadette C.
Mercado, Eugenio P.
Pertierra, Rafael J.
Santiago, Noel A.

Vice Presidents

Africa, Luis Lorenzo T.
Alviar, Jocelyn C.
Barroquillo, Ericson H.
Bednar, Maria Concepcion A.
Bernaes, Dominador Jr. R.
Calingasan, Reynaldo C.
Cammayo, Owen L.
Cariaso, Maria Theresa G.
Cervantes, Miguel Jr. P.
Cruz, Napoleon Jr. I.
Cruz, Winnie G.
Del Fierro, Anna Christina U.
Eala, Maria Virginia O.
Felizardo, Leah Anna T.
Ferrer, Josephine B.
Gangoso, Jesusa Camila V.
Kho, Ailen C.
Lansang, Jennie F.
Lee, Eugene O.

Lim, Roseller B.
Luna, Maria Ana M.
Lustre, Francisca Ann M.
Manalo, Andrae V.
Marasigan, Rubenrico R.
Montenegro, Jose Victor G.
Ngo Sy, Sheryl G.
Paguntalan, Reygen C.
Rocero, Anna Lyn J.
Segundo, Servillano R.
Sta Ana, Jose Antonio Rogelio P.
Taguibao, Domingo Digno Jr. A.
Tierro, Frederick W.
Treyes, Anthony Y.
Ugsimar, Joel L.
Umayam, Editha F.
Zoluaga, Olivia Visminda G.

BPI FAMILY SAVINGS BANK

President

Go, Ma. Cristina L.

Vice Presidents

Altamirano, Ramon Noel S.
Catalan, Mari Margaret Z.
Celestino, Aurora L.
Dio, Amy Belen R.
Fronza, Dennis T.
Galura, Erwin M.
Leonen, Lionel F.
Ocampo, Bernadette B.
Ocliasa, Dominique R.
Ricardo, Victoria Marie G.
Sampang, Jose Jr. P.
Tuason, Herbert Vincent D.
Velasco, Josephine Eufemia P.

BPI DIRECT BANKO INC.

President

Minglana, Jerome B.

Senior Vice President

Mabiasen, Rodolfo Jr. K.

BPI CAPITAL CORP.

President

Huang, Rhoda A.

Vice Presidents

Collado, Marie Natalie J.
Guevara, Jenny C.
Jardeleza, Francis L.
Ong, Lester
Uy-Tioco, George Jr. S.

BPI SECURITIES CORP.

President

Narvaez, Hermenegildo Z.

Senior Director

Fajardo, John Kennard T.

Vice President

Guiang, Georgia V.

BPI ASSET MANAGEMENT AND TRUST CORP.

President

Tan, Sheila Marie U.

Senior Vice Presidents

Chua, Smith L.
De Peralta, Yvette Mari V.
Garcia, Maria Paz A.

Vice Presidents

Ayson, Remarie Suzette A.
Balita, Jose Erwin B.
Bello, Ronald Bernard P.
Dee, Allen Martin O.
Evaristo, Mario Gerardo Z.
Jalandoni, Carlos A.
Kawpeng, Marijoy Y.
Sarreal, Lovell A.
Taco, Eliza May T.
Valdez, Amalia Lourdes S.
Zialcita, Luis Antonio P.

BPI INVESTMENT MANAGEMENT INC.

President

Enrile, Roberto Martin S.

BPI CENTURY TOKYO LEASE AND FINANCE CORP.

President

Tanaka, Kuniaki

Executive Director

Aniceto, Homer L.

Vice President

Ikeda, Masahito

BPI/MS INSURANCE CORP.

President

Takahashi, Masayuki

Directors

Bernabe, Anthony Lou M.
Kano, Yasuhiro
Santos, Alberto C.

BPI EUROPE PLC

Managing Director

Yulo, Lizbeth Joan P.

BPI INTERNATIONAL FINANCE LTD.

Managing Director

Lin, Archie

BPI FOUNDATION INC.

Executive Director

Cammayo, Owen L.

Corporate Governance

In an increasingly digitalized world, corporate governance remains to be the way forward for banks aiming to be a high-trust, high-performance organization.

OVERVIEW

Digitalization continues to reshape the banking industry and, together with changing customer expectations, regulatory requirements, demographics and economics, is creating an imperative for banks to forge ahead of these challenges and radically transform themselves to win in the next era.

Technology is altering everything: opening banking to disruptive new entrants; potently transforming and enabling novel customer experiences; testing traditional banking processes, products and channels; and increasing speed and productivity while reducing cost. But while these point to innovation as key, prudent judgment, wisdom, and business savvy are vital.

In the digital age, cybersecurity risks have also given rise to enhanced board oversight protocols. Social media has also heightened reputational risk and brought down, often unfairly, harsh and superficial customer judgments on company boards and management. These and other factors have made today's board governance increasingly more challenging. Now, boards are expected to respond, often instantly and with precision, to any situation, no matter how unfamiliar or complex.

BPI's Board of Directors recognizes that the Bank's continued leadership in this volatile, uncertain, complex and ambiguous environment is anchored on its constant and consistent fulfillment of client needs as a trusted institution, a store of value, a source of finance, and a facilitator of transactions. But more than that, as the Bank moves into the future, maintaining these established roles and evolving as an agile, open organization in quick response to the dramatically shifting landscape, the Board understands that only a solid corporate governance foundation will sustain its strong and stable operations and allow it to accelerate forward.

In 2019, the BPI Board of Directors continued to adopt corporate governance practices aimed at further strengthening this posture as a future shaper and a bank that is ready today and ready tomorrow:

1. Groundwork was laid for the engagement of a third party facilitator for the Bank's annual board self-assessment covering the 2019 term. BSP Circular 969 states that the annual self-assessment of the Board of Directors may be facilitated by the corporate governance committee or external

facilitators. The SEC Code of Corporate Governance for Publicly-Listed Companies, similarly states in Recommendation 6.1, that the conduct of the annual self-assessment of the Board of Directors is to be supported by an external facilitator every three years to improve objectivity of the assessment process.

In this respect, the engagement of a Third Party External Facilitator was approved by the Corporate Governance Committee on August 26, 2019. This was subsequently endorsed to the Executive Committee which approved the same in its meeting on September 11, 2019.

2. The Board also approved the amendment of the company By-Laws to, among others: a) provide for the right for stockholders to vote through remote communication or in absentia at the Bank's Annual Stockholders' Meetings; and b) to raise the minimum quorum at any meeting for the transaction of corporate business from the majority to two-thirds (2/3) of the members of the Board of Directors. The amendments to the By-Laws are in line with the regulatory requirements under the Manual of Regulations for Banks, the Revised Corporation Code and the best-practice recommendations under the ASEAN Corporate Governance Scorecard.

In the Bank's 2019 Annual Stockholders' Meeting, BPI stockholders were given the option to cast votes in absentia through an online electronic facility, as also provided for under the Revised Corporation Code.

3. In compliance with the SEC Memorandum Circular No. 10 on Rules of Material Related Party Transactions (RPT) for publicly listed companies (PLCs), the Board also approved the adoption of a Material RPT Policy for the Bank. In contrast to other PLCs, banks have long established their RPT frameworks in compliance with BSP Circular 895 which was issued in 2015. The SEC Material RPT policy requires identification of related parties, coverage of the RPT policy, identification and prevention or management of potential or actual conflict of interest that may arise, and a whistle-blowing system, all of which are already contained in BPI's existing Related Party Transactions Policy. To comply with SEC Mem. Cir. 10, the Bank created additional guidelines to address the major difference in the SEC's policy requirement on material threshold.
4. Another milestone in 2019 was the amendment of the Bank's Insider Trading Policy which shortened the blackout trading period set in the policy to improve market liquidity. The imposition of the

blackout trading period, while shortened, continues to serve a dual purpose in the Bank: a) to reduce insider trading risk; and b) to protect covered persons with respect to their personal trading transactions.

The shortened blackout trading period does not impair the Bank's ability to comply with disclosure requirements and other regulations of the Philippine Stock Exchange (PSE), including obligations under its Listing Agreement. Adoption of the shortened blackout trading period also confirms that BPI, as an issuer, continues to institute the relevant controls to prevent covered persons from violating provisions of securities laws and regulations, including PSE Listing and Disclosure Rules.

Our corporate governance policies and practices are embodied in our Manual on Corporate Governance and disclosed in the Integrated – Annual Corporate Governance Report, both of which are available on our website at www.bpi.com.ph.

LEADERSHIP

Advisory Council. We have an Advisory Council to the Chairman which was organized following the Annual Stockholders' Meeting (ASM) in April 2016. Comprised of senior thought leaders, captains of industry, and luminaries in their respective fields, the Advisory Council expands the range of expertise, experience, and collective wisdom available to the Bank.

At the Organizational Meeting of the Board of Directors following the 2019 Annual Stockholders' Meeting, the following were re-appointed as members of the Advisory Council:

1. Chief Justice Artemio V. Panganiban
2. Oscar S. Reyes
3. Delfin L. Lazaro

Board of Directors
The leadership and stewardship of the Board of Directors is one of the most important factors accounting for BPI's long-term growth and success.

In discharging their oversight responsibilities as guardians of the Bank's financial prudence and strength, the Board provides challenge, oversight, and advice to ensure that BPI continues to do the right things the right way, assuring our long-term sustainable success.

Considering the Bank's role in the BPI group as parent and publicly listed company, the Board of Directors ensures that BPI maintains an effective, high-level risk management, and oversight process across all

companies in the group, with due consideration for the group's business and reputation, the materiality of financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.

The Board also decides on all other important matters that pertain to the entire group, in view of the strategic, financial, regulatory, and reputational implications.

Chairman. In adherence to Recommendation 2.3 of the SEC Code of Corporate Governance for Publicly-Listed Companies, the BPI Board of Directors is headed by a competent and qualified Chairman.

Vice-Chairman. The BPI Board also has a Vice-Chairman who, in the absence of the Chairman of the Board, assumes and performs all the powers and duties of the Chairman of the Board.

See Appendix for full biographies of our Chairman, Vice-Chairman, and Board of Directors.

Role and Independence of the Chairman. The Chairman and Vice-Chairman are both Non-Executive Directors. The Board does not encourage CEO Duality. The Chairman, who has not served as CEO of the Bank within the past three years, is separately appointed from the President and CEO (Recommendation 5.4, SEC CG Code for PLCs). The Chairman and the President and CEO positions are currently held by two individuals who are not related to each other and have defined roles and responsibilities that are separate and distinct, as set in our Amended By-Laws and Manual on Corporate Governance.

Under the leadership of the Chairman, the Board creates the framework within which the Bank's executive team, headed by our President and CEO, steers the business. As stated in the Bank's Manual on Corporate Governance, the Chairman guides the Board in its decision-making process and ensures that the Board operates effectively as a team. The Chairman also forges a very positive and constructive working relationship between the Board and management. With the Chairman at the helm, the Board sets the Bank's strategy and risk appetite, and approves capital and operating plans presented by management for sustainable achievement of strategic objectives.

Chief Executive Officer. The CEO reports directly to, and is accountable to, the Board of Directors for the performance of the Bank. As defined in the Manual on Corporate Governance, the CEO (1) leads the development and execution of short- and long-term strategies, (2) communicates on behalf of the Bank with shareholders, regulators and the public, (3) evaluates

the work of other executive leaders within the Bank, and (4) implements the Bank’s vision and mission. (Recommendation 5.4, SEC CG Code for PLCs).

Lead Independent Director. At the Organizational Meeting of the Board of Directors, following the 2019 BPI Annual Stockholders’ Meeting, Independent Director Octavio Victor R. Espiritu was appointed as Lead Independent Director.

Although current regulations of the BSP require the appointment of a Lead Independent Director only when the positions of Chairman of the Board of Directors and CEO are, with prior approval of the Monetary Board, held by one person, the Board appointed a Lead Independent Director in pursuit of best practice governance standards.

BPI’s Manual on Corporate Governance states the duties and responsibilities for such a role and position in the Bank, if and when one is appointed: the Lead Independent Director shall act as the preferred point of contact for other Independent Directors on the Board. (Recommendation 5.5, SEC CG Code for PLCs).

Board Charter. The charter of the Board of Directors articulates with specificity the governance and oversight responsibilities exercised by the directors and their roles and functions in the Bank. It includes provisions on board composition, Board Committees, and board governance, subject to the Bank’s Articles of Incorporation, Amended By-Laws, and applicable laws. The charter does not limit, enlarge, or change in any way the responsibilities of the Board.

The charter, which is in adherence to Recommendation 2.12 of the SEC CG Code for PLCs, is incorporated in our Manual on Corporate Governance, both of which are reviewed annually. The Bank’s updated and revised Manual on Corporate Governance was approved and adopted by our Board of Directors in its entirety on February 19, 2020.

As stated in the charter, the Board’s key areas of focus include:

- Governance – Ensuring that corporate responsibility and ethical standards underpin the conduct of BPI’s business; developing succession plans for the Board and CEO; and establishing the general framework of corporate governance for the Bank;
- Strategy - Reviewing BPI’s strategic and business plans; growing the business sensibly; and building resilience into the franchise (Recommendation 2.2, SEC CG Code for PLCs)
- Risk management – Ensuring that effective risk management, compliance and assurance processes undergird our business;

- Financial performance – Monitoring management performance and achievement of goals and targets;
- Sustainability – Considering environmental, social and governance issues and including these as part of the Bank’s strategy.

In the Board strategy session last December 13, 2019, the Board and the senior management committee reviewed and approved the Bank’s mission and vision and strategic plans for the coming years. (Recommendation 2.1, 2.2, 2.12, 8.7 SEC CG Code for PLCs)

The Board Charter is disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph.

Composition and Qualification

In pursuit of class leading risk management and governance practices for the appropriate board size, BPI maintains a 15-member board. The size of our Board is deemed appropriate given the complexity of operations of the Bank and the entire BPI group, our risk appetite, the geographical spread of our business, and the significant time demands placed on the Directors.

Board Composition. The Bank adheres to Recommendation 1.2 of the SEC CG Code for PLCs with respect to the board composition so that no director or small group of directors can dominate the decision-making process. The only Executive Director is the Bank’s President and CEO.

The 15-member Board also ensures that directors are able to carry out their responsibilities efficiently, given the number of committees that they are appointed to. Global best practice surveys show that complex banks benefit from larger board sizes in the long-term, providing better oversight and risk management.

Board membership was reinvigorated during the Bank’s ASM on April 25, 2019 with majority or 14 of the newly-refreshed 15-member board comprised of Non-Executive Directors, safeguarding independent oversight of management. This is in compliance with BSP Circular No. 969, “Enhanced Corporate Governance Guidelines for BSP-Supervised Institutions” and in adherence to Recommendation 1.2 of the SEC CG Code for PLCs.

The General Banking Law, R.A.8791 mandates that there be at least five (5) and a maximum of fifteen (15) members of the board of directors of a bank. The board of directors shall determine the appropriate number of its members to ensure that the number is commensurate to the size and complexity of the bank’s operations. Universal and commercial banks are deemed to operate complex business models by virtue of the scale and type of banking activities.

Certain factors also determine the complexity of a bank’s operations such as:

1. Size of total assets
2. Extent of branch network
3. Non-traditional products and services offered by virtue of special authorities (e.g., trust, quasi-banking, derivatives licenses), as well as distinctive products like credit cards, remittance, trade related services, among other financial services;
4. Use of non-conventional business model, such as those using non-traditional delivery platforms such as electronic platforms; and
5. Business strategy that is characterized by risk appetite that is aggressive and risk exposures which are increasing.

In pursuit of class leading risk management and governance practices for the appropriate board size, BPI maintains a 15-member board.

On February 20, 2019, the Board approved during its regular meeting the election of Mr. Jose Teodoro K. Limcaoco, 58, Filipino, as Non-Executive Director of the Board. Currently, he is the Chief Finance Officer (CFO), Chief Risk Officer (CRO), Chief Sustainability Officer (CSO), and Finance Group Head of Ayala Corporation.

At the April 2019 BPI Annual Stockholders’ Meeting, Mr. Eli M. Remolona, Jr., 67, Filipino, was newly-elected as an Independent Director of the Bank. He is a Visiting Professor of Economics at Williams College, MA, U.S.A., who has extensive policy experience in financial markets, international finance and monetary policy, with 14 years of experience at the Federal Reserve Bank of New York and 19 years at the Bank for International Settlements (BIS).

Director Qualifications. Our Board of Directors enjoys the trust and respect of the local and international business community. They are established professionals who provide perspective, objectivity, practical wisdom, and sound judgment in their oversight, recommendations, and evaluation of bank operations and management.

As a financial institution imbued with public interest, qualifications for membership in our Board of Directors are dictated by our Amended By-Laws, Manual on Corporate Governance, the Revised Corporation Code, and relevant regulations of the BSP and the SEC.

As a publicly listed company, we also take special care to ensure that the Board composition and director qualifications, particularly with respect to independent directors, also meet the pertinent governance regulations, requirements, and standards of the PSE.

As required by the SEC, all of the Bank’s annual reports contain comprehensive profiles of the Board of Directors which disclose, among other information, the age, qualifications, date of appointment, relevant experience and directorships both in the BPI group as well as in other companies, listed or otherwise. In compliance with SEC Memo. Cir. No. 11, s2014, the Bank also posts biographical details of the Board of Directors and Senior Management on the company website.

Directors comply with all fit and proper qualifications and requirements of the BSP, SEC, and PSE and remain qualified throughout the one-year term. This includes required working knowledge, experience or expertise, and competence relevant to the banking industry.

The Board has a fiduciary duty in addressing environmental, social, and governance (ESG) issues, including changes in stakeholder expectations, business strategy, governance, risk assessment, and measurement and disclosure practices, which are central to the Bank’s corporate competitiveness and continued ability to operate. The Board, through its Nomination Committee, ensures the selection of progressive and thoughtful directors who have credible involvement or are actively engaged in sustainability initiatives, in order to drive the board’s integration of ESG factors into its long-term strategy.

Statutory requirements on qualifications and disqualifications for directors are stated in our Manual on Corporate Governance published on our website, www.bpi.com.ph. See Appendix for full biographies of our Board of Directors. (Recommendation 8.3 SEC CG Code for PLCs)

APPOINTMENT AND YEARS OF SERVICE OF BOARD OF DIRECTORS*

Director's Name	Type of Director**	Date First Elected	Date Last Elected	Manner of Election	No. of Years as Director of BPI***
Jaime Augusto Zobel de Ayala	NED	03/13/1990	04/25/2019	Annual Meeting	29.8
Fernando Zobel de Ayala	NED	10/19/1994	04/25/2019	Annual Meeting	25.2
Gerardo C. Ablaza, Jr.	NED	04/19/2001	04/18/2012	Annual Meeting	1.0
	NED	04/20/2017	04/25/2019	Annual Meeting	2.7
Romeo L. Bernardo	NED	02/1998	2001	Annual Meeting	3.0
	ID	08/21/2002	04/19/2018		15.7
	NED	04/25/2019	04/25/2019		0.7
Ignacio R. Bunye	ID	4/14/2016	04/25/2019	Annual Meeting	3.7
	NED	02/1995	01/2000	Annual Meeting	5.0
Cezar P. Consing	ID	08/18/2004	12/31/2006		2.3
	ID	04/15/2010	04/18/2013		3.0
	ED	04/18/2013	04/25/2019		6.7
Octavio Victor R. Espiritu	NED	04/07/2000	04/03/2003	Annual Meeting	3.0
	ID	04/03/2003	04/25/2019		16.7
Rebecca G. Fernando	NED	10/18/1995	12/31/2007	Annual Meeting	12.2
	NED	03/31/2009	04/25/2019		10.8
	ED	03/10/1982	12/31/2004		22.8
Xavier P. Loinaz	NED	01/01/2005	03/30/2009	Annual Meeting	4.2
	ID	03/31/2009	04/25/2019		10.8
Aurelio R. Montinola III	ED	01/12/2004	04/17/2013	Annual Meeting	9.3
	NED	04/18/2013	04/25/2019		6.7
Mercedita S. Nollo	NED	11/20/1991	04/25/2019	Annual Meeting	28.0
Antonio Jose U. Periquet	ID	04/19/2012	04/25/2019	Annual Meeting	7.7
Maria Dolores B. Yuvenco	NED	04/10/2014	04/08/2015	Annual Meeting	1.7
	ID	04/15/2015	04/25/2019		4.7
Jose Teodoro K. Limcaoco	NED	02/20/2019	04/25/2019	Annual Meeting	0.8
Eli M. Remolona, Jr.	ID	04/25/2019	04/25/2019	Annual Meeting	0.7

*Cut-off date is December 31, 2019.
**Type: Executive (ED), Non-Executive (NED), Independent (ID)
***Based on Type of Director

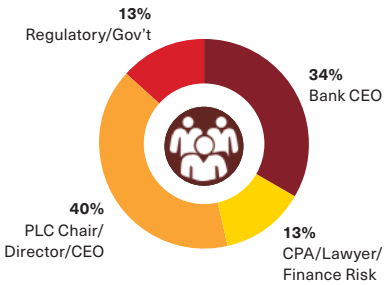
Diversity

The Bank’s Board Diversity Policy, adopted in 2015, underscores diversity at the Board level as an essential element of sound corporate governance, risk management, sustainable and balanced development, and effective business strategy.

Our leadership model ensures an appropriate balance of power, accountability, and independence in decision-making.

Diversity—in terms of gender, age, cultural background, education, professional experience, engagement in sustainability and ESG initiatives, skills, knowledge, length of service, and other regulatory requirements—is duly considered in the design and selection of the Board’s composition. (Recommendation 1.4 of the SEC CG Code for PLCs)

Skills & Experience



The business of banking is not simply a game of numbers, loan and deposit volumes, and money transactions. It is the business of building trust and continually winning that trust even as customer needs and preferences, the industry, products and services, and the regulatory regime seem to evolve overnight. Only a skillfully put together, diverse, and well-composed Board can accomplish the challenge of marrying this underlying sense of purpose with the passion and bias to action needed to move towards that vision.

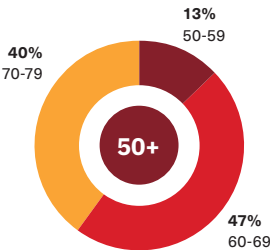
Apart from the President and CEO, BPI has four former bank CEOs on its 2019 Board who not only collectively provide a wealth of technical, banking, and risk management experience but, more importantly, also embody prudent judgment and integrity characterized by sound decision-making and professionalism. As bank CEOs, they are also hardwired to understand what matters in the business and driven to build strategies to win that trust. (Recommendation 1.1, SEC CG Code for PLCs)

Two-fifths of the Board are directors of publicly-listed companies that include business leaders at the helm of the country’s top companies and conglomerates. Unchallenged in their depth of understanding and appreciation of what the Bank needs to do to continue its 168-year legacy as the principal architect of the country’s financial inclusion landscape, they also safeguard its listed status, protect shareholder rights, and strengthen investor relations.

Over a quarter of the Board are astute professionals who can best assess and evaluate the risk and control policies, processes, and systems of the Bank. Including the five bank CEOs and directors with regulator experience, about 70% of the Board are equipped with specialist and generalist experience, training, and education to guide the most critical functions in the Bank.

Last but not least, a healthy respect and cautious, heedful, and constructive regulatory perspective is also brought onboard by 13% of the directors.

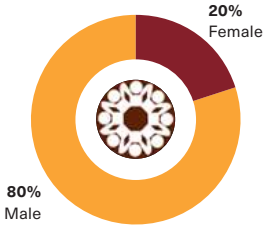
Age Diversity



The Board recognizes that age diversity is an important factor to achieving diversity of thought. Its experienced directors bring to the Board the benefit of having seen several business cycles and thus provide unique perspective and insight. The Board also values having younger directors, who may be better attuned to the rapidly evolving environment, particularly when it comes to disruption and digitalization of financial services. But while the business landscape is always changing and fine-tuning the composition of company boards to

include younger directors may help a board stay more relevant, the BPI Board also puts great value on the top two most prevalent skills of board members between the ages of 60 and 79: finance and governance¹. Eighty-seven percent of the directors on the BPI Board fall in this age range.

Gender Diversity

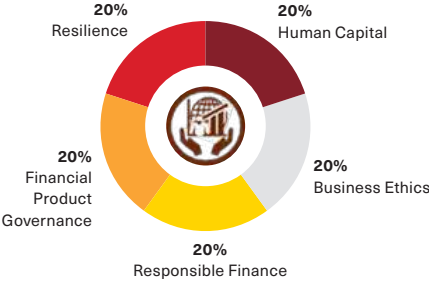


The Bank believes that setting a target quota with respect to gender parity, runs contrary to deeply held meritocratic principles and will fail to rebalance the organization’s Board in a manner that reflects the up-to-date operating requirements of the Bank, current resource levels for director talent, and long-term interests of the shareholders.

Nevertheless, the Board strives to ensure that there is appropriate representation of women, and female Independent Directors. (Recommendation 1.4 of SEC CG Code for PLCs)

In 2019, 3 out of 15 or 20% of the Board was comprised of women, which included one Independent Director. Best global practice recommends at least three female directors in a 7-member or larger board.

ESG Involvement



Based on global surveys on the environmental and social profile and vulnerabilities of companies in financial services, the key ESG issues for the banking sector include: Resilience, Business Ethics, Responsible

¹ <https://corpgov.law.harvard.edu/2018/04/04/how-board-skills-vary-by-director-age-groups/>

Finance, Financial Product Governance, and Human Capital. Composition of our 2019 Board shows that there is an equal distribution of our directors with respect to their skills, work experience, background and current involvement, knowledge and understanding of these key ESG issues, and preferences of stakeholders.

Our full Board Diversity Policy may be read on our website at www.bpi.com.ph.

Security Ownership of Directors and Officers. Public trust in a company and by the markets where its securities trade in, largely depends on the existence of an accurate disclosure regime that provides transparency in the beneficial ownership and control

structures of the company. The Bank understands that disclosure of such information is important in detecting and preventing tax evasion, corruption, money laundering, terrorist financing and other unlawful activities and guards against conflicts of interest in companies, which may have concentrated ownership and where there may be controlling beneficial owners with large voting blocks. None of the members of the Bank’s Board of Directors and management owns 2.0% or more of the outstanding capital stock of the Bank. (Recommendation 8.2 SEC CG Code for PLCs)

As of December 31, 2019, the following are known to BPI to be directly the record and/or beneficial owners of BPI voting securities:

Title of Class	Name of Beneficial Owner	Position	Dec 2018		Dec 2019		Nature of Ownership (D) Direct (I) Indirect	Citizenship
			No. of Shares	% of Holdings	No. of Shares	% of Holdings		
Common	Jaime Augusto Zobel de Ayala	Chairman, NED	9,628	0.00%	9,628	0.00%	D	Filipino
Common	Fernando Zobel de Ayala	Vice-Chair, NED	137	0.00%	89,137	0.00%	D	Filipino
Common	Cezar Peralta Consing	ED, President & CEO	2,159,099	0.05%	2,659,099	0.06%	D	Filipino
Common	Gerardo Cinco Ablaza, Jr.	NED	193	0.00%	193	0.00%	D	Filipino
Common	Romeo Lopez Bernardo	NED	12	0.00%	12	0.00%	D	Filipino
Common	Ignacio Rivera Bunye	ID	118,032	0.00%	118,032	0.00%	D	Filipino
Common	Octavio Victor Reyes Espiritu	ID	1,225,110	0.03%	1,225,110	0.03%	D	Filipino
Common	Rebecca Guanco Fernando	NED	20	0.00%	20	0.00%	D	Filipino
Common	Delfin Carballo Gonzalez, Jr.*	NED	25,935	0.00%	N/A	N/A	D	Filipino
Common	Jose Teodoro Katigbak Limcaoco**	NED	N/A	N/A	11,416	0.00%	I/D	Filipino
Common	Xavier Pardo de Tavera Loinaz	ID	3,938,203	0.09%	3,938,203	0.09%	D	Filipino
Common	Aurelio Reyes Montinola III	NED	1,794,863	0.04%	1,794,863	0.04%	D	Filipino
Common	Mercedita Santiago Nollado	NED	59,502	0.00%	59,502	0.00%	D	Filipino
Common	Antonio Jose Uy Periquet	ID	25,221	0.00%	25,221	0.00%	D	Filipino
Common	Eli Mendiola Remolona, Jr.***	ID	N/A	N/A	10	0.00%	D	Filipino
Common	Maria Dolores Bordador Yuvienco	ID	5,813	0.00%	5,813	0.00%	D	Filipino
SUB-TOTAL			9,361,768	0.21%	9,936,259	0.22%		

*Board member until 25 April 2019.
** Elected as Board member effective 20 February 2019
***Elected as Board member effective 25 April 2019
N/A Not Applicable, not a Director as of the period

Title of Class	Name of Beneficial Owner	Position	Dec. 2018		Dec 2019		Nature of Ownership (D) Direct (I) Indirect	Citizenship
			No. of Shares	% of Holdings	No. of Shares	% of Holdings		
Common	Antonio V. Paner	EVP & Treasurer	153,489	0.00%	221,564	0.00%	D	Filipino
Common	Ramon L. Jocson	EVP & COO	13,783	0.00%	13,783	0.00%	D	Filipino
Common	Maria Theresa Marcial Javier	EVP & CFO	20,994	0.00%	262,994	0.01%	D	Filipino
Common	Simon R. Paterno	EVP	5,675	0.00%	N/A	N/A	D	Filipino
Common	Marie Josephne M. Ocampo****	EVP	N/A	N/A	274,692	0.01%	D	Filipino
Common	Juan Carlos L. Syquia	EVP	1,982	0.00%	1,982	0.00%	D	Filipino
SUB-TOTAL			195,923	0.00%	775,015	0.02%		
TOTAL			9,557,691	0.21%	10,711,274	0.24%		

****Ms. Marie Josephine M. Ocampo was promoted to the rank of EVP effective September 01, 2019.
N/A Not Applicable, not an Officer as of the period

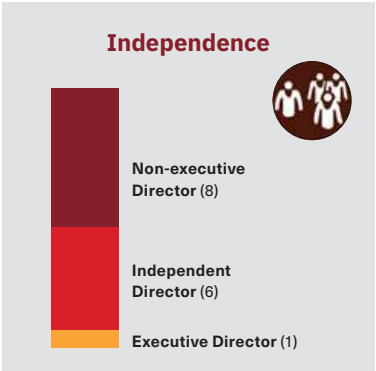
Independence

Independence is paramount for the BPI Board and key to engendering public trust. To ensure that the Board is able to maintain fairness, integrity, and balance among all stakeholder interests, Non-Executive Directors, which include Independent Directors, comprise 14 or 93% of the 15-member Board.

At the Bank’s 2019 ASM, six out of the 15–member board elected were classified as Independent, or having no interest or relationship with BPI at the time of election, appointment, or re-election. Fourteen or 93% of the Board were Non-Executive Directors, who are not involved in the day-to-day management of banking operations. (Recommendation 1.2, 5.1 of SEC CG Code for PLCs)

BPI also exceeds both the minimum BSP regulatory and the SEC CG Code requirements for the number of Independent Directors in its Board, who must make up at least one- third and not less than two. In 2019, with six Independent Directors comprising 40% of membership, the Board continues to operate with significant independence. (Recommendation 5.1 of SEC CG Code for PLCs)

The Bank also ensures compliance with the qualifications and requirements for Independent Directors as defined under the provision of SRC Rule 38 of the Securities Regulation Code, as amended, and as mandated in the BSP Manual of Regulations for Banks. In this regard, the Bank submits the required certifications of its Independent Directors annually to the BSP for confirmation of the election or appointment. (Recommendation 5.2 of the SEC CG Code for PLCs)



Powers of the Board of Directors. As stated in the BSP Manual of Regulations for Banks, the corporate powers of a bank shall be exercised, its business conducted, and all its property controlled and held by its Board

of Directors. The powers of the Board of Directors, as conferred by law, are original and cannot be revoked by the stockholders. The Directors hold their office, charged with the duty of exercising sound and objective judgment for the best interest of the Bank.

Duties and Responsibilities. The Board bears the primary responsibility for creating and enhancing the long-term shareholder value of BPI, and generating reasonable and sustainable returns on shareholder capital by, among others, reviewing and approving the Bank’s mission, vision, strategies and objectives; appointing senior executives and confirming organizational structures; approving enterprise- wide policies and procedures; monitoring business and financial performance; overseeing risk management frameworks and risk appetite; and fostering regulatory compliance.

Our Directors have healthy communication lines across various levels and functions within the Bank and the BPI group. In particular, BPI Directors who also sit on the boards of the Bank’s subsidiaries or affiliates have first- hand access and insight into their operations and business activities, which allows for better assessment of Bank strategy and performance.

Nomination and Selection. Following the Bank’s Amended By-Laws, Manual on Corporate Governance, Board Diversity Policy, Board and Committee Charters, rules provided for by the regulators (SEC, BSP and PSE) as well as the Corporation Code, all written nominations for directors are submitted to the Nomination Committee. These may be presented not later than the date prescribed by law, rules and regulations or at such earlier or later date before the date of the next annual meeting of the stockholders. All recommendations shall be signed by the nominating stockholders together with the written acceptance and conformity of the would-be nominees.

Our shareholders, including minority shareholders, may recommend candidates for board membership for consideration by the Nominations Committee. Such recommendations are sent to the Committee through the Office of the Corporate Secretary. Candidates recommended by shareholders are evaluated in the same manner as Director candidates identified by any other means. The Committee itself may identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee may utilize professional search firms and other external groups to search for qualified candidates. Members of the Committee recuse themselves in case of deliberations on their re-nomination. (Recommendation 2.6 of SEC CG Code for PLCs)

In 2019, in accordance with the resolution of the Board of Directors of the Bank dated December 19, 2018, disclosed and reported to PSE and SEC, all nominations for election of Directors for the term 2019-2020 were required to be submitted to the Corporate Secretary not later than March 08, 2019. As of said date, there were only 15 nominees to the Board received by the Corporate Secretary. All the nominees confirmed their acceptance of said nomination. Ms. Rebecca G. Fernando was nominated by the Roman Catholic Archbishop of Manila and the rest of the nominees were formally nominated by Atty. Santiago L. Garcia, Jr., a long time stockholder of BPI who is not related to any of the nominees including the nominees for independent director. The nominations were subsequently processed and evaluated by the Nomination Committee of the Bank in a meeting called for that purpose. It was determined by the Committee that all the nominees (both regular Directors and Independent Directors) possess all the qualifications required by relevant law, rules, regulations and BPI's By-Laws and Manual on Corporate Governance and no provision on disqualification would apply to any of them. None of the nominees, directors and officers of the Bank works for the government.

Evaluation Process. In the case of incumbent directors, the Nomination Committee reviews each director's overall service during his or her current term, including the number of meetings attended, level of participation, quality of performance, and, if any, transactions between the director and the Bank. Apart from the annual accomplishment reports of all board-level committees, inputs to the Committee review include, but are not limited to, the results of the regular board self-assessment, updated directors' biographies, written affirmation to the BPI Director's Code of Conduct and Manual on Corporate Governance, and relevant disclosures such as conflicts of interest or related party transactions, if any.

In the case of new director candidates, the Committee first determines whether the nominee must be independent under SEC and BSP rules, then identifies any special needs of the current Board. The Committee then conducts a candidate assessment for a high level of personal and professional integrity, as well as to assess the nominee's likely level of commitment to the organization, availability, other external commitments and possible conflicts of interest. The Committee also examines if there is mutual fit and gauges the candidate's interest and conscientiousness to determine if he or she is suitable for the Board. This may include face-to-face meetings and interviews. Beyond the selection criteria, the Committee also vets candidates based on their full and voluntary disclosure. Considering

that today's data trails can produce volumes of digital information on director candidates, it has become imperative for candidates themselves, to be forthright with relevant news articles, company reports, legal filings, as well as social media profiles, especially if there may be potential issues, résumé discrepancies and the like.

Selection Criteria. The Board, through the Nomination Committee, ensures the Fit and Proper requirements for the position of a director of a bank and assesses candidates in terms of integrity or probity, competence, education, diligence and experience or training. These are dictated by Banking Laws, BPI's Amended By-Laws, Manual on Corporate Governance, Board Diversity Policy, Board and Committee Charters, the rules and regulations of the SEC, BSP and PSE as well as the Corporation Code. A Skills and Expertise matrix prepared by the Corporate Governance Committee also provides recommendations for the desired competency profile of the Board, which includes the alignment of qualifications with the strategic direction of the Bank. The Board also reviews candidate directors with respect to their skills, engagement and past or present work or board experience that considers ESG factors. (Recommendation 1.1, 2.6 of the SEC CG Code for PLCs)

BPI complies with the BSP, SEC and PSE Fit and Proper criteria and requirements for the position of a director. The General Banking Law of 2000 (R.A. No. 8791) provides the BSP with powers to prescribe, pass upon, and review the qualifications and disqualifications of individuals elected or appointed as bank directors or officers and the power to disqualify those found unfit for positions of bank directors and officers.

Election of Directors. The Nominations Committee pre-screens the candidates and prepares a final list of candidates prior to the ASM. Only nominees whose names appear on the final list of candidates are eligible for election to the Board. No other nomination shall be entertained after the final list of candidates are drawn up. No nomination shall be entertained or allowed on the floor during the ASM.

The Bank's Amended By-Laws state that elections for the Board of Directors will be held yearly during the ASM. Voting for the election of members of the Board of Directors is considered on a poll, by shares of stock, that is, one share entitles the holder to one vote, two shares to two votes. Votes may be cumulated as provided for in the Corporation Code. The fifteen nominees receiving the highest number of votes are declared elected.

Electronic Voting in Absentia. In its meeting held on March 20, 2019, the Board approved Management's recommendations for BPI to provide the Bank's stockholders with the option to vote in absentia in the 2019 Annual Stockholders' Meeting and to amend the Bank's By-Laws to, among others, provide for the said right. Hence, at the April 25, 2019 Annual Stockholders' Meeting, BPI stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code.

No meeting of stockholders shall be competent to transact business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day or until such time as may be deemed proper. The Rules of Conduct, voting and vote tabulation procedures are explained during the ASM. The Office of the Corporate Secretary tabulates all votes received and the Bank's external auditor validates the results. Voting results are likewise disclosed on the various exchanges where BPI's capital market issuances are traded and the company's website as soon as possible after the meeting. These are discussed in much greater detail in the section of the BPI Integrated Report on Shareholder Rights and Engagement.

The election and appointment of directors and officers, which includes the Chairperson of the Board, of banks such as BPI, must also be confirmed by the Monetary Board of the BSP. Elected or appointed directors and officers must submit required certifications and other documentary proof of qualifications for the confirmation of their election or appointment.

The nomination and election processes and their effectiveness, are reviewed annually by the Nomination Committee during its review of the committee charter and its self-assessment, by its members, of committee performance. (Recommendation 2.6 of SEC CG Code for PLCs)

In adherence to Recommendation 2.6 of the SEC CG Code for PLCs, these nomination and election policies are disclosed in the Bank's Manual on Corporate Governance as well as on the company website.

For more information, please read further on the Nomination Committee Charter at www.bpi.com.ph.

Term of Directors. Directors are to hold office for a term of one year immediately upon their election and until the next election when their successor shall have been elected and qualified in accordance with the Bank's

Amended By-Laws and the Corporation Code. In case any vacancy or vacancies should occur on the Board during the period between two ASMs, due to death, resignation or other causes, except removal, the remaining members of the Board, if still constituting a quorum, may fill said vacancy or vacancies by electing from among the stockholders. The stockholder or stockholders so elected shall act as a member or members of said Board until the election of a new Board of Directors.

Policy on Directorships. With a rigorous nomination process, close monitoring and reporting of board and committee meeting attendance, an annual performance evaluation which includes affirmative determination of time commitments and an annual review of board committee chairmanships and memberships, adequate safeguards against over boarding or over commitment are in place. In adherence to Recommendation 4.3 the SEC CG Code for PLCs, directors must notify the Board of their intention to accept a directorship in another company. In this respect, the Board policy on directorships currently sets twenty-five (25) directorships as an acceptable upper limit for board service.

BPI directors are bound by the Board of Director's Code of Conduct to take into account their individual circumstances and the nature, scale and complexity of the Bank's activities in showing full commitment. They should be able to devote the time, schedule and attention necessary to its business interests, to properly and effectively perform their duties and responsibilities, to avoid conflicts of interest, and to affirm this in writing annually.

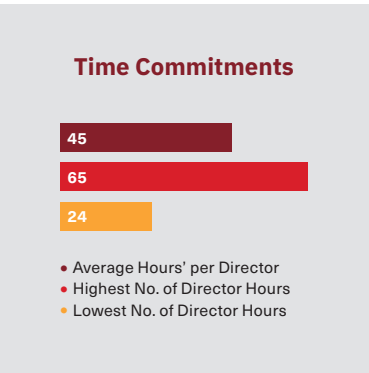
A lower limit in the number of directorships would reduce the pool of interested and qualified director candidates and increase difficulty in finding and retaining the most effective directors. The Bank also benefits greatly from stewardship of experienced directors who serve on other boards and provide guidance and independent perspective on multi-faceted issues, and complex, strategic concerns in banking.

The Bank also applies a limit of five on directorships of Non-Executive Directors and Independent Directors in publicly-listed companies and within conglomerates. (BSP Cir. 969 and Recommendation 4.2 SEC CG Code for PLCs). Application of the policy on directorships shall not impinge on or violate a shareholder's ownership rights and legal right to vote and be voted upon as directors.

The Bank also complies with the relevant provisions of the Manual of Regulations for Banks on interlocking directorships. The Board regularly reviews interlocking board memberships to determine whether any of these

create real or possible conflicts of interest or impair the ability of the involved directors to exercise independent judgment.

Time Commitments. A thematic review of BPI directors’ time commitments, including a granular analysis of Board and Committee packs and minutes, shows that the total aggregate professional time commitment of all directors on the BPI Board runs in excess of 630 hours a year, not including their commitments, if any, on other boards or organizations. On the other hand, the base time commitment of an individual director on the BPI Board is, on average, in the order of over 45 hours a year. Both figures do not include the significant time commitments of the directors for preparation and review of documents for Board and Committee meetings, continuing education and training, and engagement with the executive team and stakeholders as needed. Factoring these in may easily double the estimated time spent in the performance of their duties and responsibilities as Director.



The total aggregate professional time commitment of all directors on the BPI Board as well as their base time commitments compares very favorably with peers and industry averages, ensuring that BPI directors are able to fulfill their Board roles to an appropriate standard and that the BPI Board’s quality of performance as a body, is high. In contrast, much higher levels of time commitment and committee memberships are regarded as risk indicators which triggers close monitoring and reassessment of directors’ commitments.

Majority of our Independent Directors hold no more than two board level committee memberships each. Further, on average, most of our directors on the BPI Board hold no more than two board-level committee memberships each as well. Best practice surveys dictate having no more than two committees per director as “busy” boards and directors tend to have worse long-term performance and oversight. This is especially important for Independent Directors who are mandated under BSP Cir. 969 to chair or be members of the risk and control board-level committees.

In its own annual board effectiveness self-assessment exercise, BPI directors’ time commitments are also reviewed to ensure that these are maintained at a level that allows legal obligations and responsibilities as board and committee members to be met and mitigates the potential risk that governance standards may be weakened. This strength was validated in the board effectiveness exercise conducted for the year 2019. (Recommendations 4.1, 4.2 and 4.3 of the SEC CG Code for PLCs)

Director Education and Training. The Board policy, as stated in the Manual on Corporate Governance, is to ensure that directors acquire appropriate skills upon appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks through in- house training and external courses.

In adherence to Recommendation 1.3 and 1.5 of the of the SEC CG Code for PLCs, the Office of the Corporate Secretary, together with the Bank’s Corporate Governance Department, Compliance Division, ensures that the Board of Directors, in their own capacity or as sponsored by the Company, are able to attend the requisite programs, seminars and roundtables with accredited service providers during the year.

Continuing education of Board members includes internal meetings with senior executives and operational or functional heads, dedicated briefings on specific areas of responsibility within the business and special presentations on current issues or regulatory initiatives with respect to Data Privacy, Cyber Risk and Cyber Security, the Anti- Money Laundering and Terrorism Financing Prevention Program, Foreign Account Tax Compliance Act, Securities Regulations Code, Sustainability Issues and ESG Reporting, SEC memorandum circulars, and BSP regulations, among others.

The Bank brings in technical, subject matter experts as needed. Board members also regularly attend governance fora, conferences, and summits. New Directors are briefed on BPI’s background, organizational structure, and, in compliance with BSP Circular No. 758 on general and specific duties and responsibilities of the Board. They are given an overview of the industry, regulatory environment, business of banking, strategic plans of the Bank, its governance framework, i.e., Manual on Corporate Governance, Director’s Code of Conduct, Board operations (schedules, procedures and processes), including support from the Corporate Secretary and senior management. (Recommendation 1.3, 2.1 of the SEC CG Code for PLCs). New directors are required to certify under oath that they have received a copy of the general responsibility and specific duties

and responsibilities of the Board and of a Director. This certification is also submitted to the BSP together with the certification on their qualifications as a director.

The following table shows the training received by the Board of Directors:

Director	2018	2019
Jaime Augusto Zobel de Ayala	Annual CG Training conducted by the Institute of Corporate Directors (ICD) on September 10	Advanced CG Training conducted by the ICD on August 09
Fernando Zobel de Ayala		
Gerardo C. Ablaza, Jr.		
Maria Dolores B. Yuvienco		
Ignacio R. Bunye		
Octavio Victor R. Espiritu		
Mercedita S. Nollado		
Rebecca G. Fernando		
Xavier P. Loinaz	Advanced CG Training conducted by the ICD on October 5	
Aurelio R. Montinola III		
Romeo L. Bernardo		
Cezar P. Consing		
Jose Teodoro K. Limcaoco		
Antonio Jose U. Periquet	Distinguished CG Speaker Series conducted by ICD on February 13	Corporate Governance Training conducted by GGAPP on July 17
Eli M. Remolona, Jr.		Corporate Governance Orientation Program conducted by ICD on November 19

Remuneration

BPI’s remuneration decisions for the Board and management are aligned with risk incentives and support sustainable, long-term value creation. Apart from ensuring that Board and management pay appropriately reflects industry conditions and financial performance, the Bank likewise rebalances returns back to shareholders through consistent dividend declaration.

Under the Bank’s Amended By-Laws, as approved by the shareholders, the Board, as a whole, determines the level of remuneration and/or benefits for directors sufficient to attract and retain directors and compensate them for their time commitments and responsibilities of their role. (Recommendation 8.4 of SEC CG Code for PLCs)

Our Personnel and Compensation Committee recommends to the Board the fees and other compensation for directors, ensuring that compensation fairly remunerates directors for work required in a company of BPI’s size and scope. As provided by our Amended By-Laws and pursuant to a Board resolution, each director is entitled to receive fees and other

compensation for his services as director. The Board has 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 the Board exceed 1% of the Bank’s net income before income tax during the preceding year.

Board members receive per diems for each occasion of attendance at meetings of the Board or of a board committee. All fixed or variable remuneration paid to directors may be given as approved by stockholders during the ASM, upon recommendation of the Personnel and Compensation Committee. Other than the usual per diem arrangement for Board and Committee meetings and the aforementioned compensation of Directors, there is no other standard arrangement as regards compensation of directors, directly or indirectly, for any other service provided by the directors for the last completed fiscal year.

Board members with executive responsibilities within the BPI group are compensated as full-time officers of the company, not as Non-Executive Directors.

No director participates in discussions of the remuneration scheme for himself or herself. Historically, total compensation paid annually to all directors has been significantly less than the cap stipulated by the Bank’s Amended By-Laws. The remuneration policy is reviewed annually to ensure that it remains competitive and consistent with the Bank’s high-performance culture, objectives, and long-term outlook, risk assessment and strategies. This relationship between remuneration and performance, which aligns remuneration of the Board of Directors with the long-term interests of the Bank, is in adherence to Recommendation 2.5 of the SEC CG Code for PLCs.

In 2019, BPI’s Board of Directors, as a whole, received a total of Php 69.63 million as fees and other compensation for the services they rendered.

These principles of paying competitively and paying for performance applies equally to our Board and senior executives as it does to the rest of the Banks’ employees and staff. Senior management and staff remuneration must reflect the interests of the shareholders and the Bank, and is structured to encourage the long-term commitment of the employee as well as long-term outlook and plans of the Bank. (Recommendation 2.5 of SEC CG Code for PLCs). Factors considered include revenues, volume, earnings, earnings per share (EPS), Return on Equity (ROE), Return on Assets (ROA), capital strength, risk containment, corporate governance, customer satisfaction, adherence to corporate values, contributions both to operating unit and company- wide achievement, including any ESG factors which may be

relevant to the evaluation of an employee’s performance in the context of the sustainability objectives of the Bank. We are also committed to making adjustments to remuneration to reflect the challenge of attracting, retaining and competitively rewarding key staff with the ability, experience, skills, values and behaviors to deliver bank goals. In this respect, salary surveys conducted by external compensation consultants are also used as references for employee salary benchmarking purposes.

Remuneration for our most senior officers, as reflected in the ratio between fixed and variable components of their total compensation, changes according to performance, rank and function. (Recommendation 8.4 of SEC CG Code for PLCs). Apart from the aforementioned key performance indicators, the Bank ensures that senior management remuneration and incentives reflect prudent risk-taking and effective control. Salary reviews (covering fixed and variable compensation) are done annually to ensure market competitiveness of the officer’s total remuneration. The Bank also participates in Executive and Total Remuneration Surveys to benchmark on its market positioning. Other remuneration policies include:

- All salary programs are subject to the approval of the Personnel and Compensation Committee (PerCom) and the Board.
- An annual merit increase may be granted upon Management discretion based on the Officers’ performance.
- Upon Management’s discretion, a performance bonus may be given in a year, based on the performance and contribution of the individual in the attainment of the over-all Company goals. This is subject to the endorsement of the PerCom and approval of the Board.
- The Board, through the PerCom, has established long- term incentive programs, the Executive Stock Option Plan (ESOP) and Executive Stock Purchase Plan (ESPP), which give officers the opportunity to buy shares of stock in BPI at a discounted price. (Recommendation 2.5 SEC CG Code for PLCs). Details on the ESOP and ESPP can be found in Note 18 of the Audited Financial Statements.

In 2019, the level of remuneration for the most senior executive officers of the Bank is as follows:*

Name	Salary*	Bonuses*	Other Salary
Cezar P. Consing, <i>President & CEO**</i>	P160,300,573.10	P82,552,300.00	None
Antonio V. Paner, <i>EVP & Treasurer</i>			
Ramon L. Jocson, <i>EVP & Chief Operating Officer</i>			
Maria Theresa Marcial Javier, <i>EVP & Chief Finance Officer</i>			
Juan Carlos L. Syquia, <i>EVP***</i>			

* In as much as corporate governance best practices recommend that remuneration of the top five key officers be individually disclosed, the Bank believes that it would be disadvantageous to do so because of the competitiveness and high demand for talent in the industry.

** The President and CEO/Executive Director receives remuneration as Officer and not as Executive Director of the Company. There are no other Executive Directors other than the President and CEO.

*** Mr. Juan Carlos L. Syquia was promoted to the rank of EVP effective January 1, 2019.

Meetings and Attendance

Our directors make significant time commitments, not only in preparing for and attending Board and Board Committee meetings, but also to initial induction, continuing education, training, and engagement with the executive team and stakeholders as needed. (Recommendation 4.1 of the SEC CG Code for PLCs)

The Board conducts business through meetings of the Board and its committees for the effective discharge of its obligations. Regular board meetings are convened monthly, scheduled at the beginning of the year to cover the full term of the newly elected or re-elected members of the Board, reckoned from the date of the current year’s ASM to that of the following year. Special meetings may be called for as needed.

Board Meetings in 2019 were held on the following dates:

Date of Meeting	Nature of Meeting
January 16	Regular
February 20	Regular
March 20	Regular
April 25	Regular
April 25	Organizational
May 15	Regular
May 29	Special
June 19	Regular
July 17	Regular
August 20	Regular
August 29	Special
September 18	Regular
October 16	Regular
October 24	Special
November 20	Regular
December 13	Strategic Planning
December 18	Regular

Items placed on the board agenda are those that have the most fundamental importance and broad policy implications for the Bank. Directors are free to suggest items for inclusion in the agenda, and are free to raise at any board meeting subjects that are not on the agenda for that meeting. At the Chairman’s discretion, any agenda items may also be referred for discussion in the respective committees.

The Chairman presides over meetings of the Board. The Vice Chairman presides in the absence of the Chairman. Board and committee meetings are conducted consistent with the Bank’s Amended By-Laws.

In 2019, average attendance of re-elected and newly-elected members at the Board’s 17 meetings was 98.5%. When exigencies prevent a Director from physically attending a Board or Board committee meeting, facilities for telephone conferencing are made available. In instances when a Director is unable to attend meetings even through teleconferencing due to prior commitments or unavoidable events, the said Director provides input to the chairman so that his views can be known and considered.

No. of Meetings Attended in 2019		
Name	Attended/Total	In Percentage (%)
Jaime Augusto Zobel de Ayala Re-elected	16/17	94%
Fernando Zobel de Ayala Re-elected	16/17	94%
Cezar P. Consing (ED) Re-elected	17/17	100%
Gerardo C. Ablaza, Jr. Re-elected	16/17	94%
Romeo L. Bernardo Re-elected	17/17	100%
Ignacio R. Bunye (ID) Re-elected	17/17	100%
Octavio Victor R. Espiritu (ID) Re-elected	17/17	100%
Rebecca G. Fernando Re-elected	17/17	100%
Delfin C. Gonzalez* Not Re-elected	4/4	100%
Jose Teodoro K. Limcaoco** Newly-elected	15/16	94%
Xavier P. Loinaz (ID) Re-elected	17/17	100%
Aurelio R. Montinola III Re-elected	17/17	100%
Mercedita S. Nolleto Re-elected	17/17	100%
Antonio Jose U. Periquet (ID) Re-elected	17/17	100%
Eli M. Remolona, Jr. (ID)*** Newly-elected	13/13	100%
Maria Dolores B. Yuvienco (ID) Re-elected	17/17	100%

*Board member until 25 April 2019.
** Elected as Board member effective 20 February 2019
***Elected as Board member effective 25 April 2019

Minutes of Board and committee meetings are prepared with due regard to legal requirements. Key points and decisions taken have been summarized. The Board generally acts by consensus rather than on an adversarial basis, so that abstentions and rare instances of formal dissent are duly recorded. Further, members of the Board take the initiative to have high-level discussions outside the Board meetings, including separate discussions with Senior Management on its proposals. The Chairman of the Board likewise ensures that there is a fair and honest exchange of ideas and opinions by and between the Directors and Senior Management in board meetings.

Discussions during board meetings are open and independent views are given due consideration. When necessary, the Board holds executive sessions to discuss highly sensitive matters.

Board reference materials are made available to the directors at least five days before the scheduled meeting. As an innovation to board governance, all materials for Board and Board committee meetings are uploaded

through a secure system onto individual tablet devices specifically provided to the Board members to ensure immediate receipt and quick access.

Non-Executive Directors (NED) Meeting. Independent and Non-Executive Directors of the Bank also meet at least once a year without the presence of the executive director or management.

The Bank's Non-Executive Directors conducted a separate meeting on November 20, 2019 to discuss ongoing initiatives and semestral performance of the risk management, internal audit and compliance units of the Bank. The meeting was chaired by the Bank's appointed Lead Independent Director. Aside from the NEDs present, the meeting was also attended by the BPI control heads – Chief Risk Officer, Chief Audit Executive and Chief Compliance Officer. The external auditor was also in attendance.

Members of the Board appreciate the high level of commitment required of a Director. As evident in the annual board self-assessment, each of the members has committed sufficient time to his/her board and committee responsibilities and has contributed meaningfully to BPI.

Quorum. The minimum quorum requirement for board decisions is set at a two-thirds (2/3) of Board members as provided by the Bank's Amended By-Laws. In November 2019, the Board approved the amendment of the company By-Laws to, among others, raise the minimum quorum at any meeting for the transaction of corporate business from a majority to two-thirds (2/3) of the members of the Board of Directors. Any meeting for the transaction of corporate business, and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act, unless otherwise provided in the Amended By-Laws.

Access to Information

The Board needs to have the right information at the right time, so that it can engage deeply on how the business is operating, how the executive team is performing and provide the proper check and balance.

The Board has separate and independent access to the Corporate Secretary, who serves as adviser to the directors on their responsibilities and obligations and oversees the adequate flow of information to the Board prior to meetings (Recommendation 1.5 of the SEC CG Code for PLCs). To provide directors with all the information and assistance necessary to prepare for

meetings or obtain clarification for any relevant matters, this access to the Corporate Secretary is unhampered, unlimited and direct. Directors may simply request such information by phone, email, written communication or in person, from the Corporate Secretary who in turn will give them all the information and assistance they will need to prepare for the meeting or clarification of any relevant matters.

Our management also ensures adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and related documents, budgets, forecasts and monthly internal financial statements. In this respect, all directors also have access to advice from senior management including C-Suite officers such as the Chief Operating Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, Chief Human Resources Officer, Chief Information Officer, and Chief Compliance Officer.

All directors and board committees also have unrestricted access to company records and information in addition to receipt of regular detailed financial and operational reports from senior management.

External Advice. Considering the increasing complexity of market transactions and rapid rate of change in the regulatory sphere, our Board, if requested by the Chairman or other directors, can call on external specialists or consultants for advice, briefings or assistance on specialized areas of focus such as accounting standards, related party transactions, capital, tax, listing, mergers and acquisitions, valuation, etc. Management can arrange for the external auditor, management services company or consultants to present to the Board and the Bank.

Role of the Corporate Secretary. Our Corporate Secretary, who is a senior, strategic-level corporate officer, not a member of the Board and a separate individual from the Chief Compliance Officer, plays a leading role in the Bank's corporate governance, and as such, attends corporate governance training annually. The Corporate Secretary's functions, as stated in the Bank's Amended By-laws and Manual on Corporate Governance, include:

- Serve as an adviser to the directors on their responsibilities and obligations;
- Keep the minutes of meetings of the stockholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;

- Keep in safe custody the seal of BPI and affix it to any instrument requiring the same;
- Have charge of the stock certificate book and such other books and papers as the Board may direct;
- Attend to the giving and serving of notices of Board and shareholder meetings;
- Be fully informed and be part of the scheduling process of other activities of the Board;
- Prepare an annual schedule of Board meetings, including the regular agenda, and put the Board on notice of such agenda at every meeting;
- Oversee the adequate flow of information to the Board prior to meetings. Materials for approval or for information shall be given to the members of the Board in advance prior to the date of meeting to give them the chance to study and ask questions if necessary, even before the meeting itself; and
- Ensure the fulfillment of disclosure requirements to the SEC and PSE

Our Corporate Secretary is suitably trained and experienced in legal, accountancy, or company secretarial practices and is professionally qualified for these responsibilities. The present Corporate Secretary possesses the legal skills of a chief legal officer whose training is complemented by business, organizational, human relations and administrative work skills. Our Corporate Secretary is also the Corporate Secretary of various BPI subsidiaries and affiliates.

See Appendix for the full biography of our Corporate Secretary.

Performance Evaluation and Self-Assessment

The Board annually conducts a self-assessment to ascertain the alignment of leadership fundamentals and issues, validate the Board's appreciation of its roles and responsibilities and confirm that the Board possesses the right mix of background and competencies. (Recommendation 6.1 of the SEC CG Code for PLCs)

Board of Directors. In this regard, the Board, under the guidance of the Corporate Governance Committee, thoroughly reviews its performance, measured on the basis of what it delivers and how it delivers, how it meets its responsibilities to all BPI stakeholders, and how it addresses issues that impact the Board's ability to effectively fulfill its fiduciary duties.

Using a widely-advocated standard evaluation method of self-assessment and feedback review, performance is assessed across four levels: the Board as a body, Board Committees, individual Directors, and President and CEO. Key evaluation criteria are built on the Board's terms of reference and committee charters, and framed around broad leadership fundamentals and best practices.

The Corporate Governance Committee processes and tabulates the results of the self-assessments and communicates them to the Board. Areas for improvement are discussed by the Board, in order to agree on remedial actions. The Corporate Governance Committee may also develop recommendations and action plans for the Board, whenever necessary and desirable. In adherence to Recommendation 6.1 SEC CG Code for PLCs the Board may also consider the use of an independent, external facilitator in the conduct of the Board self-assessment.

In this respect, the Board conducted its 2019 annual performance evaluation in early 2020. Directors assessed that the Board as well as its committees and individual directors had performed their duties and responsibilities effectively for the past year and that there were no material issues with respect to membership, governance, and operations. This also included an assessment of the President and CEO.

Third Party External Facilitator. In pursuit of best practices, the Bank also engaged a Third Party External Facilitator to conduct a separate Board Assessment covering the 2019 term. This was approved by the Corporate Governance Committee on August 26, 2019, and was subsequently endorsed to the Executive Committee which approved the same in its meeting on September 11, 2019.

Board Performance Evaluation and Self-Assessment (Recommendation 6.2 SEC CG Code for PLCs)

	Process	Criteria
Board of Directors	Self-Assessment by all directors 1. The board of directors shall be given sufficient time to accomplish the self-assessments. a. Each individual director performs the four (4) levels of self-assessment using the prescribed forms, applying the rating scale and predetermined evaluation criteria for each level. b. For the Board and Committee-level assessments, while the directors will be rating the board's or committee's performance as a body, the accomplishment of the assessment forms is meant to be done individually, on a per director basis. This is to secure an honest, unbiased, independent and anonymous view from each director rather than a collective assessment that may already be subject to filtering and pre-agreement. 2. Each director shall submit the completed forms on or before the deadline set by the Corporate Governance Committee or at such earlier or later date as the Board of Directors may agree upon. The Corporate Governance Committee processes the results of the assessments and communicates this to the board through a Summary Report.	1. Strategy and Effectiveness 2. Structure and Committees 3. Meetings and Procedures 4. Board and Management Relations 5. Succession Planning and Training 6. Performance Evaluation 7. Value Creation General and specific leadership standards under the above criteria are considered in evaluating the Board as a body such as: Adequacy of the processes which monitor business performance; board member interaction with management; adequacy of board knowledge; appropriateness of balance and mix of skills; size of board; contribution of individual board members; board's effectiveness in use of time; if board allows sufficient opportunity to adequately assess management performance; board's ability to keep abreast of developments in wider environment which may affect BPI; working relationship between chairman and chief executive officer; segregation of duties between board and management; ability of directors to express views on each other and to management in constructive manner, etc.
Board Committee	A. Self-Assessment by all Directors B. Submission of Accomplishment Reports to the Board by the different committees. In addition, the Audit Committee submits the "Self-Assessment in the Performance of the Audit Committee" to the SEC.	General and Specific factors relating to Committee organization, meetings, processes and procedures and overall effectiveness. 1. Committee role 2. Committee membership 3. Procedure and practice 4. Committee structure 5. Collaboration and style 6. Personal A sampling of factors under the above criteria include: Use of committee time; adequacy of committee papers and frequency of meetings; ability to access resources; ability to keep informed in relevant area; provision for continued development; working relationship between committee chairman and members; segregation of duties between committee and management; ability of directors to express views on each other and to management in a constructive manner, etc.
Individual Director	Each director is required to fill-up a Self-Assessment Form annually	1. Leadership, Vision, Mission and Values 2. Effective Governance 3. Strategic Thinking and Decision Making 4. Teamwork 5. Fulfillment of the Bank's Governance Attendance
CEO/President	Each director fills up an evaluation form based on the relevant criteria. These are then submitted to the Chairman. The CEO/ President's performance is also evaluated at least once a year by the Personnel and Compensation Committee and Executive Committee.	1. Leadership 2. Working with the Board 3. Managing Execution 4. Communication/External Relations

Skills and Expertise Matrix Board Term: 2019-2020	
Competency Area	Competencies (Skills, Experience, Attributes) ¹
Core Personal Attributes	History of ethical behavior (prior or current directorships in other publicly-listed companies or confirmation from regulatory bodies such as the BSP and SEC), availability (based on number of current directorships), relevant and distinguished professional career (as may be determined from bio-data).
Board/ Corporate Governance experience	Knowledge and experience in a system for the oversight of decision-making, actions and behavior and governance structures (as may be determined from candidate's bio-data/professional career); Commitment to high standards of corporate governance (prior or current directorships and if publicly-listed companies, classification as a director).
Executive Leadership/ Management Skills	Senior executive perspective of running a large organization or bank; Experience with stakeholder management. (as may be determined from bio-data/professional career)
Specialized Skills or expertise: - Accounting or Internal Control - Risk Management - Technology - Organizational Development - Public and Regulatory - Banking - Other	Qualified financial expert or education; Ability to understand financial statements, assess adequacy and integrity of financial controls and reporting. Knowledge of and experience with risk management models and methods. Experience in information technology systems, or experience in technology governance in the financial services industry Experience in organizational/talent development, including executive performance, change management, remuneration frameworks, etc. Experience in public and regulatory policy or working in government, public administration (as may be determined from bio-data/professional career, education and training)

CEO and Senior Management. As stated in the Bank’s Amended By-Laws and Manual on Corporate Governance, the board-level Personnel and Compensation Committee oversees the performance evaluation process within the Bank which includes annual review and approval of the corporate goals, strategic objectives and standards relevant to CEO, senior management and other key officers of the Bank. Performance is generally measured on the performance of the officer, a business unit, or the Bank as a whole, or using a combination of all as the executive’s responsibilities may dictate. (Recommendation 2.8, 2.9 SEC CG Code for PLCs)

The performance management framework considers strategies and goals or actual results of a given period’s business objectives and core competencies. It also looks into the behavior, technical competencies and soft skills exhibited by the officer during the period under review, as well as fitness and propriety. The performance of control function heads for audit, risk management and compliance are also evaluated by the Audit Committee and Risk Management Committee. (Recommendation 2.8, 2.9 SEC CG Code for PLCs)

The framework also follows a performance management cycle: Goal setting, Performance monitoring, Performance appraisal, Performance reinforcement and Performance improvement.

Succession Planning and Talent Management. Financial services today face many transformative factors— regulation, market disruption, new technologies and business models, competition—that affect the business in major and long-term ways. Our Board understands that the Bank must continually evolve, adapt, and even

¹ Section X142.3.a.(1) of the MORB as amended by BSP Circular 969 "Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions"

restructure the business to remain ahead of strategic, market, technology, and regulatory shifts. In the same way, the Board and senior management leadership must also respond to and anticipate future changes.

The Board is committed to a process of orderly succession and acknowledges that a succession plan for the Board and for its leadership positions is in the best interest of the Bank and its stakeholders who value the continuity in leadership. Leadership changes are not only carefully considered and planned, but are also part of a comprehensive risk management strategy that is guided by clear and transparent governance policies, processes and laws.

Board Succession. In this regard, our Board is regularly refreshed in a continuing cycle. The Nomination Committee and the Corporate Governance Committee work within a general board succession plan framework to ensure that: 1) appropriate governance processes are in place and ongoing, for identifying, assessing and monitoring future needs of the Board; 2) there is continuity and transfer of knowledge in the Board so that it may effectively fulfill its role and responsibilities to BPI, as that may evolve over time, and; 3) the Board is taking a prudent and structured approach to managing succession risk. (BSP Cir. 969 and Recommendation 2.4 SEC CG Code for PLCs)

The Corporate Governance Committee assists the Nomination Committee in the annual review and assessment of the structure, size and composition of the Board and Board-level committees. The committees take into consideration the Bank’s current strategy and business, regulatory requirements on independence and diversity, as well as comparative benchmark and peer group analysis.

Both committees also determine if there is reason to believe that one or more director slots shall become vacant in the following term of the Board of Directors or within the next 12 months after the current year’s ASM. In addition, the Nomination Committee considers the long-term strategic goals and directions as well as requirements of the Bank and other companies in the BPI group, moving forward. The Corporate Governance Committee may also review the Board’s forecasted membership requirements over the next three to five years, based on factors such as directorship limits for PLCs, diversity policy, retirement policy for directors, and term limits for independent directors. The Corporate Governance Committee also utilizes a Skills and Expertise Matrix to proactively shape board composition, identify competency gaps, if any, and build the desired or required competency profile against which candidate directors will be assessed. The Board, through the Nomination and Corporate Governance Committees, also considers candidate directors with respect to their skills, engagement and past or present work or board experience that considers ESG factors. Using a point system, succession planning priorities are then determined to guide the Nomination Committee in the assessment of candidates and in managing current and future requirements of the Board.

On February 20, 2019, the Board approved during its regular meeting the election of Mr. Jose Teodoro K. Limcaoco as Non-Executive Director of the Board. At the April 2019 BPI Annual Stockholders’ Meeting, Mr. Eli M. Remolona, Jr. was elected as an Independent Director.

Senior Management Succession. The Board, through its PerCom, manages the talent pipeline and assembles the required personnel capable of navigating such changes. In consultation with the President and CEO, the PerCom reviews the Bank’s talent development process for proper management. Senior management provides a report to this Committee on the results of its talent and performance review process for key management positions and other high-potential individuals. Aside from ensuring that there is a sufficient pool of qualified internal candidates to fill senior leadership positions, this review process identifies opportunities, performance gaps, and proactive measures in the Bank’s executive succession planning. As part of the same executive planning process, the Committee as a whole or a part thereof, in consultation with the Board and the President and CEO, evaluates and nominates potential successors to the President and the CEO. (Recommendation 2.4, 2.8 of the SEC CG Code for PLCs)

Our succession planning has effectively ensured leadership continuity in the last three decades, witnessing three President and CEO changes, marked by early planning and mentoring, smooth organizational and operational transitioning, and prudent but progressive institutional building at BPI and across the BPI group.

More information on Succession Planning and Talent Management can be read on the company website at www.bpi.com.ph.

Retirement Policy

The best interests of BPI are served by retention of directors that make very meaningful contributions to the Board and the organization, regardless of age. It is the Bank’s strong view that with age often comes unmatched wisdom and experience, expert business judgment, invaluable industry and community relations and authority, and deeply ingrained appreciation of the principles of corporate governance.

The Bank believes that imposing uniform and fixed limits on director tenure is counter-productive as it may force the arbitrary retirement of valuable directors.

Nevertheless, the Bank, in adherence to Recommendation 2.4 of the SEC CG Code for PLCs, has set a retirement age for Directors at 80 years old. In specific cases, the Board, in mutual agreement with the director, may opt to postpone said director’s retirement depending on the following conditions:

- i. Consistent and robust application of more dynamic and constructive corporate governance practices such as the annual Board’s performance evaluation, regular succession planning, an exhaustive nomination process, and annual Fit and Proper assessment for more effective board refreshment.
- ii. The Board also evaluates all facts and circumstances when considering a director’s tenure in accordance with good governance practices, including (without limitation) to accommodate the transition of a new CEO or new directors or to provide continuity to further strategic objectives or address external factors affecting the Bank.

Term limits of Independent Directors are set at a maximum cumulative term of nine (9) years as prescribed in the Manual of Regulations for Banks and SEC Memorandum Circular No. 9, Series of 2011 and No. 4, Series of 2017. (Recommendation 5.3 of the SEC CG Code for PLCs)

The Retirement Policy and other board governance policies may be viewed on the company website at www.bpi.com.ph.

Retirement of senior management is done with the requisite succession planning and in accordance with the Bank’s policies and implementing guidelines of its retirement plan for all employees, the Bank’s Amended By-Laws, Labor Code and the Corporation Code of the Philippines. Currently, the retirement age for employees of the Bank is set at 60 years of age.

The Board of Directors of BPI, in its regular meeting held December 18, 2019, confirmed the appointment of Mr. Dino R. Gasmen as Treasurer of BPI effective January 1, 2020. He replaced Mr. Antonio V. Paner, former Executive Vice President and Treasurer, who retired on December 31, 2019. In BPI, Mr. Gasmen has been at the helm of various divisions in Global Markets, heading Asset & Liability Management (ALM) in 2014 where he was responsible for ensuring multicurrency liquidity and optimizing portfolio investments and heading the Treasury Trading Division from 2015 until 2018, leading the Foreign Exchange (FX) Trading, Foreign and Local Fixed Income Trading, and Derivatives Trading Desks.

See Appendix for full biographies of our Principal Officers.

Contact our Board. Communications to our directors, including any concerns regarding BPI’s risk management, governance, accounting, internal controls, auditing or other matters, may be addressed to our Board of Directors through the Office of the Corporate Secretary.

**Board of Directors
Bank of the Philippine Islands
Office of the Corporate Secretary
14/F Ayala North Exchange Tower 1, Ayala Avenue
cor. Salcedo St., Legaspi Village,
Makati City, Metro Manila 1229**

Concerns may be submitted anonymously or confidentially and may also indicate whether this is from a shareholder, customer, supplier or other interested party. Communications relating to the Bank’s risk management will be endorsed to the Risk Management Committee.

Accounting, internal controls or auditing matters will be relayed to the Audit Committee. Other matters will also be handled by the appropriate board committee. In the same manner, communications will be referred to other areas of the Bank for handling as appropriate under the facts and circumstances outlined in the communications.

Board Committees. The Board has established Committees to heighten the efficiency of Board operations and assist in exercising its authority for oversight of internal control, risk management, and performance monitoring of the Bank.

The committees provide organized and focused means for the directors to achieve specific goals and address issues, including those related to governance. In particular, the committees enhance the objectivity and independence of the Board’s judgment, insulating it from undue influence of management and major shareholders. In 2019, the Bank had eight Board-level committees. The chairmen and members of the different committees were elected by the Board during the Organizational Board Meeting on April 25, 2019, after the ASM. Any subsequent changes in membership of the respective committees are made upon approval by the Board. (Recommendations 3.1- 3.6 of the SEC CG Code for PLCs)

We strive to comply with the BSP regulations and the SEC Code of Corporate Governance for PLCs with respect to the chairmanships and memberships of the committees. All committee chairmanships and memberships are compliant with their respective committee charters and the Manual on Corporate Governance.

Committee chairs and vice chairs provide leadership to their respective committees and guide members in translating the Board’s goals for the committee into meeting agendas and work plans for the year. They work with the corporate secretary, management and committee secretariats to prepare the agendas, discussion materials and reports, and schedules of meetings set at the beginning of the year, for guidance of the members. Committee meetings are recorded and written minutes by the corporate secretary. The work, accomplishments and minutes of the meetings of the committees are regularly reported to the full Board. Policies approved at committee level are confirmed by the Executive Committee or the full Board.

As part of the annual Board effectiveness review, committees conducted self-assessment exercises for 2019 in early 2020. The review found all committees to have performed their respective duties and responsibilities effectively. There were no material issues with respect to committee memberships, governance and operations.

Attendance of the members of our Board in their respective committee meeting in 2019 are shown on page 113.

BPI BOARD AND BOARD-LEVEL COMMITTEES¹

	Board	Executive	Audit	Risk Management	Corporate Governance	Related Party Transaction Committee	Personnel and Compensation	Nomination	Retirement/ Pension
Number/Composition of Committee Members	15	7	3	3	3	3	5	5	3
Frequency of Meetings*	Monthly	Weekly	Monthly	Monthly	Quarterly	Monthly	As needed	At least twice a year	At least twice a year
Name of Members									
Jaime Augusto Zobel de Ayala	x-C	x-C						x	
Fernando Zobel de Ayala	x-VC	x-VC					x-C	x	
Cezar P. Consing	x	x							
Gerardo C. Ablaza, Jr.	x						x		
Romeo L. Bernardo	x						x	x-C	
Ignacio R. Bunye (ID)	x				x	x-C			
Octavio Victor R. Espiritu (ID)	x		x	x-C					
Rebecca G. Fernando	x	x				x			x
Jose Teodoro K. Limcaoco	x	x							
Xavier P. Loinaz (ID)	x		x-C					x	
Aurelio R. Montinola III	x	x		x			x	x	
Mercedita S. Nollado	x				x				x-C
Antonio Jose U. Periquet (ID)	x	x					x		x
Eli M. Remolona, Jr. (ID)	x			x					
Maria Dolores B. Yuvienco (ID)	x		x		x-C	x			

*Based on committee charter or current practice
1 x-C stands for Member and Chairman, x-VC stands for Member and Vice-Chairman, and x stands for Member

Committee Charters. All the board-level committees have Committee Charters which state their respective purposes, memberships, structures, duties and responsibilities, operations, reporting processes, resources and other relevant information which may serve as a basis for performance evaluation of each committee. In 2019, all committees conducted the annual review of their charters as well as the self-assessment exercise. (Recommendation 3.6 of the SEC CG Code for PLCs)

Said Committee Charters are fully disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph.

Executive Committee. The Board appoints from its members an Executive Committee composed of not less than five (5) members and one of whom shall be an Independent Director. There were no changes in the committee chairmanship and vice-chairmanship for 2019. On the other hand, at the Organizational Meeting held on April 25, 2019, the Board appointed Mr. Jose Teodoro K. Limcaoco as a new member on the committee, taking the place of Ms. Mercedita S. Nollado. Membership of the committee remained in compliance with its charter.

The Executive Committee, between meetings of the Board, possesses and exercises all powers of the Board

in the management and direction of the affairs of the Bank subject to the provisions of the Bank’s Amended By-Laws, and the limitations of the law and other applicable regulations.

The Executive Committee serves as the operating arm of the Board in all matters related to corporate governance. It approves all major policies and oversees all major risk-taking activities, including the approval of material credit exposures. A majority of all the members of the Executive Committee shall constitute a quorum.

In 2019, the Executive Committee approved major credit risks and major policies and corporate actions, i.e., approved contracts, sale of real properties, HR Matters (such as compensation, hiring, promotions, terminations), transfers and relocation of branches, approval of Bank policies, including all matters related to corporate governance, i.e., anti-bribery and anti-corruption policy and board governance policies.

Audit Committee. The Board appoints from its members an Audit Committee composed of at least three (3) Non-Executive Directors, majority of whom are Independent Directors including the Chairman. Members of the committee must have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The Chairperson of the Audit

Committee shall not be the Chairperson of the Board of Directors or of any other board-level committees. (Recommendation 3.2 of the SEC CG Code for PLCs). There were no changes in the committee chairmanship and membership for 2019. Membership of the committee remained in compliance with its charter.

For 2019, the Audit Committee monitored and evaluated the adequacy and effectiveness of the Bank’s internal control systems, risk management, compliance and governance practices. It provided 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 Committee also approved the external auditor’s annual audit plan and scope of work, and assessed its overall performance and effectiveness. In consultation with management, this Committee also approved the external auditor’s terms of engagement and audit fees.

For more details, please read the Audit Committee Report for the year ended December 31, 2019. The report is also posted on the company website at www.bpi.com.ph.

Corporate Governance Committee. The Board appoints from its members a Corporate Governance Committee composed of at least three (3) members of the Board of Directors, who shall all be Non-Executive Directors, majority of whom are Independent Directors including the Chairman. (Recommendation 3.3 of the SEC CG Code for PLCs). In June 2018, Ms. Astrid S. Tuminez resigned from the Board to take up her appointment as President of Utah Valley University, USA. Correspondingly, Ms. Tuminez also relinquished her position as a member of the Corporate Governance Committee. No director was appointed to replace her as the committee membership still remained in compliance with its charter. Likewise, at the Organizational Meeting on April 25, 2019, after the Bank’s Annual Stockholders’ Meeting, no director was appointed to be a new member of the committee.

The Corporate Governance Committee charter was amended in November 2019 to reflect alignment of duties and responsibilities with BSP Circular 969.

In 2019, the Corporate Governance Committee carried out its regular mandate as set in its charter, to offer recommendations for the Bank’s corporate governance framework and to address, in particular, BPI’s conformance to BSP Circular 969 “Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions” and BSP Circular 900, “Guidelines on Operational Risk Management”, SEC Memorandum Circular 19, Series of 2016, “Code of Corporate

Governance for Publicly- listed Companies” as well as best practices espoused by the ASEAN Corporate Governance Scorecard (ACGS). This included the amendment of the Bank’s By-Laws, policy development and oversight of the corporate governance framework and practices of Bank subsidiaries. The Committee also provided guidance with respect to regulatory matters concerning the BSP and SEC.

Nominations Committee. The Board appoints from its members a Nominations Committee composed of at least three (3) directors, majority of whom are Independent or Non-Executive Directors with a Chairman who is either an Independent or Non-Executive Director. While there were no changes in the committee chairmanship and membership for 2019, beginning the 2019-2020 term of the Board, the committee chairman, Mr. Romeo L. Bernardo, was reclassified as a Non-Executive Director, in compliance with independence requirements specified under BSP Circular 969 “Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions”. Membership of the committee remained in compliance with its charter.

During the year, the Nominations Committee convened to ensure that candidates for nomination to be elected at the 2019 Annual Stockholders Meeting were made up of individuals of proven integrity and competence, and that each possesses the ability and resolve to effectively oversee the Bank in his capacity as board member and member in the board-level committees. The Committee also evaluated the qualifications of Mr. Jose Teodoro K. Limcaoco and guided the nomination and election activities as part of the succession planning process.

Risk Management Committee. The Board appoints from its members a Risk Management Committee (RMC) composed of at least three (3) members of the Board, majority of whom shall be Independent Directors, including the Chairperson. Committee members should possess a range of knowledge and expertise on risk management issues and best practices. The Chairperson shall not be the Chairperson of the Board of Directors or of any other board- level committee. (Recommendation 3.4, SEC CG Code for PLCs)

On April 25, 2019, Mr. Eli M. Remolona, Jr. was elected as an Independent Director of the Board and a member of the Bank’s RMC, replacing Mr. Romeo L. Bernardo, who relinquished his Committee membership. Membership of the Committee remained in compliance with the RMC Charter.

The RMC Charter was amended in September 2019 in line with the Bank’s adoption of a centralized enterprise risk management structure, and remains fully compliant with BSP Circulars 969 (Corporate Governance) and 971 (Risk Governance).

The RMC is tasked with nurturing a culture of risk management across the enterprise. In 2019, it supported the Board by overseeing and managing the Bank’s exposures to financial and non-financial risks, assessed new and emerging risk issues across the Bank, and regularly reviewed the Bank’s risk appetite and limits, policies, methodologies, structures, and metrics. These were all done in support of the Bank’s business strategies, and in compliance with regulatory and international standards on risk management. A more detailed report on the activities can be found in the Risk Management section of the annual report. (Recommendation 3.4 of the SEC CG Code for PLCs).

Personnel and Compensation Committee (PerCom).

The Board appoints from its members a PerCom composed of four (4) members of the Board who are not officers of the Bank plus one (1) member who is an Independent Director. In the April 2019 Annual Stockholders’ Meeting, Mr. Delfin C. Gonzalez, Jr., previously a member of the PerCom, was not nominated as a member of the board for the new term. Also, beginning the 2019-2020 term, Mr. Romeo L. Bernardo, a member, as well, of the PerCom, was reclassified as a Non-Executive Director of the Board, in compliance with independence requirements specified under BSP Circular 969 “Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions”. As a result, at the Organizational Meeting on April 25, 2019, Mr. Antonio Jose U. Periquet, an Independent Director, was appointed as a new member of the committee.

In 2019, the PerCom directed and ensured the implementation of various programs of the Human Resources Management Group such as: Leadership and Talent Development, Compensation and Total Rewards Review, the 2019 Performance Level Ranking Program for various unibank officers, the 2019 Stock Rights Offer, CBA settlements, as well as promotions and organizational changes during the year.

Related Party Transaction Committee. The Board appoints from its members a Related Party Transaction Committee (RPTC) composed of at least three (3) Non-Executive Directors, majority of whom are Independent Directors including the Chairperson. (Recommendation 3.5 of the SEC CG Code for PLCs). At the Organizational Board Meeting on April 25, 2019 after the Annual Stockholders’ Meeting, Ms. Maria Dolores B. Yuvienco was elected as an Independent Director of the Board and a member of the RPTC. Membership of the Committee remained in compliance with the RPTC Charter.

For 2019, the Related Party Transaction Committee vetted and/or endorsed Credit and Non-Credit transactions involving accounts that reached established thresholds. The Committee formulated and approved the policy on Material Related Party Transactions (RPTs) in compliance with SEC Memorandum Circular No. 10 on Rules on Material RPTs for Publicly-Listed Companies, to align with the SEC’s objective of further promoting good corporate governance and protection of minority investors. It also noted the quarterly/post- reviews of RPTs by the Internal Audit (for significant RPTs) and BPI Compliance Office (for below significant transactions), as presented by the Chief Audit Executive and Chief Compliance Officer, respectively, both of whom are non-voting members of RPTC. The Committee also noted the monthly reports on credit and non-credit RPTs that were below the materiality threshold on accounts vetted by the Management Vetting Committee (MVC). Significant details of RPTs are disclosed in the audited financial statements.

Retirement and Pension Committee. The Board appoints from its members a Retirement and Pension Committee composed of at least three (3) directors, majority of whom are Independent or Non-Executive Directors with a Chairman who is either an Independent or Non-Executive Director. The Human Resources Head shall also be a non- voting member of the Committee. In the April 2019 Annual Stockholders’ Meeting, Mr. Delfin C. Gonzalez, Jr., previously a member of the Retirement and Pension Committee, was not nominated as a member of the board for the new term. As a result, at the Organizational Meeting held on the same date, Mr. Antonio Jose U. Periquet was appointed as a new member of the committee.

For 2019, the Retirement and Pension Committee convened to oversee and discuss matters relative to its fiduciary, administrative, investment portfolio responsibilities under its charter, as well as manage the non-investment aspects of the Bank’s retirement plan.

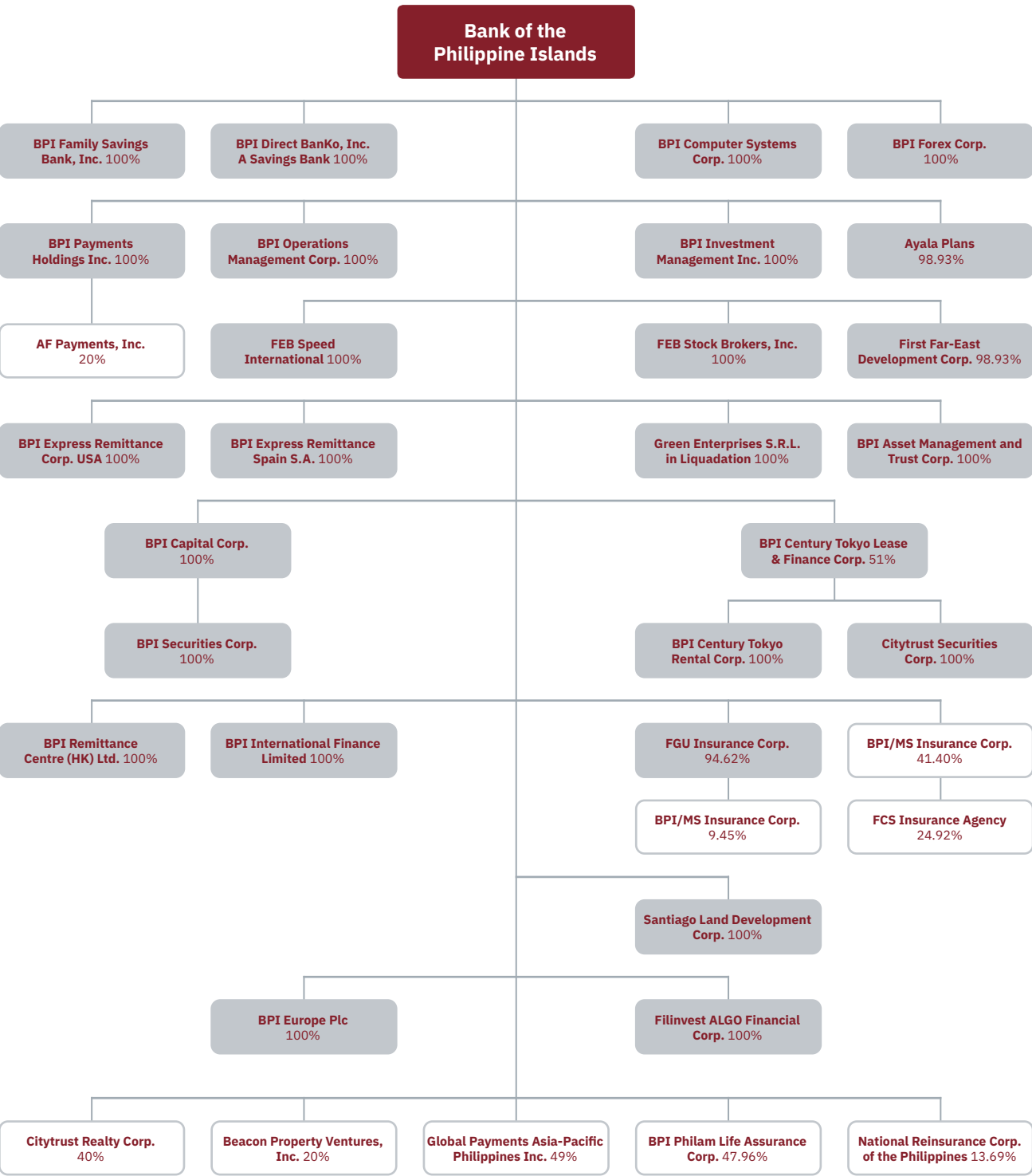
COMMITTEE APPOINTMENTS, ATTENDANCE AND YEARS OF SERVICE

Committee	Office	Name	Date of Appointment**	Attendance/ Meetings	%	Years served on Committee
Executive Committee	Chairman (NED)	Jaime Augusto Zobel de Ayala	April 03, 2003	30/32*	94%	16.7
	Vice-Chairman (NED)	Fernando Zobel de Ayala	April 03, 2003	29/32*	91%	16.7
	Member (ED)	Cezar P. Consing	April 18, 2013	30/32*	94%	6.7
	Member (NED)	Rebecca G. Fernando	March 31, 2009	31/32*	97%	10.75
	Member (NED)	Aurelio R. Montinola III	March 25, 2004	29/32*	91%	15.75
	Member (ID)	Antonio Jose U. Periquet	April 18, 2013	31/32*	97%	6.7
	Member (NED)	Jose Teodoro K. Limcaoco***	April 25, 2019	20/23*	87%	0.7
Audit Committee	Chairman (ID)	Xavier P. Loinaz	April 15, 2010	16/16	100%	9.7
	Member (ID)	Octavio Victor R. Espiritu	April 15, 2010	16/16	100%	9.7
	Member (ID)	Maria Dolores B. Yuvienco	April 14, 2016	16/16	100%	3.7
	Member (NED)		April 10, 2014	13/13	100%	2
Corporate Governance Committee	Chairman (ID)	Maria Dolores B. Yuvienco	April 14, 2016	4/4	100%	3.7
	Member (NED)		April 10, 2014	2/2	100%	2
	Member (ID)	Ignacio R. Bunye	April 14, 2016	4/4	100%	3.7
	Member (NED)	Mercedita S. Nollado	April 06, 2006	4/4	100%	13.7
Nomination Committee	Chairman (NED)	Romeo L. Bernardo	April 25, 2019	2/2	100%	0.7
	Chairman (ID)		April 14, 2011	1/1	100%	8
	Member (ID)		April 07, 2005		100%	6
	Member (NED)	Jaime Augusto Zobel de Ayala	April 14, 2011	2/2	100%	8.7
	Chairman (NED)		April 03, 2003		100%	8
	Member (NED)	Fernando Zobel de Ayala	April 10, 2014	2/2	100%	5.7
	Member (ID)	Xavier P. Loinaz	March 31, 2009	2/2	100%	10.75
	Member (ED & NED)		April 03, 2003		100%	6
	Member (NED)	Aurelio R. Montinola III	April 20, 2017	2/2	100%	2.7
Risk Management Committee	Chairman (ID)	Octavio Victor R. Espiritu	April 03, 2003	12/12	100%	16.7
	Member (NED)	Aurelio R. Montinola III	April 18, 2013	11/12	92%	6.7
	Member (ED)		April 07, 2005		85%	8
	Member (ID)	Eli M. Remolona, Jr.***	April 25, 2019	8/8	100%	0.7
Personnel and Compensation Committee	Chairman (NED)	Fernando Zobel de Ayala	April 03, 2003	10/10*	100%	16.7
	Member (NED)	Gerardo C. Ablaza, Jr.	April 20, 2017	9/10*	90%	2.7
	Member (NED)	Romeo L. Bernardo	April 25, 2019	10/10*	100%	0.7
	Member (ID)		April 03, 2003	9/7	78%	16
	Member (NED)	Aurelio R. Montinola III	April 18, 2013	8/10*	80%	6.7
	Member (ID)	Antonio Jose U. Periquet***	April 25, 2019	6/6	100%	0.7
Related Party Transaction Committee	Chairman (ID)	Ignacio R. Bunye	April 19, 2018	12/12	100%	1.7
	Member (NED)	Rebecca G. Fernando	April 10, 2014	11/12	92%	5.7
	Member (ID)	Maria Dolores B. Yuvienco***	April 25, 2019	8/8	100%	0.7
	Non-Voting Member	Rosemarie B. Cruz, (Chief Audit Executive)				
	Non-Voting Member	Noravir A. Gealogo, (Chief Compliance Officer)				
Retirement Pension Committee	Chairman (NED)	Mercedita S. Nollado	April 06, 2006	5/5	100%	13.7
	Member (NED)	Rebecca G. Fernando	March 31, 2009	5/5	100%	10.75
	Member (ID)	Antonio Jose U. Periquet***	April 25, 2019	4/4	100%	0.7

*Includes Joint Percom & Excom Meeting
**For the period of 01 January to 31 December 2019
***Committee member effective 25 April 2019

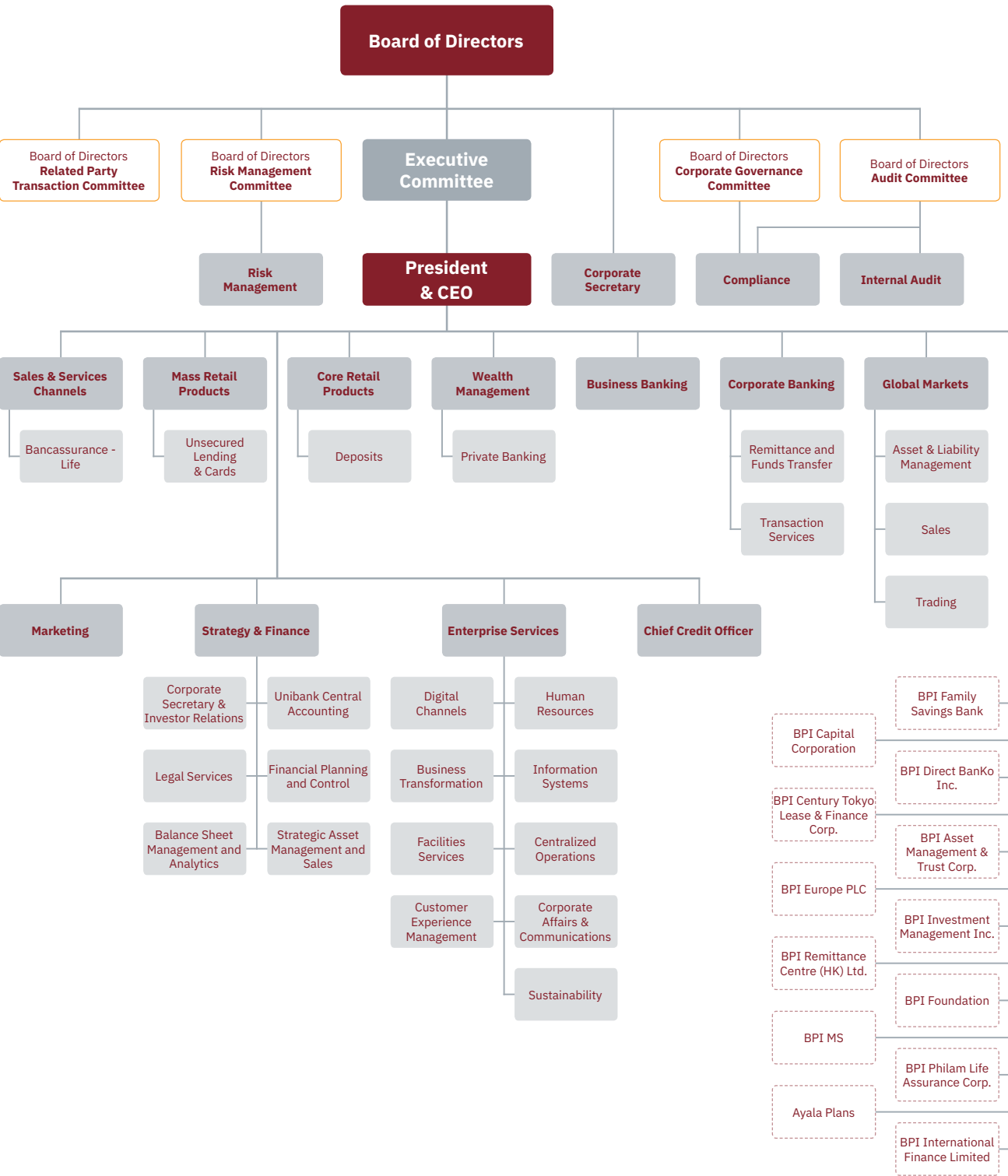
BPI Conglomerate Map

As of December 31, 2019



BPI Table of Organization

The following is an overview of the Bank’s principal activities and its functional organization (as of December 31, 2019):



Note: The following board-level committees also exist: Nomination Committee, Personnel & Compensation Committee and Retirement and Pension Committee.

Operating Management

Organization. BPI’s President and CEO is responsible for formulating the business strategy and the overall management of the Bank in fulfilling objectives to achieve the desired outcomes of its strategy. The Bank’s senior executive officers are each responsible for an area of the Bank’s business and report directly to the President and CEO.

In 2019, the senior executive officers of the Bank included: Simon R. Paterno, Executive Vice President and Head, Financial Products and Services; Antonio V. Paner, Treasurer, Executive Vice President and Head, Global Markets; Ramon L. Jocson, Executive Vice President, Chief Operating Officer and Head, Enterprise Services Segment; Juan Carlos L. Syquia, Executive Vice President and Head, Corporate Client Segment; and Maria Theresa Marcial Javier, Executive Vice President, Chief Finance Officer, and Head, Strategy and Finance.

The senior executive officers are responsible for ensuring development and expansion of BPI’s client relationships; service quality and innovation in its products and services; enterprise asset-liability management and flows business; reliability, productivity, and efficiency of our operating infrastructure; financial strategy formulation and execution; and sustainable investor and stakeholder relations.

In addition, the Bank has a Management Committee, which regularly convenes to discuss matters of company-wide relevance. The Management Committee is appointed by the President and CEO, and its membership is periodically rotated, to reflect current initiatives of the Bank and to grant senior decision-making exposure to executives below the rank of EVP.

Planning and Performance Management. The Bank articulates its strategy in periodic planning exercises, realizes plans in formal budgets, and conducts periodic performance reviews against both our budgets and our past performance. We act in accordance with well-defined operating policies and procedures, and ensure the accuracy and transparency of our operational and financial reporting to protect the Bank’s reputation for integrity and fair dealing. We also strive to achieve accountability in our revenue performance, efficiency in our expenditure of resources, and high quality in the delivery of services and achievement of customer satisfaction. Our management is regularly reviewed and rewarded according to their performance relative to innovation, initiatives, assigned targets, and feedback from customers, peers, and the Board.

We place strong emphasis on prudent risk-taking and risk management. Specific management committees ensure that major risks are identified, measured, and controlled against established limits. These key management committees are the Credit Committees, Assets and Liabilities Committee, Operational Risk Management Committee, Crisis Resiliency Committee, Information Technology Steering Committee, Capital Expenditures Committee, Anti-Money Laundering Evaluation Committee, Fraud and Irregularities Committee, Real and other properties acquired (ROPA) Sales Committee, and Management Vetting Committee. Members of these committees are senior officers (in the case of the Information Technology Steering Committee, includes a non- executive board member) who are subject matter experts in areas of knowledge relevant to the respective committees. They include client specialists, product specialists, senior officers of the Risk Management Office, and other senior executives.

Control, Risk Management and Compliance. The Bank’s control, risk management and compliance agenda is a key priority, and in recent years, BPI has devoted significant resources to adhering and adapting to the increasing number of heightened regulatory expectations and reporting requirements that guide the Banking Industry as well as publicly-listed companies.

In this respect, BPI continuously enhances governance and oversight of the control, risk management and compliance environment across the group and strives to simplify and appropriately de-risk operations. The Bank also continues to make substantial investments in financial, technology and human capital dedicated to these efforts.

BPI regularly partners and engages in constructive dialogue with our regulators, shares efforts and seeks proper clearance in the design of appropriate adjustments and remediation plans for the Bank’s control, risk management and compliance environment.

The Bank takes extra effort to understand all legal and regulatory requirements and continuously builds and strengthens the culture and infrastructure to support risk management, compliance and assurance activities.

In 2019, the Board of Directors, through its various Board-level Committees, reviewed the Bank’s overall control, risk management and compliance systems covering operational and financial areas and determined these to be adequate and operating effectively. (Recommendation 12.1 SEC CG Code for PLCs)

Internal Audit and Control

Our Internal Audit Division is an independent body that supports the Audit Committee in fulfilling its oversight responsibilities by providing an objective assessment on the adequacy and effectiveness of the Bank’s risk management, internal controls, and governance processes through well- established risk-based audit plans. Internal Audit also ensures that the Bank’s operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.

The assessment of controls, systems, and processes of the Bank is covered by the annual audit work plan, which is developed using the Audit Risk Assessment or scoring model, and reviewed and approved by the Board through the Audit Committee. The Committee of Sponsoring Organizations of the Treadway Commission (COSO)¹ internal control framework includes Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities, and the Control Objectives for Information and Related Technology (COBIT). These frameworks are used in assessing the effectiveness of the internal control system.

This unit reports directly to the Board through its Audit Committee. It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units. Through this system for the comprehensive monitoring and review of risks and compliance in the institution, the Board ensures that the Bank and all business units proactively manage the risk and compliance exposures impacting the business. (Recommendation 2.10 and 12.2 of the SEC CG Code for PLCs)

The Audit Committee also ensures that the Internal Audit Division undergoes an external quality assessment review (EQAR) to confirm that audit activities conform to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The program includes periodic internal and external quality assessments and ongoing monitoring of the performance of the internal audit activity. Periodic internal assessments are conducted annually, while external quality assessments are conducted at least once every five years by a qualified independent validator. This unit maintains its “generally conforms”

1 Joint initiative in the United States by five private sector organizations [the Institute of Management Accountants (IMA), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), and Financial Executives International (FEI)], dedicated to guide executive management and governance entities on relevant aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting.

ratings on both internal and external assessments, which indicate that its activities have continuously conformed to professional standards, code of ethics, and other internal standards.

Internal Audit Charter. The internal audit function as empowered by the Internal Audit Charter includes free access to all records, properties, and personnel. In this respect, the Audit Committee reviews the internal audit function, including its independence and the authority of its reporting relationships. The Internal Audit Division continuously improves the capabilities of its auditors through continuous education on specialized areas of knowledge, auditing techniques, regulations, and banking products and services. As stated in the Manual on Corporate Governance, the Board, thru the Audit Committee, periodically reviews and approves the Internal Audit Charter. (Recommendation 2.10, SEC CG Code for PLCs).

The Internal Audit Charter is published on the company website and may be read at www.bpi.com.ph.

Chief Audit Executive. The Internal Audit Division is headed by a Chief Audit Executive (CAE) who is appointed by the Board and reports functionally to the Board through the Audit Committee and administratively to the President and CEO. This ensures that the CAE is not dependent on any bank executive or operating officer for the security of his or her position. The CAE has unrestricted access to all functions, records, property, and personnel. Additionally, the Audit Committee ensures that the CAE has access to the Board, on a confidential basis, and that the Internal Audit Division is independent of bank management, both by intent and actual practice. The Board, through the Audit Committee, evaluates the performance of the CAE. (Recommendation 2.8, 9.1, 9.2, 12.3 SEC CG Code for PLCs)

See Appendix for the full biography of the CAE.

Independent External Auditor. The Audit Committee recommends to the Board the appointment of a BSP- accredited external auditor for the purpose of preparing or issuing an audit report or other related work. The appointment, re-appointment, and removal of the Bank’s external auditor is subject to the approval and endorsement by the Audit Committee, for subsequent confirmation and approval by the Board and, finally, the stockholders. (Recommendation 2.8, 9.1, 9.2, SEC CG Code for PLCs) The engagement of the external auditor is also done pursuant to the General Requirements of Securities Regulation Code (SRC) Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors).

The Audit Committee also assesses the external auditor’s effectiveness, independence, and objectivity, ensuring that key partners or the handling partner is rotated at appropriate intervals or changed every five years or earlier. The Committee also reviews the external auditor’s annual plan, scope of work, and, in consultation with management, approves the external auditor’s term of engagement and audit fees. They also oversee the resolution of disagreements between management and the external auditors in the event that these arise.

The Audit Committee ensures suitability and effectiveness of the external auditor through the following:

- No external auditor can be engaged by the Bank if he has any direct or material indirect financial interest in the Bank, or if his independence is considered impaired under circumstances specified in the Code of Professional Ethics for Certified Public Accountants. In the case of partnership, this limitation shall apply to the partners, associates, and the auditor-in-charge of the engagement.
- The external auditor and the members of the audit team shall not have outstanding loans or any credit accommodation (except credit card obligations) with the Bank throughout the engagement.
- The external auditor and the members of the audit team adhere to the highest standards of professional conduct, integrity, and objectivity.

The external auditor reviews and discusses the financial statements and reports, including results of operations, with Management and the Internal Auditor, and endorses the same to the Board for approval. Audited Financial Statements are signed by the Chairman of the Board, the President and CEO, and the Chief Finance Officer (CFO). The Audit Committee also holds executive or private meetings with the external auditors without the presence of Management.

Audit and Audit-Related Fees. BPI has paid the following fees, inclusive of taxes, to its external auditors in the past two years:

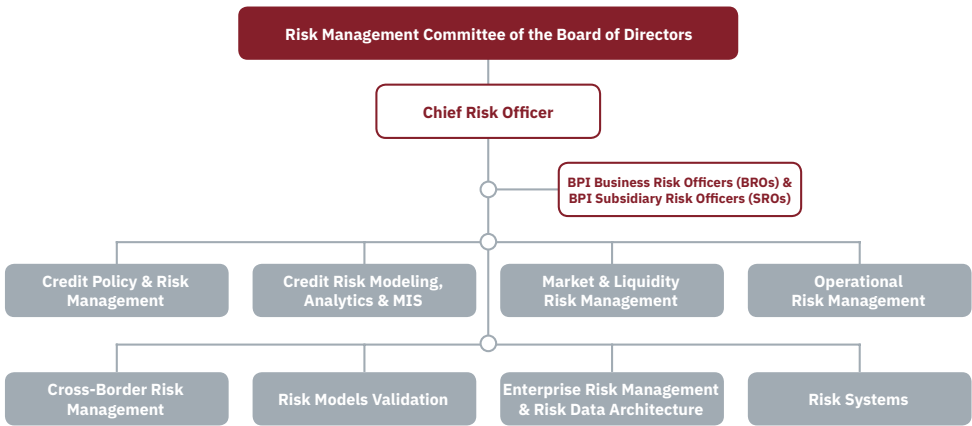
(In Million Pesos)	Approved Audit Fees	Audit-related Fees
2018	Php 19,415	Php 2,535
2019	Php 18,210	Php 8,000

The audit and audit- related fees cover services including other related reviews and out-of-pocket expenses by the external auditor that are reasonably related to the performance of the audit or review of the Bank’s and its subsidiaries’ annual or interim financial statements. There were no non-audit fees (services not related to the review of the financial statements). (Recommendation 9.3 of the SEC CG Code for PLCs)

The Audit Committee charter, as stated in the Bank’s Manual on Corporate Governance, provides that the Audit Committee is empowered by the Board to approve all audit and non-audit services, including fees, to be provided by the external auditor to the Bank and its subsidiaries. It is also tasked to review the external audit fees and recommend for approval by the Board.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. There were no disagreements with Isla Lipana & Co. on accounting and financial disclosures.

Risk Management



Comprehensive Framework. BPI pursues best practices in Enterprise Risk Management (ERM) across its businesses and processes. It has an established ERM and capital management framework that enables the Bank to identify, measure, control, and monitor its significant financial and non-financial risk exposures, ensure adequate liquidity, and set aside sufficient amounts of capital to cover and mitigate such risks. The framework reflects the Bank’s internal standards as guided by the regulatory directives issued by the Bangko Sentral ng Pilipinas (BSP) in promoting effective risk management governance, implementing robust business continuity and resiliency standards that are regularly tested, and performing the internal capital adequacy assessment and other risk management processes. (Recommendation 2.11, 12.4 SEC CG Code for PLCs)

Risk management in BPI follows a top-down approach, with risk appetite setting and overall risk strategy emanating from the Board of Directors (Board). The Board fulfills its risk management function through the Risk Management Committee (RMC). The RMC defines risk appetite statements at functional risk areas and on an enterprise level, reviews risk management structures, metrics, limits, and issues across the BPI Group of Companies (BPI Group), and directs the Bank’s risk strategy framework anchored on sound risk management governance, value-enhancing risk methods and processes, and risk-intelligent data and technology. It oversees and manages risks and monitors regulatory and internal capital adequacy vis-à-vis risk exposures. It promotes a strong risk culture and exercises oversight through the Subsidiary Board-level RMCs across the BPI Group. It manages risks through clearly-delineated functions to ensure effective risk management governance and control processes across the Bank using the “three lines of defense” model. This model defines the risk management responsibilities of each unit owning and managing the risk (1st line),

overseeing risk management function (2nd line), or providing independent assurance on the quality and effectiveness of risk management and internal controls (3rd line).

BPI’s risk culture is anchored on its vision of transparency and integrity in the workplace, creation of sustainable value, and delivery of maximum returns to stakeholders. In order to achieve its responsibilities to clients, employees, stakeholders, regulators and country, it exercises proactive and prudent risk management.

Chief Risk Officer (CRO). The BPI Group CRO leads the formulation of risk management policies and methodologies in line with overall business strategy. The CRO, who is primarily responsible for the overall management of the BPI Group’s total risk, ensures that risks are prudently and rationally taken, within the Bank’s risk appetite, and commensurate with returns on capital. The Bank’s risk appetite is a careful measure of the amount of risk it is willing to assume in order to achieve business objectives. Risk appetite statements are regularly reviewed and approved by the Board through the RMC. See Appendix for the full biography of the BPI CRO.

The CRO is supported by the Risk Management Office (RMO), a team of skilled risk managers dedicated to identifying, measuring, controlling, and monitoring the BPI Group’s risk exposures. The Bank’s risk managers keep abreast of industry developments, emerging risks, and risk management best practices through continuous and adequate training. The CRO and the RMO actively engage the RMC, Management, and business units to effectively communicate through various internal channels the Bank’s risk culture, risk awareness campaigns and learning programs, and risk management best practices. (Recommendation 12.5 of the SEC CG Code for PLCs).

BPI identifies risks according to three major classifications:

- Credit Risk (including concentration and cross-border risks)
- Market (including foreign exchange, interest rate, and equity price risks) and Liquidity Risks
- Operational and Information Technology (IT) Risks

Credit risk arises from its core lending and investing activities; market risk due to price movements/ fluctuations in trading and distribution activities of credit securities, foreign exchange, and derivative instruments (as allowed by regulation), liquidity risk from the management of the Bank's balance sheet; and operational and IT risks from inadequate or failed internal processes, people, information technology and systems, and threats from external events that pose risks of financial losses and damage to the Bank's reputation. The Bank is cognizant of other emerging risks (e.g., environmental, social, and geopolitical risks) that it may be exposed to in its day-to-day business operations and these are identified, measured, controlled, and monitored accordingly.

The Bank has established risk management processes and controls and uses various methodologies, metrics, tools, and systems to identify, measure, control, and monitor its risk exposures. It continuously invests in risk technologies and business-enabling systems, and enhances its processes to ensure completeness and accuracy of data, 360° risk perspective, and timely reporting. With the implementation of the Risk Data Architecture project leveraging on the Bank's Enterprise Big Data platform, the availability of automated risk data not only supports the Bank's risk management activities, but also enables risk data servicing of the various business units.

In compliance with BSP Circular 989 (Conduct of Stress Testing Exercises), the RMO together with the Strategy & Finance Group have commenced preparations for a formal integrated risk and capital stress testing framework, with forward-looking assessment of risks to facilitate the development of contingency plans and risk strategies, under given stressed scenarios identified or developed by the Bank's experts.

Independent reviews are regularly conducted by the Bank's Internal Audit, external auditors, and regulatory examiners to ensure that controls and risk mitigation are in place and functioning as intended. The Bank also engages various risk management experts to independently assess the Bank's risk maturity covering areas such as business continuity, cyber and information security, and ERM.

All these efforts have been undertaken and conscientiously practiced in recognition of BSP Circular 971 (Risk Governance), as well as benchmarked to the Committee of Sponsoring Organization's (COSO) ERM integrated framework.

Credit Risk. BPI's Credit Policy and Risk Management (CPRM) division is responsible for the overall management of the Bank's credit risk. CPRM is accountable to the RMC in assisting to establish BPI's risk appetite and in the RMC's oversight function on credit risk and asset quality. In addition, CPRM supports Senior Management in ensuring the quality of the Bank's loan portfolio by adopting proper risk control strategies and adequate monitoring and reporting. CPRM ensures that the Bank's stringent underwriting standards and rating parameters are complied with by the various lending units. The Bank also has a cross-border risk management team tasked to independently monitor and evaluate country and cross-border credit risks facing the BPI Group.

In 2019, BPI experienced moderate growth in loan volumes, but managed low overall credit risk and maintained asset quality, in general compliance with regulatory and prudential requirements relating to credit risk management (e.g., DOSRI and RPT compliance, single borrower's limits, credit concentration, and stress testing, amongst others). BPI continues to maintain a diversified loan portfolio with no significant concentrations. Top borrower-group exposures remain within the internal single borrower's limit and operate in diversified industries.

BPI regularly reviews the appropriateness of credit risk rating of non-default accounts and classification and impairment rates of defaulted or impaired loan accounts. Corporate credit risk exposures are assessed individually using internal credit risk rating models that generate a probability of default per rating grade and take into account credit risk mitigation. Credit risk rating models are developed internally by the Bank's Credit Risk Modeling, Analytics and MIS team using statistical methods on quantitative and qualitative risk factors, including credit judgment overlays to account for borrower-specific and such other factors that cannot be modeled statistically. The credit risk ratings of corporate accounts are generally updated on an annual basis. Each rating grade has a corresponding probability of default that exponentially increases as a rated account moves across the rating scale. The migration of accounts between rating grades is regularly monitored and analyzed. Loss provisioning also takes into account the rating grade of each exposure. Provisioning for non-default exposures is based on expected credit loss (ECL), while specific reserves are set up for defaulted exposures

and reviewed regularly. For consumer loans, the Bank adopted credit risk scorecards to assess borrowers' creditworthiness. Both financial and non-financial variables were considered in the scorecard development process, and all scorecards were subjected to expert judgment meetings with key business lending units. The models are independently validated, and their predictive power and performance are regularly monitored to ensure they are qualitatively and statistically acceptable.

The Bank fully implemented Philippine Financial Reporting Standards 9 (PFRS 9)-based policies, models, and ECL methodologies for all of its credit portfolios, rendering it compliant to both the BSP and accounting standards on PFRS 9 implementation. Loss provisioning for corporate and consumer exposures are based on ECL, which is a function of the probability of default, loss given default, and exposure at default.

BPI also regularly conducts credit reviews to assess that the credit process—loan origination, credit analysis, approval, implementation, and administration—conforms to the standards set in the Bank's internal policies and complies with regulatory requirements. In 2019, key lending units and various credit products were reviewed and were found to exhibit generally acceptable credit performance and portfolio qualities.

BPI measures its credit risk exposures in terms of regulatory capital requirements using the standardized approach in compliance with Basel III and BSP standards on minimum capital requirements. Using this approach, its credit exposures to sovereigns, corporates, and banks are risk-weighted to reflect the credit assessment from eligible ratings agencies (Fitch, Moody's, Standard & Poors, and PhilRatings, where applicable). This approach also allows for the use of eligible collaterals (cash, financial instruments, and guarantees) to mitigate credit risk.

BPI continuously enhances its credit policies, guidelines, and lending programs specifically on the credit risk limits-setting process, alignment with regulatory changes in the treatment of past due and non-performing loans, project finance, large exposure monitoring, and PFRS 9 implementation. Its credit risk information system is likewise continuously improved to enable more robust and granular analysis of the loan portfolio while delivering timely and accurate reporting of the Bank's loan structures, credit concentrations, and other risk data analytics.

BPI regularly conducts stress tests on its loan portfolio to determine the impact of changes in various macroeconomic scenarios, surface any undue credit concentration risk, and comply with regulatory

reporting. Results showed that the Bank's capital adequacy ratio (CAR) and common equity tier 1 ratio (CET1) generally remain above or at about the regulatory capital requirements even with assumed write-down scenarios on the Bank's large exposures, exposures by industry (including real estate), and consumer portfolios. Any shortfall is expected to be adequately covered by the Bank's realizable future income.

All these efforts have been undertaken in recognition of BSP Circular 855 (Sound Credit Risk Management Practices).

Market, Interest Rate in the Banking Book, and Liquidity Risks. BPI's Market and Liquidity Risk Management (MRM) division employs various risk metrics commensurate to the size and sophistication of its business operations which guide the Bank to effectively manage the risks arising from position-taking strategies balanced by the Board's overall risk appetite. Risk limits are continuously reviewed and updated to align with the Bank's objectives, strategies, and overall risk appetite. MRM also provides forward-looking scenario analysis, simulations, and stress tests to complement the risk metrics and provide a broader and holistic risk perspective to the RMC and Management. For 2019, BPI's market risk, interest rate risk in the banking book, and liquidity risk exposures were generally within the RMC-approved limits.

BPI closely monitors the risk exposures of both trading and non-trading portfolios. Assets in both on- and off-balance sheet trading portfolios are marked-to-market and the resulting gains and losses are recognized through profit or loss. Market risk exposures from these portfolios are measured using the historical simulation value-at-risk model complemented by several risk metrics such as Stop Loss and dollar duration (DV01). The Bank has exposures in credit securities, foreign exchange, and financial derivatives such as interest rate swaps, currency swaps, and structured notes as part of its trading and position-taking activities. Financial derivatives are also used to hedge exposures to mitigate price risk inherent in the Bank's portfolios.

Interest Rate Risk in the Banking Book (IRRBB) is the current and prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect its banking book positions. Excessive levels of interest rate risks in the banking book can pose a significant threat to the Bank's earnings and capital base. Therefore, it is imperative for the Bank to establish adequate risk management policies and procedures, appropriate risk measurement models, risk limits structure, and a robust risk management system.

Interest rate exposures from core banking activities are measured through (a) earnings-at-risk (EaR), or the potential deterioration in net interest income over the next 12 months due to adverse movements in interest rates, and (b) balance sheet value-at-risk (BSVaR), or the impact on the economic value of future cash flows in the banking book due to changes in interest rates. BSVaR considers both principal and interest payments while EaR considers principal payments only. Both are built on the repricing profile of the balance sheet accounts. IRRBB risk levels are compared against RMC-approved limits and regularly reported to the RMC and Senior Management.

The Bank also conducts regular price stress tests in the banking book and EaR stress tests for a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the Bank's economic value and earnings. The design of the price and EaR stress tests include steepening and flattening yield curve, parallel up/down and short rate up/down scenarios. The interest rate shocks applied are calibrated for all major currencies in which the Bank has active positions. The results of the stress test are presented to the RMC and Senior Management to integrate them to the overall risk management process of the Bank.

BPI ensures adequate liquidity levels at all times and contingency plans are in place in the event of liquidity stress. The Bank's liquidity profile is measured and monitored through its internal metric – the Minimum Cumulative Liquidity Gap (MCLG), and the regulatory metrics – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). 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. This indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the Bank. LCR determines the short-term resilience of the Bank's liquidity risk profile, requiring financial institutions to hold adequate level of high-quality liquid assets to cover net cash outflows in the next 30 days. BPI, on a solo and consolidated basis, maintains adequate liquidity to provide sufficient buffer for critical liquidity situations. NSFR complements the LCR by limiting the overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. An escalation procedure is in place to immediately report to Management and the RMC when MCLG, LCR, and NSFR levels are approaching approved floor levels and the minimum regulatory limits, respectively. Corrective actions are identified and implemented to resolve possible and actual breaches, if any, in order to maintain a stable liquidity environment. Scenario analyses and simulations provide forward looking liquidity conditions to anticipate potential funding requirements.

The risk management process, including its various components, is subject to regular monitoring and periodic independent review (i.e., internal/regulatory audit and model validation), and consistently calibrated to ensure accuracy, propriety, and timeliness of data and assumptions employed. The assumptions and parameters used in developing these metrics are properly documented, and any change in the methodology and assumptions is approved by the CRO and noted by the RMC.

Operational and Information Technology Risks. BPI's Operational Risk Management (ORM) division monitors risks arising from inadequate or failed internal processes, people, and systems or from external events such as natural disasters that damage physical assets and electrical or telecommunication failures that disrupt the Bank's operations. Operational risk is inherent in all banking products and services, and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences. Information Technology (IT) is a significant risk factor assumed in conjunction with operational risk, given the highly automated nature of the Bank's processes and services. The Bank defines IT risk as 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). IT risk includes, but is not limited to, information security, service availability, reliability and availability of IT operations, completion on specification of IT development projects, and regulatory compliance pursuant to the BSP's guidelines on Information Technology Risk Management. The ORM Committee provides Senior Management oversight over its ORM division, in accordance with regulatory requirements.

One of the significant resources that the Bank employs are Business Risk Officers (BRO). The Bank has several BROs coordinating with and overseeing key functional areas and business units across the organization. The BROs are responsible for promoting a sound risk management culture, implementing ERM best practices as determined by the RMO, and ensuring timely submission of operational and other risk reports in the first line of defense.

BPI develops and monitors Key Risk Indicators (KRIs), oversees thoroughness of Bank-wide risk and control self-assessments, loss event management processes, and operational risk management awareness and appreciation programs. The Bank manages its operational and IT risks by ensuring such risks are thoroughly identified, assessed, monitored, reported, and mitigated. It has defined clear responsibilities related to the performance of the risk management function, as well as the accountabilities, methods, and tools

employed to identify and mitigate operational and IT risks in the Bank's operating units. It requires operating units to undertake regular self-assessments to identify risks, assess the inherent and residual risks, identify controls, and assess the design and the performance effectiveness of these controls. KRIs are used to monitor risk profiles, trigger early-warning alerts, and instigate mitigating action. Operational loss events data collection and analysis provide meaningful information in effectively managing risks. The risk and control library improves the Bank's aggregation and reporting process by providing an aligned taxonomy of risks and controls. With the Bank's drive for digitalization, ORM implemented an ORM System (ORMS) that fully integrates these tools and processes. Through the ORMS, manual processes are eliminated, and correlation with all tools is possible, thereby providing better visibility to Management.

BPI's exposure to operational risks is identified, assessed, and monitored as an integral part of the risk assessment processes. The Bank currently uses the Basel II regulatory basic indicator approach to quantify operational risk-weighted assets, using the historical total annual gross income as the main measure of risk.

BPI regularly performs operational risk stress tests, through scenario analysis, to support the internal capital assessment for operational and IT risks, as part of the Bank's initiatives to advance risk management methodologies. Through a series of stress scenarios, the Bank is able to identify, analyze, and assess the impact of unexpected and severe operational risk events. This exercise ensures that the impact of high-severity events is captured during risk assessment, especially those not yet reflected in the Bank's existing historical loss data.

The Bank's risk management processes are ingrained in BPI's new product development efforts. From inception to launch, new products or programs, as well as its related processes and systems, are subject to rigorous risk assessments, design and testing activities aimed at safeguarding both the Bank and its clients from the risks of economic loss, operational disruption, or compromise of personal or financial data. BPI has updated its guidelines on the assessment and approval process for engaging in new business activities to cover not only products and processes, but also new markets and new business locations or offices.

The Bank has a Board-approved IT risk governance structure that espouses the three lines of defense. It also has a dedicated IT Risk Committee and IT Steering Committee that meets regularly, where IT risk issues are discussed at the management level. The Board-level RMC is regularly apprised of IT risks through comprehensive reporting and discussions during monthly meetings.

To further strengthen IT risk and information security awareness, the RMC is continually briefed on current cybercrime landscapes, emerging risks, and industry trends, as well as mitigating measures implemented by the Bank.

The Bank continues to closely monitor established measurements and limits on risk indicators, and implement mitigating measures in view of increasing IT-related losses (mostly from industry-wide credit card fraud and card skimming incidents). It employs a real-time card fraud detection system that helps the Bank significantly improve fraud detection, false positive rates, and fraud case handling. It has also implemented the One-Time Password (OTP) functionality to enhance security for credit card transactions. E-mail and SMS notifications for Automated Teller Machine (ATM) withdrawals exceeding set threshold amounts are in place. The Bank has updated its ATM switch, upgraded its ATMs and Cash Deposit Machines, and migrated debit cards to become EMV-compliant. Moreover, awareness campaigns covering both clients and employees are being done through www.bpi.com.ph and social media channels.

Business Continuity Risk. BPI is able to maintain its business continuity capability and organizational resilience, by means of an effective and sustainable Business Continuity Management (BCM) program. This program was self-assessed by the Bank, aligned with ISO 22301 and BSP Circular 951 (Business Continuity Management). Within this program are methodology, products and services, recovery plans, and response structure to provide adequate level of services until normal operations resume. The Business Impact Analysis (BIA) methodology identifies products, services, and processes that should be prioritized during a disruption. Risk Assessment for Business Continuity (RABCon) identifies the most probable threats to the bank, assesses the likelihood of their occurrences and their impact to key areas of the bank. Business Recovery Plan (BRP) provides a suitable solution that focuses on the impact of events and the timely restoration of building, equipment and supplies, technology and vital documents, human resources, and third-party vendors.

Resiliency structure is in place and functional areas have been identified to meet business continuity objectives and to support the agreed recovery solution. Each functional area has a designated Functional Business Continuity Coordinator who handles localized risk events impacting business units in the functional areas, with the support and guidance of tactical teams such as the Incident Management Teams and the Corporate BCM Unit. For incidents that rise to the level of a true crisis, the Crisis Resiliency Committee (CRC), composed of senior officers of the Bank, is convened to establish command and control.

Information and Physical Security Risks. The Bank is vigilant about information and physical security. BPI’s Enterprise Information Security Management (EISM) team is continuously maintaining and revalidating the inventory of the Bank’s information assets to enhance monitoring and reporting of information security risks. It addresses the evolving cyber-threat landscape and adheres to applicable laws such as the Data Privacy Act by continuously improving its defenses, following the Bank’s Information Security Program.

To complement continued investments in technical controls and recognizing the criticality of a cyber-aware organization in securing the Bank from attacks, the Bank has an established awareness program that includes classroom trainings, e-learning courses that are accessible anytime, anywhere, roadshows, and periodic bulletins. Awareness campaigns for clients to combat fraud are also conducted extensively online via social media, the BPI website, press releases, and e-mail bulletins. The Bank continually implements programs such as these to make clients and employees aware of the current cybercrime landscape, emerging risks and trends, and mitigating measures to further strengthen operational risk and information awareness. An established third-party or vendor risk management program ensures that the use of service providers and IT suppliers do not unnecessarily expose the Bank to operational, regulatory, and reputational risk.

BPI’s Central Security Office (CSO) is at the forefront of ensuring a safe and secured environment within which the Bank’s clients and personnel can conduct business at their convenience. Being the office responsible for the physical security of the Bank’s facilities and the overall safety of its clients and employees, CSO implements a proactive and integrated approach to people, infrastructure, and information security to address the increasingly sophisticated and cross-border threats on financial products and services fulfillment. Facilities monitoring and evaluation are constantly undertaken to achieve more advanced, secured, and climate resilient designs integrating value engineering of monitoring systems to stay ahead of the evolving physical and financial security landscape. Reinforcing this effort is capability development through physical security monitoring systems improvement and deployment of emergency communications at strategic areas for enhanced coordination. CSO also has a Disaster Response and Management Plan set for emergencies and calamities. It has deployed a combination of personnel and physical and technological assets to further ensure timely and efficient response. Requisite personnel trainings and knowledge-based projects are further implemented to amplify the holistic approach to the Bank’s overall physical security and safety of personnel and clients.

Legal and Tax Risks. BPI has two specialized legal services divisions composed of highly-trained legal professionals with experience in banking and corporate law that serve as BPI Group’s main legal resource.

The Bank’s Corporate Legal Affairs unit has a critical role of providing proactive legal measures to effectively manage legal and tax risks. It has the documentation and research department to respectively ensure that the Bank’s rights and obligations are protected in its contractual relations and that the Bank is abreast with the most recent legal developments and requirements. It also conducts a legal risk assessment of potential claims against the Bank and recommends legal risk mitigation measures. It further empowers the Bank units by issuing legal and tax advisory bulletins and providing supporting training seminars that highlight legal issues, new laws, and regulatory fiats that impact the Bank’s products and services, and promote awareness of initiatives of various regulatory agencies.

The Bank’s Dispute Resolution and Litigation unit plays a significant role in protecting the Bank’s rights and interests and in avoiding losses when it is involved in litigation. It handles criminal, civil, and administrative cases (including cybercrime cases) for and against the Bank to protect the Bank’s rights and interests. Likewise, it handles defensive cases filed by any party against the Bank for any reason.

Reputational Risk. The Bank defines reputational risk as the risk of possible damage to the Bank’s brand and reputation that can adversely affect the ability to maintain existing or establish new business relationships and continued access to sources of funding.

BPI has an established reputational risk management framework that provides consistent standards for the identification, assessment, and management of reputational risk issues. While all employees have a responsibility to protect the Bank’s reputation, which forms part of the Bank’s Code of Conduct, the primary responsibility for managing and reporting reputational risk matters lies with the business and operating units in the first line of defense. The Corporate Affairs and Communications unit, on the other hand, is the risk control owner of reputational risk, promoting awareness and application of the Bank’s policies and standards regarding reputational risk and encouraging business units to take account of the Bank’s reputation in all decision-making, including dealings with customers and suppliers, and among employees.

The Bank’s policies ensure reputational risk matters are managed in a consistent manner and align with the Bank’s strategic priorities. It has established risk indicators for reputational risks that are regularly monitored and reported. These include metrics related to traditional and social media monitoring, products and services, channels, financial performance, and corporate social responsibility.

Model Risk. BPI’s Risk Models Validation (RMV) division is responsible for conducting the independent model validation activities of the Bank’s risk and stress testing models. The independent validation of risk models is governed by the Bank’s model risk management policy and governance framework, aimed at ensuring an active and effective model risk management across the enterprise. RMV conducts an annual inventory of its models to ensure relevance, comprehensiveness, and usability across functional risk areas. Given the increased regulatory expectations on model risk management and validation in the context of PFRS 9 and enterprise stress testing, and the necessity for business-enabling and risk-informed decision-making, RMV aims to continuously test the quality and robustness of the Bank’s risk models, benchmarked to global best practices on model risk management.

With the Bank’s comprehensive risk management framework and continuous efforts to enhance its risk management activities, BPI was recognized as the 2019 ASEAN Risk Champion by the Enterprise Risk Management Academy (ERMA), becoming the first Philippine bank to win the said award.

CAPITAL ADEQUACY

The Bank’s Corporate Strategy and Investor Relations (“CSIR”) oversees the management of the Bank’s capital adequacy. Capital adequacy ratio, or CAR, is a measure of the Bank’s total qualifying capital relative to its risk-weighted assets, and indicates the ability of its capital funds to cover various business risks.

CSIR also ensures compliance with regulatory capital adequacy requirements, as well as internal capital thresholds, referred to as the Bank’s internal minimum Common Equity Tier 1 (CET1) ratio, or IMCET1, and the CET1 management action trigger, of CET1MAT, which incorporate the Bank’s internal capital buffers and limit triggers, and capture risks beyond Pillar 1 (credit, market, and operational).

Furthermore, as the central planning unit of the Bank, this division is responsible for assessing and raising the strategic capital needs of the Bank, as well as initiating approvals for dividend payments to shareholders.

Sound Capital Management. Effective capital management supports the Bank’s assets and absorbs losses that may arise from credit, market and liquidity, operational and IT, and other risk exposures. The Bank’s capital management framework ensures that on stand-alone and group bases, there are always sufficient capital buffers to support the respective risk profiles of the various businesses of the Bank, as well as changes in the regulatory and accounting standards and other future events.

BPI submits a comprehensive internal capital adequacy assessment process, or ICAAP, document annually to the Bangko Sentral, in accordance with the Pillar 2 guidelines of the Basel framework.

As of December 31, 2019, BPI’s solo (parent) and consolidated CAR stood at 14.94% and 16.07% respectively, higher than the minimum regulatory requirement of 10.0%. The Bank’s solo and consolidated CET1 capital ratio at 14.08 % and 15.17%, respectively, likewise compare favorably with regulatory and internal limits and buffers.

The table below shows the Bank’s CAR components for December 2019 and 2018:

Risk (Php Million)	Regulatory Capital	
	2019	2018
Credit Risk	140,720	131,092
Market Risk	2,402	2,223
Operational Risk	13,764	12,260
Total	156,886	145,575
Capital Adequacy		
(Php Million)	2019	2018
CET1/Net Tier 1	238,063	221,124
T2/Net Tier 2	14,079	13,116
Total QC	252,142	234,240
Total CRWA	1,407,202	1,310,922
Total MRWA	24,016	22,226
Total ORWA	137,637	122,598
TRWA	1,568,855	1,455,746
Consolidated Ratios (%)		
CAR	16.07	16.09
CET1	15.17	15.19
Solo (Parent) Ratios (%)		
CAR	14.94	14.83
CET1	14.08	13.97

RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank transacts with related parties which include its directors, officers, stockholders and related interest, subsidiaries and affiliates (including those under the Ayala Group of Companies), as well as other related parties defined in the Bank’s internal policy.

The Bank maintains its registry of related parties (RPs) which is regularly updated based on the results of RP analyses, as part of the Know-Your-Customer process, conducted by the business units. Updates are also sourced from other reference materials and information gathered from internal bank units and external sources. In April 2019, the Bank implemented an electronic Related Party Database to facilitate users’ access to and improve controls in the maintenance of the RPs registry.

RPTs involve credit and non-credit exposures such as borrowings, guarantees, agreements for the periodic provision of leases or other services, asset purchases and sales, derivative transactions, trust transactions, and investments, amongst others, for which RPs are perceived to have significant influence. Vetting is done prior to implementation either by the Board-level Related Party Transaction Committee (RPTC) or the Management Vetting Committee (MVC), depending on materiality, to ensure that transactions with RPs are normal banking activities and are done at arm’s length (particularly on terms and conditions comparable to those offered to non-related parties or to similar transactions in the market). In 2019, RPs whose individual and group exposures, existing or potential, are considered material were vetted by the RPTC.

The RPTC is composed of three directors, majority of whom are independent including its Chairperson, and two non-voting members from Management, the Chief Audit Executive and the Chief Compliance Officer, both of whom perform post-reviews to ensure proper implementation of RPTs. The RPTC Secretariat, which is part of the Risk Management Office, assists the Committee in carrying out its responsibilities as defined in the RPTC Charter, particularly on strengthening corporate governance and RPT practices. The MVC is composed of the Executive Vice Presidents of the Bank.

The Bank is committed to ensure strict compliance with laws, regulations and reporting requirements relating to DOSRI and related party transactions, by instituting rigorous vetting processes, establishing adequate controls and oversight mechanisms, and pursuing improvements such as its related party database to facilitate the timely and accurate related party classification of clients and counterparties.

Compliance

The Bank views compliance to mean not only adherence to laws, regulations, and standards but, more importantly, the consistent conduct of the affairs of the Bank within a culture of high integrity, conforming to ethical business practice, abiding by the principles of fair dealing, accountability, and transparency. This ensures that in all its areas of activity, the Bank and its stakeholders are protected from business risks as comprehensively as possible. The Bank values its reputation most and the fact that it is trusted by its shareholders, clients, employees, partners, and members of the communities it serves.

As the Bank’s second line of defense, the compliance function has also evolved in recent years to adapt to the shift towards more technology-heavy strategies, as it seeks to deliver the compliance risk management outcomes required in an era of digital transformation. While remaining a key advisory function, it has embraced a more forward-thinking, risk-based, and stress-tested approach to continuously monitor, evaluate, and improve its ability to ensure compliance in a banking landscape that is subject to disruption and rapid change.

Chief Compliance Officer. Oversight of the management of the Bank’s business risk and implementation of its compliance function is the responsibility of the Board, through the Audit Committee (Recommendation 2.10 of the SEC CG Code for PLCs). At the management level, the compliance function is carried out by the Compliance Office, led by the Chief Compliance Officer (CCO).

Designated by the Chairman of the Board, the CCO is not a member of the Board and has the rank of at least a Vice President. The CCO’s qualifications are subject to the applicable provisions of the Manual of Regulations for Banks, particularly considering Fit and Proper criteria such as integrity or probity, competence, education, diligence, and experience and training. The CCO annually attends training on corporate governance. (Recommendation 1.6 SEC CG Code for PLCs) See Appendix for the full biography of the CCO.

The Compliance Office oversees the implementation of the Bank’s enterprise-wide compliance programs. These programs take into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

The Compliance Office routinely provides advice to individual business units on applicable laws, directives, standards, and regulations as well as provides compliance support to the Group Compliance Officer. It jointly develops guidance on operations and business processes in order to guard against potential compliance risk, and reviews and assists in interpretations of laws, implementing rules and regulations, standards and guidelines of the BSP, SEC, Anti- Money Laundering Council (AMLC), PSE, Philippine Deposit Insurance Corporation (PDIC), Insurance Commission (IC), National Privacy Commission (NPC), and other regulatory bodies for compliance, communicating them and verifying adherence.

The Compliance Office also helps achieve adherence to the Bank’s internal confidentiality regulations (“Chinese Walls”); provides regular training and education for employees on the applicable regulations, rules, and internal standards; and leads the Bank’s business units in compliance risk assessment, rules-based testing and reporting.

The Compliance Office is currently organized to cover Regulatory Compliance, Corporate Governance, Anti-Money Laundering Compliance, FATCA Compliance and the Data Privacy Office. Considering the rapid developments in the regulatory sphere, as well as the growing complexity of the Bank’s products, services, and transactions, the Compliance Office evolves in its coverage of compliance practice areas to anticipate and meet future challenges. Enhancement of our compliance function’s scope and domain is redefined for new and emerging sources of compliance risk.

The Compliance Office is also empowered by 22 Group Compliance Officers (GCOs), who are embedded in operational units throughout the Bank. The GCOs enforce Compliance Office initiatives, as well as provide timely reports to the Compliance Office.

The Compliance Office applies a three-layered compliance testing and monitoring process, which includes unit self-assessment testing conducted by GCOs and independent random testing performed by the Compliance Office. Independent periodic review is conducted by the Bank’s Internal Audit Division. Results of compliance testing are reported regularly to the Audit Committee.

Overall enforcement is through self-regulation within the business units, and independent testing and reviews conducted by the Compliance Office and Internal Audit.

Results of these reviews are elevated to the Board’s Audit Committee and, with respect to governance issues, the Corporate Governance Committee.

The Compliance Office promotes adherence and awareness to laws, rules, and regulations by electronically posting information and documents in a compliance database that is accessible to all employees. Regular meetings are conducted by the Compliance Office with the GCOs to discuss the impact of new regulations, decide on the required compliance measures, and amend compliance matrices as necessary. Through continued liaison and dialogue with regulators, the Compliance Office ensures the prompt dissemination of new regulations and other developments affecting bank operations.

Regulatory Compliance. The Regulatory Compliance Department covers adherence to all relevant and applicable Philippine banking laws and regulations. They are in charge of regulatory compliance management with respect to the BSP’s institutional compliance rating system, which comprehensively evaluates the effectiveness of a bank’s compliance system in mitigating business risk.

Partnership-building with the regulators, external auditor, and industry organizations (Association of Bank Compliance Officers and the Bankers Institute of the Philippines) is also essential in regulatory compliance management.

Corporate Governance. The Corporate Governance Department covers the compliance aspect of the Bank’s corporate governance framework and requirements externally, with respect to the laws relevant and applicable to BPI as a bank and as a PLC such as the Corporation Code, and the rules and regulations of the BSP, SEC, PDIC, and PSE, and internally, with respect to BPI’s Articles of Incorporation, Amended By-Laws, Manual on Corporate Governance, Code of Business Conduct and Ethics, and all corporate governance-related policies such as those on conflict of interest standards, insider trading, whistleblower, related party transactions and anti-bribery and anti-corruption.

The Corporate Governance Department also monitors compliance with regional corporate governance initiatives, jointly sponsored by the SEC and the ICD such as the ASEAN Corporate Governance Scorecard. Working closely with the Board-level Audit and Corporate Governance Committees, this department ensures that the Bank’s corporate governance foundations can withstand rigorous tests and demands of more stringent supervision, regulation, disclosure, and bank governance best practices.

Anti-Money Laundering Compliance. The prevention of financial crimes is a top priority of BPI, not only because they pose a significant threat to its reputation, but because they weaken the integrity of the global financial system. Hence, the Compliance Office extends its ambit beyond the Bank, its policies, and its employees to ensure that its clients also act within the law and do not use the Bank for illegal activities.

The Compliance Office’s Anti-Money Laundering Department is responsible for monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations, and BSP Circular 706 and all other amendments thereto. Developed under the guidance of the BSP’s Money Laundering and Terrorism Financing Prevention Program, the Bank’s anti-money laundering program covers all its subsidiaries and affiliates.

This program aims to implement sound anti-money laundering practices and combat terrorist financing and other financial crimes. It consists of conscientious customer due diligence and know-your-customer (KYC) processes; sanctions screening; automated tools to identify and detect financial transactions of a suspicious nature; and monitoring, testing, periodic review, and timely reporting of anti-money laundering-combating the financing of terrorism (AML-CFT) events to senior management. This program also includes regular and effective AML-CFT training and awareness programs for all personnel; maintenance of customer data and transaction documents within prescribed timelines; and timely updates of policies and procedures in accordance with changes in regulations and AML-CFT typologies.

With increasing global AML initiatives and numerous new regulations, the Bank recognizes that its AML processes and controls are changing from a stand-alone function under Compliance, to an increasingly complex and overarching function cutting across legal, risk and operations. The Bank constantly reviews its program to ensure compliance with the latest legislative and regulatory developments. The Board and management support bank-wide efforts towards establishing strong AML assurance mechanisms and globally consistent standards.

The specialized IT system captures information required for covered transaction reports, and detects suspicious transaction patterns for reporting to the AMLC.

To promote awareness, knowledge, and understanding of AML concepts, principles, and requirements, all employees are required to attend training programs conducted by the Bank’s AML Department or through e-Learning courses available with the BPI University, its in-house training academy.

FATCA Compliance. The Bank recognizes global movements to widen tax regimes across borders such as the enactment into law by the United States government of the Foreign Account Tax Compliance Act (FATCA). BPI values its ability to transact efficiently in US dollars and, in support thereof, established a FATCA Compliance Department to ensure consistent and effective compliance with FATCA regulations throughout the Bank and its subsidiaries.

As required under the rules of FATCA, the Bank has appointed a responsible officer to oversee the Bank’s compliance with regulations, establish a program to ensure its effective implementation, and accomplish certain certifications with the IRS. The FATCA compliance program provides for additional requirements on customer due diligence and documentation and new reporting guidelines to relevant tax authorities.

The Bank appears in the U.S. internal revenue service official list of participating financial institutions with the Global Intermediary Identification Number (GIIN) of CUC04I.00000.LE.608.

Type of Financial Institution (FI): Lead of an Expanded Affiliated Group

FATCA Classification and Date of Registration:

- Participating Foreign Financial Institution: April 23, 2014
- Registered Deemed-Compliant Financial Institution/ Reporting Financial Institution under a Model 1 IGA: March 23, 2015

Data Privacy Office. Republic Act No. 10173, known as the Data Privacy Act of 2012, requires government and private sector entities to apply the principles of Transparency, Legitimate Purpose, and Proportionality in its processing of personal data so that the data is (1) only used in relevant and specifically stated ways, (2) not stored for longer than necessary, (3) kept safe and secure, (4) used only within the confines of the law, and (5) stored following people’s data protection rights. Cybersecurity and data privacy and protection have become corporate governance and risk management concerns.

BPI has established a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls, and technologies designed for risk reduction. The Bank has a Data Privacy Office, headed by a Board-appointed Data Protection Officer (DPO), a senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage

data protection risks for the organization, consistent with the Data Privacy Act rules and regulations, issuances by the NPC, and other applicable laws. Management has also appointed Compliance Officers for Privacy (COP) for major business units of the Bank to augment the Data Privacy Office and ensure the sustained implementation of the Data Privacy Management Program across business lines. To promote transparency and to comply in part with the Data Privacy Act, BPI has published online and inside its branches the Data Privacy Statement that discloses how BPI collects, protects, uses, and shares personal data across its operations.

The Bank’s Data Privacy Statement may be read at www.bpi.com.ph.

MANUAL ON CORPORATE GOVERNANCE

The Bank has a Manual on Corporate Governance which, together with the board and board-level committee charters, supplements and complements BPI’s Articles of Incorporation and Amended By-Laws. It sets forth the underlying principles of good and transparent governance through a framework of policies, rules, systems, and processes for the Board and Management’s performance of their respective duties and responsibilities to stakeholders. The manual also discusses the Bank’s sustainability initiatives which encapsulates the value created from BPI’s business model while innovating for operational efficiency, empowering people and society, using resources more efficiently, and strengthening stakeholder trust.

The Board commits itself to the principles and practices contained in the manual that are designed to ensure independence and effective oversight. The Board also undertakes every effort to create awareness of these principles and practices within the Bank to ensure proper internalization by every member of the organization. The manual is on the Bank’s internal electronic database and published in the company website for easy access and viewing.

The Manual on Corporate Governance, reviewed annually, was last approved for amendment in February 2020. Upon amendment, BPI submits the updated Manual on Corporate Governance, bearing the signatures of the Chairman of the Board and the Chief Compliance Officer, to the SEC.

The Manual on Corporate Governance may be read on our website at www.bpi.com.ph. (Recommendation 8.7 SEC CG Code for PLCs)

Compliance with the SEC Code of Corporate Governance for PLCs. A certification on the Bank’s full compliance with the BPI Manual on Corporate Governance, containing relevant provisions of the SEC Code of Corporate Governance for PLCs, signed and issued by the Chief Compliance Officer, is posted on the company website.

ASEAN CORPORATE GOVERNANCE SCORECARD

BPI actively measures its governance practices against its counterparts in the region. The Bank has adopted the rigorous benchmarking framework of the ASEAN Corporate Governance Scorecard (ACGS), which rates how ASEAN PLCs’ governance practices fare against global standards.

Since the SEC and the Institute of Corporate Directors (ICD) jointly launched the scorecard initiative in 2012, BPI has merited considerable success and continues to register marked improvement in its scorecard performance. In 2019, BPI was one of the first awardees of the inaugural Institute of Corporate Directors’ (ICD) Golden Arrow Awards as a Top Performing Company in the ASEAN Corporate Governance Scorecard.

The Bank’s ASEAN Corporate Governance Scorecard is posted on the company website at www.bpi.com.ph.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

SEC Memorandum Circular No. 15, Series of 2017 and PSE Memorandum CN No. 2017-0079 mandate all companies listed in the PSE to submit the Integrated Annual Corporate Governance Report (I-ACGR) on or before May 30th of every year that the company remains listed on the PSE.

The I-ACGR covers (1) Recommendations from SEC CG Code for Publicly-Listed Companies, (2) Supplemental provisions from PSE CG Guidelines Disclosure Survey, (3) Additional requirements not in SEC CG Code/PSE CG Guidelines but expected of PLCs, and (4) Requirements from the ASEAN CG Scorecard (optional).

BPI’s latest I-ACGR as well as that of previous years’ may be viewed on the company website at www.bpi.com.ph.

CODES OF BUSINESS CONDUCT AND ETHICS

BPI has Codes of Business Conduct and Ethics for its directors, officers, and employees that provide the key practices and behaviors. The codes serve as guidance so that the right decisions are made in the performance of their respective roles and responsibilities across various functions in the Bank. (Recommendation 7.1 of the SEC CG Code for PLCs)

Employee Code of Business Conduct and Ethics. Built around BPI’s Mission and Vision, Credo and Core Values, the Code lists the high-level ethical principles that guide the Bank’s business, how its employees must treat its clients, and the conduct expected from them. The Code also includes guidance on care for the environment, labor rights, customer service and protection, commitment to human rights, the right to privacy, and anti-bribery and anti-corruption. The Code of Business Conduct and Ethics is a declaration of principles and, more so, a vital part of the Bank’s risk management strategy. Annually reviewed, the Code was refreshed and approved by the PerCom in August 2017.

Through the Code, the Bank desires to: (1) build a culture of integrity, accountability, and ethical behavior that encourages employees to abide by the Code and strive to protect the Bank’s reputation; (2) establish a system for detection and reporting of known or suspected ethical wrongdoing or violations of the Code, and; (3) emphasize BPI’s commitment to compliance with regulatory guidelines, rules, and laws. (Recommendations 7.1 and 7.2., SEC CG Code for PLCs)

THE CODE OF BUSINESS CONDUCT AND ETHICS
OUR CLIENTS
Values at work: Customer Service, Teamwork, Concern for People
- Building Client Relationships - Safeguarding Privacy and Security of Client Information - Promoting and Strengthening Consumer Protection
OUR EMPLOYEES
Values at work: Integrity, Excellence, Teamwork, Loyalty
- Adhering to Company Rules and Workplace Policies - Creating Dignity and Unity in the Workplace - Contributing to Workplace Health & Safety - Following Limits of Authority - Avoiding Conflict of Interest - Protecting Property and Assets of BPI and Others - Recognizing Privacy of Employee Information
OUR SHAREHOLDERS
Values at work: Integrity, Excellence, Teamwork, Loyalty
- Upholding the Bank's Reputation, Service Quality and Trust - Transparency, Liaison and Coordination with Regulators - Maintaining Company Records and Reporting Requirements - Supporting Investors and the Market - Encouraging and Assisting Whistleblowing - Handling Related Party Transactions
OUR COUNTRY
Values at work: Integrity, Excellence, Teamwork, Concern for People
- Compliance with KYC, Anti-Money Laundering and FATCA Regulations - Preventing Insider Trading - Enforcing Anti-Corruption and Anti-Bribery - Dealing with Suppliers and Business Partners - Caring for Sustainability and Communities

Applicability of Code. The Code is applicable to and mandatory for all employees at all levels of the BPI group. As no code could address every situation an employee may encounter, all employees are required to follow both the spirit and the letter of the Code, its policies, and procedures. Annually, all BPI employees are required to read, understand, and comply with the Code of Business Conduct and Ethics.

All others who work for, or on behalf of, BPI are also required to demonstrate the highest standards of professional business conduct. In general, this includes consultants, agents, contract or temporary workers, and business partners.

Each employee’s conduct is his or her own responsibility and decision. No employee should ever commit a violation even if directed to do so by a manager or colleague. Any disciplinary action shall be directed against the employee’s wrongdoing and not against his person or personality.

The identity of an employee, who is the subject of a Code violation or disciplinary process, and information on such proceedings, shall be maintained in confidence to the extent possible, given the legitimate needs of law and the fact-finding process.

Guidance on the Code. Throughout the Code, employees will find information, key terms, and links to related policies on BPI’s internal electronic database, to guide them in making ethical decisions. However, the Code does not contain the answers to every question employees may encounter at work nor cover every violation. In the absence of a specific policy, employees have a responsibility to use good judgment, comply with the spirit of the Code, and seek help from their immediate superior, the Human Resources Management Group, or HR Employee Care Unit if they have any questions or concerns.

Reporting Violations. All employees must report to management any information they may have about any offense or Code violation which has been, is being, or is about to be committed. Failure to do so will subject the employee to the appropriate disciplinary action. Protection of the reporting party’s identity will be maintained to the extent possible, within the legitimate needs of law and the fact-finding process. Where appropriate, BPI may apply the protected disclosure protocols of our Whistleblower Policy. Employees are also expected to cooperate with any investigation, inquiry, examination, or litigation related to the offense or Code violation.

Director’s Code of Conduct. BPI has a Code of Conduct for its Board of Directors, adopted in September 2017, which applies to and is binding on all directors of the Bank. The Director’s Code is intended to provide guidance to directors, whether executive, non-executive, or independent, with policies on standards for conduct of the business of the Bank, the protection of its rights and its stakeholders, maintaining BPI’s reputation for integrity, and fostering compliance with applicable laws and regulations. The principles outlined in the Director’s Code of Conduct: (1) codify a standard of conduct for which directors are to abide throughout their term of service, from the date of their appointment; (2) set out a range of matters relating to the director’s role and the behavior expected of them to properly undertake their fiduciary duties, protect the business interests of BPI, and maintain its reputation for integrity, and; (3) emphasize BPI’s commitment to compliance with regulatory guidelines, rules and laws In contrast to the Board Charter and Manual on Corporate Governance, which sets out the qualifications, role, composition, duties, and responsibilities of the Board within the governance structure of the Bank, the Code governs the behavior and conduct of the directors.

The Director’s Code, therefore, sets forth policies in several basic areas that commonly require directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence, and accountability. These basic areas include: (1) leadership and stewardship; (2) diligence, care, and skill; (3) upholding the law; (4) conflict of interest; (5) competition and fair dealing; (6) confidentiality; and (7) corporate disclosure. The Director’s Code also discusses directors’ time commitments, training and development, personal investments and insider trading, political activity and involvement, gifts policy, anti-bribery and anti-corruption, related party transactions, competition and fair-dealing, and public communication. These are all part of the key ESG issues for the banking sector, i.e., Resilience, Business Ethics, Responsible Finance, Financial Product Governance and Human Capital. (Recommendation 2.1 SEC CG Code for PLCs)

Dissemination of the Codes. Among others, the Bank’s codes of conduct and policies on conflict-of-interest, insider trading, whistleblower, related party transactions, and other guidelines are embodied in the Bank’s Manual on Corporate Governance and included in the Bank’s Management and Operating Manual and Personnel Policy Manual, each of which is recorded in electronic databases readily accessible for all Bank employees. Bank policies are also regularly announced via internal e-mail facility to ensure constant top-of-mind awareness of employees of the need to comply with these policies. Directors are provided with hard copies as well as electronic copies of the Director’s Code. Both the Employees’ and Directors’ Codes of Conduct are disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs)

Training on the Codes. New employees are likewise given training on the Bank’s Credo and the Code of Conduct as part of a values integration session.

Compliance with the Codes. All directors and employees acknowledge annually, through a Statement of Affirmation, that they have read and understood the employee Code of Conduct and/or the Director’s Code, respectively, as well as the Manual on Corporate Governance, and fully comply and adhere to the principles, standards, and policies therein. In adherence to Recommendation 7.2 of the SEC CG Code for PLCs,

the Board, through the Personnel and Compensation, Audit, and Corporate Governance Committees, ensures that the Bank’s Human Resources Management Group implements and monitors compliance with the Code.

COMPANY POLICIES AND STANDARDS

Major policies and standards are also in place to guide and support BPI employees’ adherence to the Code of Business Conduct and Ethics and to internal company rules and regulations.

Conflict of Interest. BPI does not tolerate those who place their interest above that of the institution, its clients, or business partners. The Bank has in place standards on conflict-of-interest that elevate the interest of the Bank above that of the personal interests of directors, officers, and employees. These standards prohibit directors and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage.

Our standards on conflict of interest expect all directors and employees to refrain from any conduct that could be viewed unfavorably by the Bank’s clients, co-employees, competitors, suppliers, investors, regulators, or the public. The standards also require full cooperation and provision of complete and accurate information from employees during government, regulatory or internal enquiries, investigations, and audits. Directors are required to disclose any conflicts of interests such as cross-board memberships, cross-shareholdings with suppliers and other stakeholders, and related party issues. See Appendix for Board biographies.

The standards also cover specific conflict-of-interest situations such as receipt of gifts from third parties, respect for trade secrets, use of non-public information, and use of company funds, assets, and information.

The Conflict of Interest standards are disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs).

Anti-Bribery and Anti-Corruption. Through its Anti-Bribery and Anti-Corruption (ABC) Policy, the Bank puts the highest premium on sound, responsible, and effective corporate governance. The Bank advocates that directors and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing. (Recommendation 15.2 SEC CG Code for PLCs)

Aligned with the Bank’s commitment to act fairly and with integrity in all business dealings and relationships, the ABC Policy complements the Bank’s financial crime policies and programs such as the Money Laundering and Terrorism Financing Prevention Program (MTPP) and Whistleblower Policy.

Guidance on the Bank’s ABC Policy is supplemented by the Standards on Conflict of Interest under Request or Acceptance of Fees, Commissions, Gifts. Monitoring of and compliance with the Code of Conduct and related policies are undertaken by the Human Resources Management Group and Corporate Governance Department of the Compliance Division.

For the year 2019, there are no confirmed incidents of bribery or corruption.

The ABC Policy is disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs)

Insider Trading. The Bank has an Insider Trading Policy which prohibits its covered persons or directors, employees, and other parties who are considered to have knowledge of material facts that have not been disclosed to the public, including any information that will likely affect the market price of BPI’s securities, from buying or selling these securities for their own personal account. (Recommendation 8.2 of the SEC CG Code for PLCs)

Covered persons are strictly prohibited from trading during periods of structured and non-structured disclosure (trading blackout). This prohibition includes passing on material and non-public information relating to BPI or its clients to anybody who may buy or sell securities.

A trading blackout prohibits trading once the covered person receives material information before a structured or unstructured disclosure. Trading can only be done after said disclosure.

Office bulletins are regularly issued by the Compliance Office before, during, and after trading blackout periods to ensure compliance with the Insider Trading Policy.

All directors and senior management are required to comply with regular reportorial requirements of and disclosure to the SEC and the PSE for the purchase and sale of BPI shares.

The Bank expects every director, officer, and employee, including related covered persons, to comply with the Policy, and to use honesty and good judgment at all times when trading in the company’s securities.

Violation of the policy shall be subject to disciplinary action as may be determined by management or the Board, without prejudice to any civil or criminal proceedings which BPI or the regulators may file. Under the law, insider trading may be subject to penalty for damages or fine and/ or imprisonment.

For the year 2019, there are no confirmed incidents of insider trading.

The Insider Trading Policy is disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs)

Whistleblowing. The Bank supports a whistleblower program, an important mechanism to prevent and detect fraud or misconduct, and enable fast and coordinated incident responses, remedial actions, and damage control procedures. (Recommendation 15.3 of the SEC CG Code for PLCs)

Applicability of Policy. The Whistleblower Policy is applicable to both internal and external stakeholders. All directors and employees, as well as clients, suppliers, and other stakeholders can report any violation. These can include violations of policies, procedures, and applicable laws and regulations such as fraud, sexual harassment, theft, stealing, conflict of interest, information security breach, and any other acts which are inimical to the interests of the Bank and the BPI group.

Reporting Procedure. The whistleblower may approach any of the following officers who are the designated contacts for the Bank and the primary reporting line: Chief Human Resources Officer, Chief Audit Executive, and Chief Risk Officer. Under extraordinary circumstances, the whistleblower may also course the complaint through other reporting lines, like the President and CEO or the Chairman of the Bank’s Audit Committee.

The whistleblower may report formally or anonymously to the primary contacts. Reporting can be done in writing, by telephone, in person, or through eye_report@bpi.com.ph.

Upon receipt of the whistleblower report, the personnel to whom the report was disclosed shall immediately initiate the investigation by turning over the details and documents, if any, to the investigating unit of the Bank. The investigation of the whistleblower report shall follow due process as stipulated in the Bank’s manual of operations for handling fraud and irregularities.

Non-Retaliation. The Whistleblower Policy emphasizes the Bank’s commitment to non-retaliation. It fosters and maintains an environment of utmost confidentiality where all whistleblowers may act appropriately without fear of reprisal, and be treated with utmost confidentiality. An individual who makes a protected disclosure shall not suffer harassment, retaliation, or adverse employment consequences. Any person who retaliates against any individual who makes a protected disclosure shall be subject to discipline, including termination.

In case the whistleblower believes he has been subjected to retaliation, he may seek redress or file a formal complaint to the three primary contacts for whistleblowing.

In 2019, BPI received a total of 14 reports through its BPI Eye Report Box, all of which have been fully resolved. The nature of the reports included customer issues (21.4%), queries (14.3%), administrative matters (57.1%), and external fraud (7.1%).

The Whistleblower Policy is disclosed in the Manual on Corporate Governance and may also be read on our website at www.bpi.com.ph (Recommendation 7.1, 8.7 SEC CG Code for PLCs)

Related Party Transactions. Our Related Party Transactions Policy imposes stringent guidelines and measures to maintain arm’s length integrity in all of the Bank’s related party business transactions, operations, and activities. BPI vigilantly guards against improper pricing policies, questionable manners of settlement, and ambiguous or disputable terms of transactions in any related party transactions. (Recommendation 2.7 of the SEC CG Code for PLCs)

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the latter in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, including affiliates. Related parties may also be individuals or corporate entities.

Because transactions with related parties can be abused, the terms of such transactions are of vital interest to shareholders. The interests of all stakeholders must likewise be fully protected.

Through this policy, the Bank also institutionalized a sustainable framework for identification, assessment, and reporting of related party transactions, aimed at achieving an increased degree of transparency.

BPI established a Board-level Related Party Transaction (RPT) Committee to assist the Board in assessing material agreements of any kind with a related party and determine whether to approve, ratify, disapprove or reject a transaction. Currently composed of independent and non-executive directors, this Committee meets regularly to vet credit and non-credit related party transactions of significant amounts that meet the materiality threshold per transaction type as established per Bank’s policy on RPTs. The Bank’s CAE and CCO also sit as non-voting members of the RPT Committee. Internal Audit, under the CAE, performs post-reviews to ensure proper implementation of related party transactions approved by the RPT Committee.

The RPT Committee is guided by the following:

- The Committee takes into account whether the RPT is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.
- For a transaction involving a sale of bank assets, the Committee reviews the results of the appraisal or valuation methodology used, as well as alternative approaches to valuation.
- The Committee assesses the extent of the related party’s interest in the transaction:
 - Term of the transaction;
 - The related party’s interest in the transaction;
 - Purpose and timing of the transaction;
 - Whether the Bank is a party to the transaction and, if not, the nature of the Bank’s participation in the transaction;
 - If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis;
 - Information concerning potential counterparties in the transactions;
 - Approximated value of the transaction and the approximated value of the related party’s interest in the transaction;
 - Description of provisions or limitations imposed as a result of entering into proposed transaction;
 - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - Purpose of transaction; and
 - Potential benefits to the Bank.

The RPT Vetting Department, which is part of the Risk Management Office, acts as the RPTC Secretariat, assisting the Committee in carrying out its responsibilities as defined in the RPTC Chapter.

In adherence to Recommendation 5.6 of the SEC CG Code for PLCs, the Bank’s Related Party Transactions Policy, and Code of Conduct, directors with material interest in any transaction affecting the Bank abstain from taking part in deliberations for the same.

RPTs that are classified as a material transaction must be approved by the Board and submitted for confirmation by majority vote of the stockholders in the ASM.

RPTs involving amounts below the materiality threshold must be approved by the proper authority and submitted for confirmation by the Board, or the subsidiary as the case may be. RPTs involving Directors, Officers, Shareholders, and Related Interests (DOSRI), subsidiaries, and affiliates, must at all times be submitted to the appropriate Board for approval.

In 2019, the RPTC Secretariat, with assistance from the Corporate Governance Department, complied with SEC Memorandum Circular 10 on Rules of Material RPTs for publicly listed companies by submitting to the SEC a Material RPT Policy and posting the same on the company website within five (5) days from the submission to the Commission. To comply, the Bank created additional guidelines to address the major difference in the SEC’s policy requirement on material threshold, defined as related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the company’s total assets based on its latest audited financial statement. If the reporting PLC is a parent company (e.g., BPI), the total assets shall pertain to its total consolidated assets. The Material RPT Policy was approved by the RPTC on October 18, 2019, and by the Executive Committee on October 23, 2019. The Policy was also filed with the SEC and posted on PSE Edge on October 28, 2019. It was also posted on the BPI website on October 31, 2019.

The Bank also created a Management Vetting Committee (MVC), composed of the five Executive Vice Presidents of the Bank, to review related party transactions which are below the materiality threshold. The Compliance Office, under the CCO, is responsible for the post-review of all MVC-approved transactions. The MVC also submits all vetted transactions to the RPTC for its information and confirmation.

All directors, officers, and employees are also required to disclose conflicts and potential conflicts, as well as relationships with clients, prospects, suppliers, and other interests.

Companies within the BPI group are also covered by this overarching Related Party Transactions Policy of the Bank.

Related party transactions are properly disclosed in the Bank’s audited financial statements, and other applicable fillings in accordance with the relevant rules and issuances of the BSP, SEC, and other regulatory bodies. If needed, the RPT Committee may also call on independent experts to help with valuation issues to ensure that the interests of the Bank and its stakeholders are protected.

A more detailed discussion on related party transactions can be found in Note 25 of the 2019 Audited Financial Statements. The Related Party Transactions Policy is disclosed in the Manual on Corporate Governance and may also be read on our website at www.bpi.com.ph (Recommendation 7.1, 8.5, 8.7 SEC CG Code for PLCs)

Mergers, Acquisitions, and/or Takeovers. The Board and senior management exercise appropriate due diligence and good faith in the review and consideration of all material issues with respect to strategy, opportunities and risks, pricing or valuation, compliance and legal obligations, including diligence on the parties involved before entering into extraordinary transactions, such as mergers, acquisitions, and takeovers. The Bank engages the service of independent and qualified third- party firms and consultants to evaluate the fairness of the transaction price and terms and conditions. (Recommendation 8.6 SEC CG Code for PLCs)

The Bank exercised such diligence and transparency in its (1) 2016 acquisition of a minority stake in rural lender Rizal Bank Inc. (RBI), a member institution of CARD Mutually Reinforcing Institutions, and (2) purchase of the ownership interests of Ayala Corporation (20%) and Globe Telecom, Inc. (40%) in BPI Direct BanKo, Inc., A Savings Bank, which was founded in February 2000 as BPI Globe BanKo.

Suppliers and Contractors. BPI has established processes for accreditation, vendor selection, and suppliers audit to ensure qualified suppliers are given equal opportunity when bidding for projects with the Bank. All employees, departments, and divisions are also regularly advised to update and review their respective lists of suppliers to meet accreditation requirements. Employees must also review the Bank’s detailed policies on outsourcing services where applicable. BPI complies with outsourcing regulations mandated by the BSP which requires banks to put in place appropriate processes, procedures, and information systems that can adequately identify, monitor, and mitigate operational risks arising from the outsourced activities.

In this regard, BPI’s Board and senior management established policies on outsourcing to ensure that all outsourced activities are conducted in a safe and sound manner and in compliance with applicable laws, rules, and regulations.

From a governance standpoint, commercial transactions with suppliers should be economically beneficial to all parties involved and relationships should be based on the principle of fair and honest dealings. Compliance with internal policies must be in place to stop fraud, money laundering, bribery, and corruption and adhere to local or international laws and regulations. From an ESG standpoint, the Bank’s goal is to work collaboratively with supply chain partners on sustainability. BPI’s supply chain management policies ensure that the Bank’s supply chain is not only sustainable but is also geared towards improving the lives of workers, their communities, and the environment. The Bank also engages suppliers who promote sustainable development and who comply with national laws and internationally recognized standards and conventions for ethical, environmental, and social conditions.

Creditors. As a financial institution and an active participant in the capital markets, BPI respects the rights of its creditors. In 2019, the Bank continued diversifying its funding sources and lengthening the maturity profile of its borrowings through a series of fundraising activities, tapping both offshore and onshore debt markets. For details of the Bank’s issuances in 2019, please refer to pages 48-49.

BPI attributes the success of these issuances to the robust demand from both institutional investors as well as high-net worth and retail clients. These issuances support the Bank’s drive to diversify its investor base and fund its asset expansion, particularly loan growth, digitalization initiatives, and general corporate purposes.

The Bank complies with all covenants of its debt and equity issuances and respects the rights of its bondholders and stockholders. BPI also complies with statutory requirements with respect to post-issuance continuing disclosure, tax compliance, and other duties, responsibilities, or actions it is obligated to perform or is prohibited from performing, for the respective capital market issuance. The Bank also has an Investor Relations Program to respond to investors’ need for information. It keeps rating agencies informed of material events and responds to other requests for information.

Data Privacy. BPI has a strong Data Privacy Policy in place. This policy describes to whom it applies to, what personal data the Bank collects, and how such data is collected, and how the Bank may use personal data for core business and marketing purposes. The policy also covers how the Bank may disclose and share such personal data, how such personal data is stored and retained, and how such data can be accessed or corrected. The Data Privacy Policy or Statement is posted on the company website and complies with the requirements of the Data Privacy Act and the NPC.

Environmental, Social, and Governance (ESG) Matters

BPI understands that ESG issues are tied directly to a company’s operations or products, or indirectly through stakeholder actions across the entire value chain, and can, thus, impact company financial performance. Volatility in the global business environment due to ESG shocks - financial risks, regulatory uncertainty, extreme weather, business interruption costs, and social media, among others - demand that companies build new capabilities such as preparedness for the unknown, and the ability to execute a business strategy without incurring too much risk. Left unmanaged, such ESG shocks can result in critical harm to any company’s management, culture, and financial well-being.

ESG Reporting. In reporting material, non-financial issues, the Bank has adopted a globally recognized standard and framework, International Integrated Reporting Council’s (IIRC) Integrated Reporting <IR> Framework, as well as references the Global Reporting Initiative (GRI) Standards 2016 series. (Recommendation 10.1 SEC CG Code for PLCs).

Materiality. ESG covers a broad range of issues. It is important to note that not all ESG issues are of strategic significance to banks, such as BPI, or companies that are in the financial services industry. Given the divergent views and barriers that the ESG language can create, it is important to reframe the discussion in business terms relevant to a bank, particularly risk, opportunity, efficiency, and financial performance.

Failing to factor in ESG issues puts the Bank’s operations at risk, which can include: negative financial consequences (e.g., fines, penalties); negative operational impacts (e.g., employee strikes or CBA lock-outs, high staff turnover); reputational damage to the company; and increased cost of doing business. On the other hand, effectively addressing ESG issues reduces uncertainties in the Bank’s operations and that of associated third parties. It also allows the Bank to avoid costs and minimize potential remedial actions related to ESG issues and incidents. Opportunities include avoidance of penalties for non-compliance, greater employee retention and productivity, lower cost of capital and operations, and access to premium markets and new revenue streams. Any of these alternatives impact the Bank’s efficiency and ability to create value.

Key ESG issues for the banking sector can therefore be categorized into the following: (1) Resilience, (2) Business Ethics, (3) Responsible Finance, (4) Financial Product Governance, and (5) Human Capital¹.

BPI believes that the proper management of these key ESG issues is a vital component of strategy, essential to the execution of its core business processes and to being able to deliver returns with greater certainty. By identifying and assessing these key ESG issues in terms of their materiality to its business, and responding accordingly (i.e., strategic rethinking of the business, new product innovation, business model changes, etc.), BPI is able to build a better, more resilient, and more valuable bank. By adapting to changes in the business environment, and not merely to operational or financial risks, the Bank demonstrates recognition and management of the key ESG issues as a long-term driver of market value.

See Material Topics and Stakeholder Engagement section for more information.

Stakeholder Expectations. In the conduct of BPI’s materiality analysis, stakeholder expectations are a primary driver of its ESG focus. The Bank takes into consideration environmental issues, employee and social matters, human rights, anti-bribery and anti-corruption, and corporate governance when making business decisions, whether these have to do with the provision of financing, investments, or advice. It takes into consideration the impact of its own operations on the environment. BPI also acknowledges that having a diversified, competent, and satisfied workforce that acts in accordance with established ethical standards is critical to sustainability, noting that poor labor practices can lead to fines, penalties, lost operational time, and high employee turnover. In the same way, the right decisions about talent and supply chain practices will realize lower costs and greater productivity, and thus BPI positions itself well to attract the best talent and to ensure that suppliers adhere to the Bank’s social and environmental standards. Changes in customer needs and in the marketplace also call for the Bank’s adjustment to the change in consumer and commercial expectations. In this respect, the Bank takes such opportunities to highlight its investment in or lending to borrowers who can make positive impact to the environment, as well as the social benefits of their products and services.

The Bank’s engagement with stakeholders takes on various forms and is carried out through a range of information, communication, and consultative activities and disclosures. The Bank conducts dialogues about its role in society, products and services, business performance, and other issues.

¹ Based from Sustainability Thematic Research, “Key Issue Report Series - No. 2, Banks & Responsible Finance”, August 2014

This active engagement has allowed BPI to identify its most significant stakeholder groups and their specific interests, and determine the most significant issues from the economic, environmental, and social sustainability perspective. See Material Topics and Stakeholder Engagement section for more information.

KEY ESG ISSUES FOR THE BANK	
Resilience	- Board leadership and internal management processes - Executive pay, audit and internal controls, and shareholder rights - Integration of environmental and social issues into strategy formulation - Partnerships with organizations to advance sustainable development (Philippine Business for the Environment, International Finance Corporation, etc.) - Management of the environmental impacts and carbon footprint of our buildings and branches - Positive environmental and social impact of our supply chain
Business Ethics	- Code of conduct, conflict of interest - Anti-bribery and anti-corruption, financial crime - Anti-money laundering - Related party transactions, Insider trading - Fraud prevention, Whistleblowing
Responsible Finance	- Financing companies in sustainable development – sustainable products and services (SEF) - Enhancing access to finance for the underserved (BanKo) - Strong growth of Impact Investing (CARD MRI, Rizal Bank) - Responsible Investment products
Financial Product Governance	- Engagement with retail customers and consumer organizations - Fair and transparent marketing and advertising - Consumer protection, customer service and complaints handling
Human Capital	- Talent attraction, retention and development - Compensation and benefits for our employees - Labor and working conditions - Health, welfare and safety - Culture and human rights

It has also allowed the Bank to become more responsive in addressing a wide range of concerns, from customer service to financial solutions, shareholder return, operational strategies, business outlook, regulatory compliance, and employee compensation.

The outcomes of the Bank’s stakeholder engagement influence its risk-management processes, allowing it to address potential risks and align the management of issues with business processes and strategies. Finally, the stakeholder engagement also helps the Bank improve and innovate its products, services, systems, operational processes, and practices. (Recommendation 14.1, 14.2, 14.3, 16.1 SEC CG Code for PLCs)

Resilience. The Board has the primary role and responsibility for setting and overseeing the environmental, social, and governance agenda of the Bank. The Board’s oversight of these issues is reflected in the Strategies and Policies drawn up by the Board. In this respect, the Board ensures that its membership is diverse and includes directors who have the skills and past or present work, board experience or engagement to understand the key ESG-related issues for the banking sector and the implications or impact on the business.

Currently, oversight of these matters is managed at the full board level, as introducing a dedicated committee would increase the complexity of ESG risk governance. The various ESG-related issues are discussed at sub-committee level and reported to the committees or the full Board. These committees include but are not limited to: Audit, Corporate Governance, Risk Management, Related Party Transactions, PerCom, and Nomination Committees. The relevant board- level committees discuss specific issues that fall under their committee charter, report and provide feedback, and recommend approval of any policies to the full board. Decision-making authority and accountability remain with the Board.

At management level, BPI has a Sustainability Office which has oversight for the sustainability initiatives of the Bank. The Sustainability Office has in place a ‘fit for purpose’ ESG management system which monitors and tracks the Bank’s ESG performance against key metrics, delivering valuable information to business units to enhance and improve decision-making and practices. The Sustainability Office functions under the Bank’s Strategy and Finance Group to allow for a streamlined identification of material environmental and social sustainability issues and trends relevant to the Bank’s operations and assessing their materiality and implications on the business. These are then incorporated into the long-term strategies, as well as capital allocation decisions of the Bank. The Sustainability Office works with the Corporate Governance Department of the Bank with respect to Governance issues. It also communicates to shareholders and other key stakeholders the Bank’s Shared Value approach to value creation and how this drives or supports the overall financial inclusion and digitalization goals.

The Sustainability Office is led by the Chief Sustainability Officer who reports directly to the President and CEO. This position is held concurrently by the Bank’s Chief Finance Officer. The Sustainability Office ensures that it also has the right people with the right skillsets to evaluate and monitor these environmental and social issues as well as track and measure performance in this area.

Business Ethics. Please see the discussions on the Code of Business Conduct and Ethics, Company Policies and Standards elsewhere in this report, under pages 130-136.

Responsible Finance. BPI promotes investments in businesses, industries, and projects that contribute to the Sustainable Development Goals (SDGs), in the form of loans, capital raising, leasing arrangements, technical support, and client education. In 2019, the Bank financed Php 242.94 billion projects identified to contribute to the SDGs.

In 2016, BPI acquired a minority stake in rural lender Rizal Bank Inc. (RBI), a member institution of CARD Mutually Reinforcing Institutions (MRI) which is a group with the goal of eradicating poverty in the Philippines and uplifting the lives of Filipinos. The partnership made BPI the exclusive local equity partner in the CARD MRI Banking Group and deepened the Bank’s reach in the microfinance space, benefiting more unserved and underserved Filipinos. This also reaffirmed BPI’s vision to be the leading bank with a strong focus on financial inclusion and sustainable growth. RBI’s emphasis on forging trust and building relationships with its clients are aligned with BPI’s own customer-centric efforts.

In the same year, BPI also purchased the ownership interests of Ayala Corporation (20%) and Globe Telecom, Inc. (40%) in BPI Direct Banko, Inc., A Savings Bank (“BanKo”), which was founded in February 2000 as BPI Globe BankO. Following a merger with BPI Direct Savings Bank, Inc. in December 2016, BanKo is now wholly-owned by the BPI group and serves its microfinance customers through branch, electronic, and partnership channels.

Financial Product Governance. BPI is committed to ensuring that its customers have all the information they need and the right advice to make decisions about their finances. Whenever the Bank develops a new product, it follows a stringent process to ensure it is described fully and accurately and sold responsibly. The Bank has an overarching General Product Management Policy, supported by a Product Approval Process, as well as procedures for Client Suitability Assessment. Product

branding, as well as marketing communications and promotions are also conducted in accordance with set standards. Employees of business units that are involved in the development and delivery of the Bank’s products and services undergo the requisite training to acquire and enhance their skills and competencies.

Through these guidelines and activities, the Bank ensures that customer experience is consistent across all channels and the delivery of its products and services is compliant with regulations. Operating policies and procedures supporting the delivery of products and services are evaluated at least annually to identify areas for improvement and product or service gaps. Risk management, compliance, and assurance activities are also regularly conducted to monitor and ensure integrity of these policies and processes, and financial product governance.

Financial Consumer Protection Program. In 2015, the Bank, established its Customer Experience Management Office (CXMO) as part of the BPI Financial Consumer Protection Program required under BSP Circular No. 857. In compliance with the circular, BPI’s CXMO created the Customer Assistance Program (CAP) to build an enabling environment and to define safety nets for recognition and protection of consumer rights. The CAP promotes a culture of fair dealing and embeds responsible business practices in the Bank’s operations, in accordance with the BSP’s consumer protection regulations and standards of conduct. The CAP also equips Bank employees with the required education and training, and institutionalizes appropriate communication avenues as well as mechanisms for consumers to be able to provide feedback, ask questions, obtain information and clarifications, file complaints, or seek redress effectively and efficiently.

The CXMO is led by the Head of Customer Care and reports, functionally, to the Board through the Executive Committee and, administratively, to the Chief Operations Officer, who also heads the Bank’s Enterprise Services Group. The CXMO reports to the senior management and the Board every month.

The Bank complies with product and service information and labeling regulations and voluntary codes for consumer protection such as the Banking Code for Consumer Protection of the Bank Marketing Association of the Philippines (BMAP) and its Council of Advisors and product governance such as Markets in Financial Instruments Directive II (MiFID II). BPI has also continuously taken corrective and remedial action in case of any deficiencies or areas for improvement.

In 2019, there were no confirmed incidents of non-compliance.

See Customer Experience for more information.

Human Capital. As a key ESG issue, Human Capital impacts the Bank’s reputational and operational risks. It also has business impacts on employee motivation and the Bank’s hiring capability. The Bank also needs to strategically manage the sustainability impact of its Human Capital with respect to labor rights and conditions, human rights and society. (Recommendation 15.1 SEC CG Code for PLCs)

Employee Welfare, Health, and Safety. Having engaged and competent employees is BPI’s goal for delivering best-in-class customer experiences and for achieving its vision of being the most trusted partner and financial advisor. The Bank strives to be an employer of choice among Philippine financial institutions. With strengths in three main employee engagement drivers of career development and opportunities, goal clarity, and leadership, the Bank introduced more initiatives to boost competency development among its officers and staff, worked to accelerate promotions, and identified the right metrics to better align human resource measures with corporate strategy. Moreover, BPI strives to provide a safe, secure, and conducive working environment for its employees, to continually safeguard their rights and provide equal opportunity for everyone. (Recommendation 2.9 of the SEC CG Code for PLCs)

Employee Training and Development. Employee training and education are essential to the Bank’s growth strategy. By ensuring that its staff, specialists, and officers are trained, steeped in best practices, and exposed to an environment that nurtures continuous learning, the Bank is able to provide the highest quality of service to its clients. BPI has a wide array of training programs, aligned with the Bank’s business objectives, to hone the skills and capabilities of its employees and prepare them to be the next leaders in the organization. These programs include: (1) the new employee orientation and values orientation workshops for new hires; (2) officers training programs, which initiate new officers into their leadership roles; (3) sales officers training programs; (4) advanced leadership programs for officers; (5) courses on financial advisory; and (6) programs designed to help employees comply with regulatory requirements, among others. (Recommendation 15.1 of the SEC CG Code for PLCs)

The Bank uses a blended learning approach that includes workshops, coaching/mentoring, instructor-led training sessions, and web-based training courses. It also designs and facilitates leadership and management

training programs for supervisors, functional managers, and senior managers to support the Bank’s investment in leadership development. Major focus areas of these programs include:

- 1. Leadership and Management Development – Programs that provide opportunities for BPI leaders to develop their ability to lead, inspire, and motivate their team members and organization. This covers Professional Effectiveness Programs that develop Personal Leadership.
- 2. Functional – Programs that develop and strengthen specific functional and technical competencies required from individuals so they can perform their tasks effectively.
- 3. Core and Team Effectiveness – Programs that provide foundational knowledge and competencies for any employee. These also cover programs and interventions for teams in BPI.

The Bank requires every employee to undertake a minimum of five training days every year, ensuring continuous professional improvement and keeping them abreast of industry developments.

For 2019, the Bank conducted at least 125 programs. Here are only some of the highlights of the above-mentioned recent trainings of the Bank:

Course Name	Number of Employees	
	2018	2019
Conflict of Interest	4,224	1,932
BPI Service Plus	2,874	3,294
Information Security Awareness Program 1	4,221	Not Offered
Information Security Awareness Program 2	4,610	Not Offered
Risk Management Overview/ Operational Risk Overview	9,005	9,668
Values Orientation Workshop	2,466	3,092
Data Privacy 1	10,322	8,884
Data Privacy 2	10,071	8,884

Employee Welfare. Consistent with the Bank’s goal of being the employer of choice, it has adopted a compensation policy that is competitive with industry standards in the Philippines. Regular employees are provided with a comprehensive pay and benefits package, which is 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. Officers and employees undergo regular performance evaluations

based on their individual accomplishments vis-a-vis their responsibilities, as well as that of the business unit or the Bank. This takes into consideration the Bank’s earnings performance, asset quality, business volume, customer satisfaction, corporate governance, and the long-term strategy, goals, and outlook. Deserving officers are granted an annual performance bonus, which is determined by the Bank’s annual earnings. The performance bonuses are based not only on an employee’s individual productivity and performance relative to assigned targets, but also on a relative comparison to the performance of peers within their rank.

Another testament to BPI’s commitment to offer greater value to employees is its equity-linked incentive plan for its officers, from assistant managers and up (with eligibility requirements): Executive Stock Purchase Plan (ESPP), which was launched in 2013. The ESPP program offers officers the opportunity to purchase BPI shares at a discount to the prevailing market price, and to pay for such purchase over a prescribed period of time. This also promotes ownership culture within the Bank that fosters a sense of belonging among officers and develops their direct interest in the Bank. Management believes that this stronger alignment between the interests of BPI officers and shareholders will benefit all stakeholders. This helps achieve more robust earnings and a healthier balance sheet, reflecting a higher stock valuation.

BPI also extends the inherent benefits of being a financial institution by offering its employees and their families the Bank’s products and services at affordable terms. These include low-interest rates for auto and housing loans, emergency loans, medical and group term insurance, and salary and emergency loans. In addition, the Bank provides financial security to employees even after their retirement through its retirement benefit plan. BPI has a Defined Benefit Retirement Plan under which employees will receive an amount dependent on their age, years of service, and compensation. The Bank also has a Defined Contribution Retirement Plan, where the defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary of the employee at normal retirement age, with the required years of service based on the provisions of Republic Act No. 7641. All non-unionized employees hired on or after the effective date are automatically enrolled under the new Defined Contribution Plan. Employees hired prior to the effective date have the option to elect into the new Defined Contribution Plan. Funds for both retirement plans are held in trusts, governed by local regulations and practice in the Philippines.

The Bank also looks after its retiring employees through the conduct of annual seminars on estate planning, investment opportunities in and outside of the Bank, and

transition from being an employee to an entrepreneur. There are also counseling programs that help employees face life during retirement. The Bank also strengthened its off-boarding program to further equip BPI retirees in this transition. Processing of documents has been made more convenient.

BPI strictly complies with labor laws and regulations and implements best practices in the workplace. The Bank recognizes the existence of company unions and the rights to freedom of association and collective bargaining, and maintains harmonious relations with these unions. BPI also does not discriminate on gender, religion, age, race, color, political stand, or social background. It strictly enforces non-employment of minors and is against forced compulsory labor. The Bank also has an open-door communications policy to address concerns among employees immediately before escalation.

As a requirement in their certification process, the Bank also regularly trains security personnel, who are not formally part of its workforce and belong to third-party agencies, every two years on human rights-related topics. This is to ensure that they uphold the rights not only of the Bank’s employees but also of its clients, suppliers, and other stakeholders that do business with the Bank.

BPI also has various interest clubs to allow employees to pursue their passions and explore talents outside of work while building camaraderie and esprit de corps.

Employee Health and Safety. The Bank believes it must create an environment where its employees have opportunities to develop both mind and body. Hence, the Bank provides a comprehensive medical program which provides for in-patient and out-patient benefits for employees and their dependents. Year-round, there are also sports, recreational, and health and wellness programs (i.e., running, bowling, volleyball, golf, aerobics, and dancing, etc.). The Bank runs education and training programs on serious illnesses such as cancer awareness, stroke prevention, and first aid and basic life support. Wellness fairs are also conducted regularly in the head offices and provincial business centers where employees and their families avail of free or discounted services such as vaccinations, bone screening, and physical examinations.

The Bank ensures that all its premises follow proper health and safety protocols (i.e., ban on smoking, ban on firearms, pest prevention, and more). Regular disaster preparedness activities are also conducted bank- and group-wide (fire, earthquake, etc.) and frequent notices and reminders are broadcast regularly through the Bank’s intranet or posted where employees can easily read them. BPI also has quality circles which regularly

conduct audits and heighten awareness about best practices on workplace management.

Because of its policy of strict compliance with labor laws and regulations and implementation of best practices in the workplace, the Bank has not identified and recorded any incidents and complaints of labor discrimination, compulsory labor, child labor and employment of minors, forced labor, or human rights abuses.

While the Bank has not been a party to legal cases arising from any of these labor issues, it has a grievance mechanism embedded in the Collective Bargaining Agreement to promptly dispose and amicably settle all grievances. Steps are clearly defined until the level of arbitration.

Being a financial services company, the Bank's employees are less exposed to occupational health and safety issues usually associated with manufacturing and industrial companies. There are no notable recorded incidents of injury, occupational diseases, serious work-related diseases, and other fatalities in the Bank.

Employee volunteerism. BPI has a built-in volunteerism program called BPI BAYAN, which encourages and organizes employees to devote some of their personal time to help communities relevant to BPI and its clients. BPI BAYAN is self-sustaining, using a seed fund granted by the Bank in 2009 to finance community development projects the employee volunteers organize. For more details, see page 79 or visit www.bpifoundation.org.

Employee Awareness and Compliance with Policies.

Policies and guidelines on employee welfare, health and safety, conflict of interest standards, anti-bribery and anti-corruption, insider trading, related-party transactions, whistleblowing, data privacy, consumer protection, and others are included in the Bank's employee manuals available in the internal electronic database. In addition, these policies are regularly communicated to ensure awareness of the need to comply with said policies.

See Social Performance under Managing Capitals section (Engaging our Employees) for more information on Policies, Activities and Data on Health, Welfare and Safety of Employees.

CONTINUOUS DISCLOSURE AND TRANSPARENCY

BPI values opportunities to communicate its initiatives, policies, operations, financial performance, and goals to all of its stakeholders. The Bank believes that dialogue with stakeholders is essential in ensuring their active engagement with the Bank. This provides them with timely, balanced, and understandable information, which is also integral in fulfilling the Bank's role and responsibilities as a global financial institution. In adherence to Recommendation 8.1 of the SEC CG Code for PLCs, the Policy of Disclosure and Transparency is disclosed in its Manual on Corporate Governance and is likewise published in www.bpi.com.ph.

The Bank aims to enhance disclosure and transparency levels and works to improve the usefulness of information to match the different needs of stakeholders. More importantly, it also carefully considers the varied and increasing degrees in granularity of disclosures required by developing market practices and greater regulatory focus on specific areas of the business. Consequently, the Banks strives to present disclosures in a way that is more informative to its audience and to add value beyond minimum standards and requirements.

As a long-time active capital market participant, the Bank has always ensured that its corporate disclosures not only comply with regulatory requirements and meet traditional purposes such as for investor protection, market efficiency and corporate governance, but also to authenticate its concern for other corporate constituencies such as its customers, creditors and employees, as well as the broader general public. For details on capital market issuances, please refer to pages 48-49. As a result of these capital market issuances, BPI also makes the necessary disclosures to exchanges such as the PDEX¹ and Singapore Exchange (SGX)².

Corporate actions of the Bank are approved by the Board and/or Executive Committee.

BPI also practices regular disclosure of financial results. Quarterly financial results are presented to the Audit Committee and the Board before disclosure and are immediately disclosed after the approval by the Board to the SEC, PSE, PDEX, and SGX. Quarterly and year-end financial statements and detailed management discussion and analysis are filed within the mandated 45 and 105 calendar days, respectively, from the end of financial period, if not earlier. The company's financial reporting disclosures are in compliance with BSP, SEC,

¹ Philippine Dealing & Exchange Corp is the country's sole and exclusive electronic trading platform for fixed-income securities and foreign-exchange markets.

² Singapore Exchange Limited is a multi-asset exchange operating equity, fixed income and derivatives markets that also provides listing, trading, clearing, settlement, depository and data services.

PSE, PDEX, and SGX requisites. These reports are made available to investors and analysts after disclosure and are posted as well on the websites of the various exchanges where BPI capital market issuances are traded and on www.bpi.com.ph.

The Bank also supports the recommendations and guidance of BSP to broaden and deepen the disclosures of banks in a number of areas, including governance, risk, and compliance. It is the Bank's view that best-in-class disclosures will continue to evolve in light of ongoing pursuit of greater market and stakeholder engagement within the banking sector.

The Bank also recognizes its continuous disclosure obligations under PSE Listing Rules and to the SEC under the SRC. As a PLC, the Bank's corporate actions are disclosed to these two bodies.

Key disclosure principles:

- BPI is committed to provide clear, timely, accurate, and balanced disclosure of all material information about the Bank and to provide fair and equal access to such information. BPI, however, treats all information pertaining to the company, business transactions and operations, and products and services as strategic in nature. Therefore, the Bank, in the provision of its disclosures, safeguards its proprietary information and competitive position.
- The Board requires that management has processes in place to support its policy of full, comprehensive, understandable, and timely disclosure of financial results, significant developments, and other material information to both its internal and external publics, such as clients, shareholders, regulators, employees, suppliers, rating agencies, analysts, and stock exchanges.
- Required disclosures of market-sensitive information are coursed through the proper regulatory agency and also released to the public through various cost-efficient and appropriate modes of communication.
- Disclosures should be consistent over time, unbiased, and comparable across the industry.
- In the disclosure process, BPI is guided by internal governance, risk, and compliance standards which serve to ensure information disclosure conforms with the Bank's established rules and procedures to identify, assess, and mitigate any possible risks or damages to the Bank, its counterparties, or partners as a result of any improper disclosure.
- BPI also, at all times, gives due consideration to any matters related to the confidentiality of any information affecting clients' or counterparties' interests. The Bank respects the rights of its clients and counterparties as related to the protection of confidential information.

Company Website, Social Media, and Mobile Banking Platforms.

The Bank maintains an official company website in accordance with the SEC-prescribed format and template to ensure a comprehensive, cost-efficient, transparent, and timely manner of disseminating relevant information to the public. Apart from the company website, the Bank maintains official company sites that utilize social media-based platforms. BPI also has a mobile app which can be downloaded through IOS and Android, where banking transactions can be done safely and securely, anytime and anywhere. As with the company website, certain information on the Bank is also available on the mobile app.

More information on BPI's policies and practices on continuous disclosure and transparency may be found on www.bpi.com.ph.

Shareholder Rights and Engagement

Shareholder Rights

BPI treats capital as a most valuable asset and seeks to generate superior returns for its stockholders, while being prudent in risk-taking, spending, and investment. The Bank treats all its stockholders equitably and equally, whether they have majority or minority interest. The Board is committed to respect the rights of stockholders, recognized in the Corporation Code, including, among others:

Voting rights. Shareholders have the right to elect, remove, and replace directors and vote on certain corporate acts.

- Electronic Voting in Absentia. In its meeting held on March 20, 2019, the Board approved Management’s recommendations for BPI to provide the Bank’s stockholders with the option to vote in absentia in the 2019 Annual Stockholders’ Meeting and to amend the Bank’s By-Laws to, among others, provide for the said right. Hence, at the April 25, 2019 Annual Stockholders’ Meeting, BPI stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code.
- Cumulative voting is used in the election of directors, who may be removed with or without cause. Directors shall not be removed without cause if it would deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds of the outstanding capital of BPI.
- No stockholders’ meeting may conduct business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day until such time may be deemed proper.
- The Bank also strictly complies with the rules and regulations of the SEC and the BSP, in relation to sending out the notice of meeting at least two weeks prior to the meeting, right to vote, and right to appoint a proxy.
- BPI adheres to the “One Share, One Vote” rule. Its Amended By-Laws state that stockholders are entitled to voting rights equivalent to the number of shares they hold, i.e., voting is by shares of stock and not “per capita”.

Pre-emptive rights. All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They have the right to subscribe to the capital stock of BPI. The Bank’s Articles of Incorporation lays down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law as long as they are not in conflict with the Corporation Code.

Right of inspection. Shareholders should be allowed, within certain reasonable limits, to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code. They shall be provided with an annual report, including financial statements.

Right to information. Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers, and certain other matters such as their holdings of BPI’s shares, dealings with BPI, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement and Proxy Forms where these are stated must be distributed to the shareholders before ASMs and in the Registration Statement and Prospectus in case of registrations of shares for public offering with the SEC.

Right to dividends. Stockholders have the right to receive dividends subject to the discretion of the Board. However, the SEC may direct BPI to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except:

- When justified by definite corporate expansion projects or programs approved by the Board;
- When BPI is prohibited under loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without the creditors’ consent, and such consent has not been secured; or
- When it can be clearly shown that retention of earnings is necessary under special circumstances, such as when there is a need for a special reserve for probable contingencies.

Appraisal right. In accordance with the Corporation Code, stockholders may exercise appraisal rights under the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

Alternative Dispute Mechanism. It is the policy of the Bank to resolve disputes or differences with stockholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration. If the agreement between the Bank and third parties has an arbitration clause, arbitration is the ADR system being adopted. If none, the Bank initiates conciliation- earnest effort to arrive at amicable settlement. If everything fails, and the dispute progresses into court litigation, the Bank strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)]. (Recommendation 13.4 SEC CG Code for PLCs)

Relative to regulatory authorities, the Bank adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to, mediation, conciliation and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004).

More information on BPI’s policies and practices to protect and uphold shareholder rights are disclosed in the Manual on Corporate Governance and disclosed on the company website at www.bpi.com.ph. (Recommendation 13.1 SEC CG Code for PLCs)

Investor Relations. BPI believes that transparent and accurate reporting of operating and financial results, major business decisions, and developments gives shareholders and investors the relevant inputs to their investment decisions. In addition, such reporting provides the basis for the sound and robust market valuation of its shares and a proper view to all stakeholders of possible future losses or gains.

Our Investor Relations Unit, which is part of the Corporate Strategy & Investor Relations Division, is tasked with a program of proactive, uniform, appropriate, and timely communication and reporting. Full disclosure is done in compliance with the BSP, Securities Regulation Code (SRC), SEC, PSE, PDEX, SGX, and SIX Swiss Exchange rules, regulations, and disclosure guidelines in light of our capital market issuances. (Recommendation 13.5 SEC CG Code for PLCs). We also directly engage with our European investors who are covered by the Markets in Financial Instruments Directive II (MiFID II) regulations.

Apart from structured disclosures, we also disclose information not required under the disclosure rules if, in our estimation, such matters have an impact on investment decisions by interested parties. Such matters are disclosed as promptly and comprehensively as possible by appropriate methods.

Outside of the stockholders’ meetings, BPI engaged and kept our investors, stockholders and stakeholders informed, through various disclosures and activities led by our Investor Relations Unit. For the year, we conducted 75 one-on-one meetings and 41 conference calls, attended 19 investor conferences and road shows with 312 participants, and posted over 150 structured and unstructured disclosures.

The Investor Relations Unit also provides quarterly investor presentations and works with the corporate communications team for media briefings and press releases. Such information about us is shared regularly with the investing public, analysts, and members of the media. Statements in these presentations describing BPI’s objectives, projections, estimates, and expectations may be forward-looking. (Recommendation 11.1 SEC CG Code for PLCs)

Actual results may differ from the statements made in the presentations, whether expressed or implied.

Select regulatory disclosures, all investor presentations and press releases distributed, including presentations of the Chairman and the President and CEO at the ASM, may be viewed at www.bpi.com.ph.

Annual Stockholders’ Meeting. The Bank gives great importance to effective, timely, and regular communication with its shareholders and the wider investment community and sees this systematic engagement as a critical component of its governance strategy. To this end, a number of means are used constructively to promote greater understanding, clarity, and dialogue with its shareholders, one of which is the ASM.

The ASM allows the Bank’s shareholders to advise and adopt resolutions on important matters affecting the Bank on which they have legal sovereignty, such as: the appropriation of profit; ratification of all acts and resolutions of the Board and Management adopted during the preceding year; approval of the Report of the President and Bank’s Statement of Condition; amendments to the Articles of Incorporation or By-Laws; and election of Board of Directors and external auditor, as well as measures to amend the shareholders’ equity.

The ASM also continues to be a key communications event for our Board and Management. It is a primary opportunity for meaningful discussion of the company’s narrative, to engage with its shareholders and investors on the key issues facing the Bank, review fiscal information for the past year, and respond to any questions regarding goals and directions the Bank’s business will take in the future. BPI’s Board, including the Chairman, Chairman of the Audit Committee, Independent Directors, and senior executive officers, led by the President and CEO, CFO, and Heads of Risk, Control, and Compliance, are always in attendance and available for informal discussion before and after the formal business of the ASM. The Chairman and members of the Board, chairmen and members of the Board-level Committees, and senior executive officers led by the President and CEO, CFO, and Heads of Risk, Control, and Compliance, including the Corporate Secretary, and the Investor Relations Officer attended the 2019 ASM. (Recommendation 13.3, 13.5 SEC CG Code for PLCs)

For the benefit of all the stockholders, the Chairman of the Board and the Corporate Secretary discussed the Rules of Conduct and Procedures for the meeting after the requisite call to order, certification of notice of meeting, and determination of quorum. The Rules of Conduct and Procedures were also detailed in the explanations of agenda items in the Notice of ASM. All items in the agenda requiring approval by the stockholders, including the election of the Board, need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock. Voting is considered on a poll, by shares of stock; that is, one share entitles the holder to one vote, two shares to two votes. Cumulative voting as provided for in the Corporation Code may be applied in the election of the Board. The Office of the Corporate Secretary tabulates all votes received and the Bank’s external auditor validates the results.

The Bank proactively encourages the full participation of its shareholders, including institutional shareholders, at the ASM. Stockholders may participate in person or through their authorized representative. For the 2019 ASM, only stockholders of record as of March 8, 2019 were entitled to the notice and to vote at the meeting. Stockholders who could not personally attend the meeting had the option to vote in absentia through an online electronic system or designated their authorized representative by submitting a proxy instrument to the Office of the Corporate Secretary not later than 5:00P.M. of April 11, 2019. Validation of proxies was held at the same office on April 12, 2019 at 4:00 P.M. Shareholders are encouraged, recognized, and given sufficient time to ask questions at the ASM to ensure accountability and identification with the Board’s and Management’s

strategy and goals of the Bank. Questions or comments of stockholders, as well as responses of the Board and management, were duly recorded in the Minutes of the Meeting.

The Board ensures that the ASM is held in an easy to reach and cost-efficient venue and location in Metro Manila. The ASM was held on Thursday, April 25, 2019, 9:00 A.M., at Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City 1224.

Notice of ASM and Definitive Information Statement. The Bank sends the Notice of the ASM to its shareholders well before the meeting date to give them ample time to review the meeting’s agenda as well as to provide them with sufficient information regarding issues to be decided on during the meeting.

The Bank’s Notice of ASM and Definitive Information Statement is written in English as this is an official language in the Philippines. The Bank provides the rationale and explanation for each agenda item which requires shareholders’ approval in the Notice of ASM. In the same way, each resolution in the ASM deals with only one item, i.e., there is no bundling of several items into the same resolution. The profiles of directors seeking election or re- election (including information such as age, qualifications, date of first appointment, experience, and directorships in other listed companies) are included in the Notice of ASM. The external auditor seeking appointment or re- appointment is also clearly identified. When dividends are one of the agenda items, an explanation of the dividend policy is also included. The Notice of ASM also includes proxy forms which can be downloaded by stockholders from www.bpi.com.ph. For the 2019 ASM, the proxy forms included instructions as well as the deadline for submission of proxies to the Office of the Corporate Secretary, which was on or before April 11, 2019.

The Definitive Information Statement (DIS), or SEC Form 20-IS is issued in accordance with the Bank’s Amended By-laws and SRC Rule 20. Stockholders as of record date of the annual or special stockholders meeting are sent the DIS or SEC Form 20-IS at least 15 business days before the meeting. The Bank, as an issuer subject to the reporting requirements of SRC Section 17, must issue the DIS to notify stockholders of the written notice of the date, time, place, and purpose of the meeting; the DIS provides other specific information relevant to the meeting.

The Bank is always transparent on matters of this nature and encourages stockholders, including institutional investors, to attend the meeting by sending individual notices, publication in the newspaper, posting in the Bank’s website, and notice to PSE and SEC.

The DIS or SEC Form 20-IS is deemed to have been given at the time when delivered personally, deposited in the post office, or sent via e-mail. Stockholders who prefer to receive hard copies of the DIS can request for paper copies.

In 2019, the Notice, including the DIS, was sent out to stockholders of record by March 12, 2019, 44 days before the ASM. The SEC Form 20-IS was also sent out to stockholders of record by March 12, 2019, and disclosed via PSE EDGE on the same date. No new item was included in the agenda at the 2019 ASM. Likewise, no amendments were made to the SEC Form 20-IS after the aforementioned disclosure on the PSE EDGE.

The Notice of ASM for the stockholder’s meeting on April 25, 2019, included explanations for all agenda items such as: (1) Rules of Conduct and Procedure, (2) Approval of the Minutes of the Annual Meeting of the Stockholders on April 19, 2018, (3) Approval of the Annual Report and Audited Financial Statements as of December 31, 2018, (4) Election of the Board of Directors (including the Independent Directors), and (5) Election of the external auditor and fixing of remuneration. (Recommendation 13.2 SEC CG Code for PLCs)

The Notice of ASM and DIS or SEC Form 20-IS for the current and prior years may be viewed at www.bpi.com.ph.

Minutes of the ASM. The Minutes of the ASM includes all information pertinent to the meeting: date, time, and location of the annual meeting; qualified participants, attendance, and quorum present to conduct business; approval of prior minutes; general report of the President and CEO; record of action items in the meeting including election of the Board, any pertinent discussions, and actual votes; and corporate resolutions that were adopted. The minutes also records the dialogue between stockholders and the Board and Management, facilitating Board and Management’s responses to stockholders’ questions and clarifications, as well as determining any follow up actions that need to be taken by the Board and Management in the future.

Minutes of the previous year’s ASM are provided to shareholders prior to the start of the meeting of the current year. Minutes of the 2019 ASM were likewise posted on the company website within five calendar days from the date of the ASM. (Recommendation 13.3 SEC CG Code for PLCs)

Minutes of the ASM for the current and prior years may be viewed at www.bpi.com.ph.

Voting Results. The results of the voting of the ASM are counted and tabulated by an independent external third-party auditor. For the 2019 ASM, the Bank’s independent external third-party auditor, Isla Lipana & Co., performed this task.

Voting results for the 2019 ASM are as follows:

Total Number of Votes (Present and Proxy) - 3,153,023,117 Total Issued and Outstanding Shares - 3,943,731,478 Percentage of Attendance - 79.95%			
Resolution	For	Against	Abstain
Approval of Minutes of ASM held on April 19, 2018	3,526,213,556 99.9997%	- 0.00%	12,104 0.0003%
Approval of Annual Report and Audited Financial Statements as of December 31, 2018	3,519,658,599 99.81%	362,280 0.01%	6,204,781 0.18%
Election of External Auditor and Fixing of their Remuneration	3,513,738,340 99.65%	9,908,161 0.28%	2,579,159 0.07%
Election of 15 Members of the Board of Directors			
Jaime Augusto Zobel de Ayala	3,472,907,212 98.49%	18,126,957 0.51%	35,191,491 1.00%
Fernando Zobel de Ayala	3,464,880,406 98.26%	18,126,957 0.51%	43,218,297 1.23%
Gerardo C. Ablaza, Jr.	3,497,575,185 99.19%	15,374,393 0.44%	13,276,082 0.38%
Romeo L. Bernardo	3,480,650,434 98.71%	27,898,297 0.79%	17,676,929 0.50%
Ignacio R. Bunye	3,523,568,873 99.92%	- 0.00%	2,656,787 0.08%
Cezar P. Consing	3,504,856,335 99.39%	6,284,193 0.18%	15,085,132 0.43%
Octavio Victor R. Espiritu	3,482,294,077 98.75%	27,898,297 0.79%	16,033,286 0.45%
Rebecca G. Fernando	3,499,126,909 99.23%	15,604,393 0.44%	11,494,358 0.33%
Jose Teodoro K. Limcaoco	3,485,333,888 98.84%	27,615,690 0.78%	13,276,082 0.38%
Xavier P. Loinaz	3,482,294,077 98.75%	27,898,297 0.79%	16,033,286 0.45%
Aurelio R. Montinola III	3,485,209,388 98.84%	27,668,297 0.78%	13,347,975 0.38%
Mercedita S. Nollado	3,499,452,382 99.24%	15,278,920 0.43%	11,494,358 0.33%
Antonio Jose U. Periquet	3,475,278,270 98.56%	27,898,297 0.79%	23,049,093 0.65%
Eli M. Remolona, Jr.	3,526,135,660 99.998%	- 0.00%	90,000 0.002%
Maria Dolores B. Yuvienco	3,513,878,960 99.65%	12,346,700 0.35%	0 0.00%

Voting results are submitted to the SEC and disclosed on the websites of the various exchanges, where BPI capital market issues are traded, and made publicly-available on the company website as well by the next working day or sooner (Recommendation 13.3 of the SEC CG Code for PLCs). The voting results for the 2019 ASM, as well as that of prior years, may be viewed at www.bpi.com.ph.

Annual and Quarterly Reports. The Bank’s Annual, Quarterly, and Current Reports are its primary disclosure mechanisms used to impart knowledge about the Bank to all its stakeholders in an informative, structured, and cost- effective manner. The Annual and Quarterly accountability reports effectively detail its performance during the period under review and put that performance in context of the objectives of the Bank, its strategies, and future direction. The Current Reports similarly provide timely updates on significant corporate actions undertaken by the Bank.

The Annual, Quarterly, and Current Reports are regularly submitted to the SEC pursuant to SRC Section 17, which also prescribes format and content.

These Reports are also disclosed on the websites of the various exchanges, as previously mentioned. These may also be viewed at www.bpi.com.ph.

General Information Sheets. Under Sections 26 and 141 of the Corporation Code, corporations are required to submit the General Information Sheet (GIS) annually to the SEC, within 30 days after the corporation’s annual or special stockholders’ meeting. Containing, among other information, the names, nationalities, and addresses of the directors, trustees, and officers of the company, the GIS is accompanied by a certification under oath by the Corporate Secretary, President or CEO.

The Bank’s latest GIS, as well as that of prior years, may be viewed at www.bpi.com.ph.

SHARE INFORMATION

Stock Information. BPI common shares are listed in the PSE under the ticker symbol of BPI. At Php 396.17 billion as of December 31, 2019, its market capitalization is among the largest in the Philippine banking industry. BPI is a member of the benchmark Philippine Stock Exchange Composite Index (PSEi).

Listing Date: October 12, 1971
Class of Shares: Common shares
Voting Rights: One vote per share
Authorized: 4,900,000,000 shares as of December 31, 2019
Outstanding: 4,507,071,644 shares as of December 31, 2019

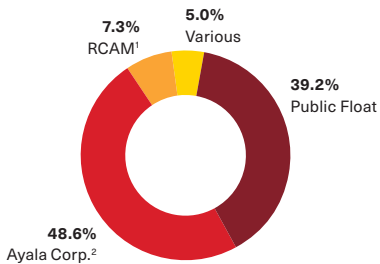
Rights, obligations, and restrictions attaching to shares. The rights and obligations attaching to each class of ordinary, common, and non-cumulative preference shares in BPI’s share capital are set out in full in its Articles of Incorporation which may be amended by special resolution of the shareholders and can be found on www.bpi.com.ph.

Minimum Public Ownership. As of December 31, 2019, listed securities held by the public were at 39.2% of BPI’s issued and outstanding shares. This is well above the minimum required public float level of 10%.

Ownership Structure. BPI’s founding shareholders were primarily charities and endowments associated with the Roman Catholic Church, and its directors consisted of government officials and prominent businesspersons, including Antonio de Ayala, a partner in the predecessor firm of today’s Ayala Corporation.

Restrictions on Ownership. Foreign ownership is subject to a limit of 40%.

Shareholders



¹ Roman Catholic Archdiocese of Manila
² Includes Liontide Holdings, Inc. share

Sharelots Statistics as of December 31, 2019

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 100	1,554	12.54%	57,959	0.00%
101 - 500	4,221	34.05%	1,103,416	0.02%
501 - 1,000	2,076	16.75%	1,515,204	0.03%
1,001 - 5,000	3,022	24.38%	6,521,046	0.14%
5,001 - 10,000	589	4.75%	4,064,986	0.09%
10,001 - 50,000	636	5.13%	13,701,709	0.30%
50,001 - 100,000	112	0.90%	7,662,846	0.17%
100,001 - 500,000	143	1.15%	28,535,208	0.63%
500,001 - 1,000,000	13	0.10%	8,763,129	0.19%
1,000,001 - 5,000,000	17	0.14%	45,976,281	1.02%
5,000,001 - 10,000,000	3	0.02%	21,221,237	0.47%
10,000,001 - 50,000,000	2	0.02%	63,481,023	1.41%
50,000,001 - UP	8	0.06%	4,304,467,600	95.50%
Grand Total	12,396	100.00%	4,507,071,644	100.00%

Equity Ownership of Foreigners on Common Shares as of December 31, 2019

Nationality	No. of Shareholders	%	No. of Shares	%
Filipino	12,294	99.1772%	3,086,639,035	68.4843%
Non-Filipino	102	0.8228%	1,420,432,609	31.5156%
Grand Total	12,396	100.0000%	4,507,071,644	100.0000%

Shareholdings of Directors and Management as of December 31, 2019. Please see table under Corporate Governance section which sets forth the beneficial ownership of shares of the Company’s common stock as of December 31, 2019 by the Bank’s current directors and named executive officers and as a group.

Beneficial Ownership Reporting Compliance. Under SRC Section 23, the SEC requires a PLC’s directors and executive officers, and persons who beneficially own: (1) qualifying but not more than 100 shares; (2) more than 100 shares but less than 5% of the outstanding common stock; or (3) more than 5% but less than 10% of the outstanding common stock, to file reports with the SEC regarding initial ownership and changes in ownership of the common stock.

In this respect, the PSE also requires, under Section 13.1 of the Revised Disclosure Rules on Disclosure on Transactions of Directors and Principal Officers in the Issuer’s Securities, that the Exchange be furnished with a copy of the respective SEC filing within five trading days.

In this respect, the PSE also requires, under Section 13.1 of the Revised Disclosure Rules on Disclosure on Transactions of Directors and Principal Officers in the Issuer’s Securities, that the Exchange be furnished with a copy of the respective SEC filing within five trading days.

As a practical matter, the Bank assists its directors and officers in the filing of the required SEC Form 23-A or B reports on their behalf.

The Table below sets forth information as to any known to the Bank to be the beneficial owner of more than five percent (5%) of the Company’s common stock as of December 31, 2019.

Beneficial Owners Holding 5% or More of BPI

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	No. of Shares	Percent of Holdings
Common	PCD Nominee Corporation ¹ - Non-Filipino - Filipino 37/F Tower 1, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City	PCD Participants acting for themselves or for their customers	Various Filipino	1,027,590,055	22.7995%
				639,782,454	14.1951%
				1,667,372,509	36.9946%
Common	Ayala Corporation ² 33 rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Ayala Corporation ³	Filipino	1,000,261,934	22.1932%
Common	Liontide Holdings, Inc. ⁴ 33 rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Liontide Holdings, Inc. ⁵	Filipino	904,194,682	20.0617%
Common	AC International Finance Limited c/o Ayala Corporation 34 th Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Ayala Corporation ⁶	Cayman Islands	390,269,162	8.6590%
Common	Roman Catholic Archbishop of Manila 121 Arsobispo St., Intramuros, Manila	Roman Catholic Archbishop of Manila ⁷	Filipino	327,904,251	7.2753%

¹ PCD Nominee Corporation (PCD), now known as the Philippine Depository and Trust Corporation (PDTC), Non-Filipino and Filipino, is the registered owner of the shares beneficially owned by participants in the PDTC. The Board of Directors of each participant generally has the power to decide on how shares are to be voted. Out of the 1,667,372,509 common shares registered in the name of PCD, 454,983,298 shares or 10.0949% and 501,477,207 shares or 11.1265% are for the accounts of Deutsche Bank Manila and The Hongkong and Shanghai Banking Corporation, respectively.

² Mermac, Inc. owns 47.3326% of common shares and 56.7816% of total voting shares, while Mitsubishi Corporation owns 6.0273% of common shares and 7.1716% of total voting shares, respectively, of the outstanding shares of Ayala Corporation (AC).

³ The Board of Directors of AC has the power to decide how AC’s shares in BPI are to be voted.

⁴ AC owns 84.16% of the outstanding shares of Liontide Holdings, Inc. (formerly Ayala DBS Holdings, Inc.), which translates to 78.07% effective ownership.

⁵ The Board of Directors of Liontide Holdings, Inc. (“Liontide”) has the power to decide how Liontide’s shares in BPI are to be voted.

⁶ Under a Voting Trust Agreement dated October 12, 2017, the Board of Directors of AC International Finance Limited (AC International) has the power to decide how AC International’s shares in BPI are to be voted.

⁷ The Archbishop of Manila has the power to decide how the Roman Catholic Archbishop of Manila’s shares in BPI are to be voted.

Voting Trust Holders of 5% or More. AC has a Voting Trust Agreement with AC International.

Payment of dividends. Dividend declaration is ultimately the responsibility of the Bank and the BPI Board which has the authority to declare dividends as it may deem appropriate. Under BSP regulations, no bank shall declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. The net amount available for dividends shall be the amount of unrestricted or free retained earnings less loss provisioning which takes into account relevant capital adjustments including losses, bad debts, and unearned profits or income.

Per BSP Circular 888, banks that meet the prequalification criteria including capital adequacy requirements and applicable laws and regulations of the BSP can declare and pay dividends without prior BSP verification. However, banks must ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

As approved by the Company’s Board, the Bank declares cash dividends to its common stockholders. The dividend payout history shows a distribution of at least P1.80 per share in annual dividends. This is designed to provide shareholders the balance that they seek between current income and capital appreciation. The Bank’s ability to return capital to shareholders, at the same time adhering to risk and capitalization standards, is a testament to BPI’s fiduciary prudence.

While the Bank does not foresee any impediments to its ability to pay dividends on common equity in the medium-term, it evaluates dividend payments from time to time in accordance with business and regulatory requirements, and cannot make explicit warranties about the quantum of future dividend payments.

Historical Dividends (Cash and Stock)
Cash dividends declared and paid during the years 2017 to 2019 are as follows:

Date Declared	Date of Payment	Amount of Dividends	
		Per Share	Total (in M Php)
June 15, 2017	July, 27, 2017	0.90	3,545
December 15, 2017	January 19, 2018	0.90	3,546
June 20, 2018	July 25, 2018	0.90	4,052
December 19, 2018	January 29, 2019	0.90	4,052
May 15, 2019	June 19, 2019	0.90	4,056
November 20, 2019	December 27, 2019	0.90	4,057

Credit Ratings. Availability and cost of capital market financing are influenced by credit ratings. Declines in these ratings could have an adverse effect on the Bank’s access to liquidity sources, increase the cost of funds, trigger additional collateral or funding requirements and decrease the number of investors and counterparties willing to lend to the Bank.

On August 27, 2019, S&P Global Ratings assigned ‘BBB+’ long-term issuer credit rating (ICR) to the Bank, at par with the Philippine sovereign rating of ‘BBB+’. BPI is the first private domestic bank in the Philippines to achieve investment-grade ratings of bbb+/BBB+ in both Stand-alone Credit Profile and ICR.

In 2019, credit rating agencies, namely, Fitch Ratings, Moody’s, and Capital Intelligence, affirmed their respective ratings on BPI.

Supplementary Schedules

ON CAPITAL AND RISK MANAGEMENT DISCLOSURES

Pursuant to the Bangko Sentral’s Memorandum M-2014-007

Capital Structure

The Bank’s qualifying capital for the years ended 2019 and 2018 were Php 252.1 billion and Php 234.2 billion, respectively. The Bank’s total qualifying capital for 2019 and 2018 were largely composed of CET1 capital at 94.4%.

The table below shows the composition of the Bank’s capital structure and total qualifying capital.

Capital Structure (Php Million)	December 31, 2019			December 31, 2018		
	CET1/Tier 1	Tier 2	TOTAL	CET1/Tier 1	Tier 2	TOTAL
Core Capital	262,873	14,079	276,952	244,276	13,116	257,392
Paid-up common stock	44,999		44,999	44,961		44,961
Additional paid-in capital	74,369		74,369	74,100		74,100
Retained earnings	117,642		117,642	103,249		103,249
Undivided profits	28,738		28,738	22,923		22,923
Net unrealized gains or losses on AFS securities	-460		-460	-144		-144
Cumulative foreign currency translation	-290		-290	-212		-212
Remeasurement of net defined benefit liability (asset)	-2,558		-2,558	-1,155		-1,155
Gains/(Losses) on Fair Value Adjustment on Hedging Instruments	-124		-124			
Minority interest ^{1/}	557		557	553		553
General loan loss provision ^{2/}		14,079	14,079		13,116	13,116
Deductions	24,810	0	24,810	23,152	0	23,152
Total O/S unsecured credit accommodations ^{3/}	1,734		1,734	1,774		1,774
Total O/S unsecured loans ^{4/}	227		227	100		100
Deferred tax assets	9,570		9,570	8,363		8,363
Other intangible assets	2,793		2,793	2,792		2,792
Defined benefit pension fund assets	84		84	66		66
Investments in equity ^{5/}	2,846		2,846	2,379		2,379
Significant minority investments ^{6/}	3,603		3,603	3,805		3,805
Other equity investments ^{7/}	3,953		3,953	3,873		3,873
TOTAL QUALIFYING CAPITAL	238,063	14,079	252,142	221,124	13,116	234,240
% to Total	94%	6%	100%	94%	6%	100%

^{1/} Minority interest in subsidiary banks, which are less than wholly-owned

^{2/} General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio

^{3/} Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)

^{4/} Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates

^{5/} Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable) and investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)

^{6/} Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases)

^{7/} Other equity investments in non-financial allied undertakings and non-allied undertakings

Credit risk-weighted assets. Using the Basel regulatory standardized approach, our total credit risk-weighted assets as of December 31, 2019 amounted to Php 1.4 trillion, and are composed of on-book credit exposures after risk mitigation of Php 1.4 trillion, off-balance sheet risk-weighted assets of P Php 15.0 billion, counterparty risk-weighted assets in the banking book of Php 1.5 billion, counterparty risk-weighted assets in the trading book of Php 3.5 billion, risk-weighted credit linked notes in the banking book of Php 128 million, and risk-weighted securitization exposures of Php 601 million.

The table below provides a summary of the Bank’s credit risk-weighted assets for 2019 and 2018:

Credit RWAs (Php Million)	Amount	
	2019	2018
Total RWA (On-balance sheet) ^{o/}	1,387,187	1,296,645
Total RWA (Off-balance sheet) ^{o/}	15,036	9,587
Total counterparty RWA (banking book) ^{1/}	1,507	878
Total counterparty RWA (trading book)	3,465	3,821
Total risk-weighted credit linked notes (banking book)	128	
Total risk-weighted securitization exposures	601	684
Total Gross RWA	1,407,924	1,311,614
Deductions: General loan loss provision ^{2/}	-722	-692
Total Credit RWAs	1,407,202	1,310,922

^{o/} Risk-weighted assets

^{1/} For derivatives and repo-style transactions

^{2/} In excess of the amount permitted to be included in upper Tier 2

The Bank’s credit risk exposures on both on- and off-balance sheet assets after mitigation, broken down by risk buckets, for 2019 and 2018 are as follows:

Schedule A

December 31, 2019 (Php Million)	Exposure after risk mitigation	Risk Weights							Total CRWA ^{1/}
		0%	20%	50%	75%	100%	150%		
Cash on hand	46,895	46,895							46,895
Checks and other cash items	361		361						361
Due from BSP	207,575	207,575							207,575
Due from other banks	21,635		1,993	19,134		508			21,635
Available-for-sale (AFS)	53,806	36,351	3,659	7,668		6,128			53,806
Held-to-maturity (HTM)	275,102	158,977	14,035	79,154		22,937			275,102
UDSCL ^{2/}									0
Loans and receivables ^{3/}	1,420,975	22,226	133,226	65,292	54,806	1,137,391	8,033		1,420,975
Sales contract receivables									0
ROPA ^{4/}	2,387						2,387		2,387
Sub-total	2,028,737	472,023	153,274	171,248	54,806	1,166,964	10,420		2,028,737
Other assets	27,626					27,626			27,626
Total exposures, plus other assets	2,056,363	472,023	153,274	171,248	54,806	1,194,590	10,420		2,056,363
Total risk-weighted OBSA (no CRM) ^{o/} ^{5/}		0	30,655	85,624	41,105	1,194,590	15,630		1,367,604
Total risk-weighted OBSA (with CRM) ^{5/}		0	2,194	2	0	17,386			19,582
Total RWA (On-Balance Sheet)		0	32,849	85,627	41,105	1,211,976	15,630		1,387,187

December 31, 2018	Risk Weights							
(Php Million)	Exposure after risk mitigation	0%	20%	50%	75%	100%	150%	Total CRWA ^{1/}
Cash on hand	43,269	43,269						43,269
Checks and other cash items	267		267					267
Due from BSP	225,917	225,917						225,917
Due from other banks	10,888		866	9,543		479		10,888
Available-for-sale (AFS)	36,717	31,975	831	2,207		1,704		36,717
Held-to-maturity (HTM)	287,676	173,198	15,429	77,131		21,917		287,676
UDSCL ²								0
Loans and receivables ³	1,302,401	24,804	108,347	57,914	55,093	1,044,115	12,127	1,302,401
Sales contract receivables	360					360		360
ROPA ⁴	2,609						2,609	2,609
Sub-total	1,910,103	499,163	125,741	146,794	55,093	1,068,575	14,736	1,910,103
Other assets	35,335					35,335		35,335
Total exposures, plus other assets	1,945,439	499,163	125,741	146,794	55,093	1,103,911	14,736	1,945,439
Total risk-weighted OBSA (no CRM) ^{o 5}		0	25,148	73,397	41,320	1,103,911	22,104	1,265,880
Total risk-weighted OBSA (with CRM) ⁵		0	2,135	16		28,614		30,764
Total RWA (On-Balance Sheet)		0	27,283	73,413	41,320	1,132,524	22,104	1,296,645

^o On-balance sheet assets
¹ Credit risk-weighted assets
² Unquoted debt securities classified as loans
³ Inclusive of loans and receivables arising from repurchase agreements, certificate of assignment/participation with recourse, and securities lending and borrowing transactions
⁴ Real and other properties acquired
⁵ Not covered by, and covered by credit risk mitigants, respectively

Schedule B

December 31, 2019	Risk Weights							
RWA (Off-Balance Sheet) (Php Million)	CEA ^{o/}	0%	20%	50%	75%	100%	150%	Total CRWA ^{1/}
Direct credit substitutes ²	10,326	0	1	0	671	9,425	0	10,097
Transaction-related contingencies ³	2,527	0	10	0	96	2,350	0	2,455
Trade-related contingencies ⁴	2,585	0	23	0	34	2,427	0	2,484
Total RWA (Off-Balance Sheet)		0	34	0	801	14,202	0	15,036

December 31, 2018	Risk Weights							
RWA (Off-Balance Sheet) (Php Million)	CEA ^{o/}	0%	20%	50%	75%	100%	150%	Total CRWA ^{1/}
Direct credit substitutes ²	5,802	0	133	0	625	4,302	0	5,061
Transaction-related contingencies ³	2,401	0	10	0	166	2,130	0	2,306
Trade-related contingencies ⁴	2,383	0	33	0	94	2,094	0	2,221
Total RWA (Off-Balance Sheet)		0	176	0	885	8,526	0	9,587

^o Credit equivalent amount
¹ Credit risk-weighted assets
² Such as general guarantees of indebtedness and acceptances
³ Such as performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions
⁴ Arising from movement of goods, such as documentary credits collateralized by the underlying shipments, and commitments with an original maturity of up to one year

Schedule C

December 31, 2019	Risk Weights						
Counterparty Assets Banking Book (Php Million)	Net Amount ^{o/}	0%	20%	50%	100%	150%	Total CRWA ^{1/}
Derivative exposures:							
Interest rate							
Exchange rate							
Equity contracts							
Credit derivatives							
Counterparty Exposures arising from Financial Assets ²							
Available-for-Sale							
Held-to-Maturity	2,910			1,403	104		1,507
Total RWA (Off-Balance Sheet) ³		0	0	1,403	104	0	1,507

December 31, 2018	Risk Weights						
Counterparty Assets Banking Book (Php Million)	Net Amount ^{o/}	0%	20%	50%	100%	150%	Total CRWA ^{1/}
Derivative exposures:							
Interest rate							
Exchange rate							
Equity contracts							
Credit derivatives							
Counterparty Exposures arising from Financial Assets ²							
Available-for-Sale							
Held-to-Maturity	1,943	0	122	578	178	0	878
Total RWA (Off-Balance Sheet) ³		0	122	578	178	0	878

^o Net Exposures After CRM (Uncovered Portion)
¹ Credit risk-weighted assets
² Sold/Lent under Repurchase Agreements, Certificates of Assignment/Participation with Recourse, Securities Lending and Borrowing Agreement (Repo-style Transactions)
³ Risk-weighted assets

Schedule D

December 31, 2019	Risk Weights						
Counterparty Assets Trading Book (Php Million)	Net Amount ^{o/}	0%	20%	50%	100%	150%	Total CRWA ^{1/}
Derivative exposures:							
Interest rate	2,764	0	11	1,307	95	0	1,413
Exchange rate	3,313	0	11	1,229	802	0	2,041
Equity contracts	11	0	0	0	11	0	11
Credit derivatives	0	0	0	0	0	0	0
Total counterparty RWA ² of derivatives transactions		0	22	2,535	908	0	3,465

December 31, 2018	Risk Weights						
Counterparty Assets Trading Book (Php Million)	Net Amount ^{o/}	0%	20%	50%	100%	150%	Total CRWA ^{1/}
Derivative exposures:							
Interest rate	3,793	0	29	1,805	40	0	1,873
Exchange rate	3,358	0	37	1,265	643	0	1,945
Equity contracts	3	0	0	0	3	0	3
Credit derivatives	0	0	0	0	0	0	0
Total counterparty RWA ² of derivatives transactions		0	66	3,069	686	0	3,821

^o Credit equivalent amount
¹ Credit risk-weighted assets
² Risk-weighted assets

Market risk-weighted assets. In terms of capital usage following the Basel standardized approach, total market risk-weighted assets stood at Php 24.0 billion as of end-2019, of which foreign exposures accounted for more than 72%, followed by interest rate exposures and equity exposures, respectively.

The table below presents the breakdown of the Bank’s market risk-weighted assets for 2019 and 2018:

MARKET RWA (Php Million)	AMOUNT	
	2019	2018
Using standardized approach:		
Interest rate exposures	6,552	3,441
Equity exposures	146	485
Foreign exchange exposures	17,318	18,300
Options		
TOTAL MARKET RWA ^o	24,016	22,226

^o Risk-weighted assets

Operational risk-weighted assets. BPI currently uses the Basel regulatory basic indicator approach to quantify operational risk-weighted assets, by using the historical total annual gross income as the main measure of risk. In 2019, the Bank’s total operational risk-weighted assets stood at Php 137.6 billion.

The table below presents the Bank’s operational risk-weighted assets for the years 2019 and 2018:

OPERATIONAL RWA (Php Million) ^o /	AMOUNT	
	2019	2018
Gross income (a)	83,217	73,284
Capital requirement ¹	12,483	10,993
Average capital requirement (b) ²	11,011	9,808
Adjusted capital charge (c) ³	13,764	12,260
TOTAL OPERATIONAL RWA ⁴	137,638	122,598

^o Risk-weighted assets

¹ (a) multiplied by 15 percent

² Average of 15 percent of (a) for the past 3 years

³ (b) multiplied by 125 percent

⁴ (c) multiplied by factor 10

Board of Directors

JAIME AUGUSTO ZOBEL DE AYALA
Chairman

FERNANDO ZOBEL DE AYALA
Vice Chairman

CEZAR P. CONSING
President & CEO





Board of Directors

FRONT ROW: **GERARDO C. ABLAZA, JR.**
Director

ROMEO L. BERNARDO
Director

IGNACIO R. BUNYE
Independent Director

BACK ROW: **OCTAVIO VICTOR R. ESPIRITU**
Independent Director

REBECCA G. FERNANDO
Director

JOSE TEODORO K. LIMCAOCO
Director

FRONT ROW: **XAVIER P. LOINAZ**
Independent Director

AURELIO R. MONTINOLA III
Director

MERCEDITA S. NOLLEDO
Director

BACK ROW: **ANTONIO JOSE U. PERIQUET**
Independent Director

ELI M. REMOLONA, JR.
Independent Director

MARIA DOLORES B. YUVIENCO
Independent Director

Advisory Council

CHIEF JUSTICE ARTEMIO V. PANGANIBAN
Member, Advisory Council

OSCAR S. REYES
Member, Advisory Council

DELFIN L. LAZARO
Member, Advisory Council





Executive Management

FRONT ROW: **MARIA THERESA MARCIAL JAVIER**
Executive Vice-President
& Chief Finance Officer

RAMON L. JOCSON
Executive Vice-President
& Chief Operating Officer

MARIE JOSEPHINE M. OCAMPO
Executive Vice-President
& Head, Mass Retail Products

FRONT ROW: **JOSEPH ANTHONY M. ALONSO**
Senior Vice President
& Chief Credit Officer

MARITA SOCORRO D. GAYARES
Senior Vice President
& Chief Risk Officer

MARIA CRISTINA L. GO
President, BPI Family Savings Bank

BACK ROW: **ANTONIO V. PANER**
Executive Vice-President
& Treasurer

SIMON R. PATERNO
Executive Vice-President
& Head, Finance Products
and Alternative Solutions

JUAN CARLOS L. SYQUIA
Executive Vice-President
& Head, Corporate Clients Segment

BACK ROW: **ANGELIE O. KING**
Senior Vice President &
Head of Branch Sales and Services

ERIC ROBERTO M. LUCHANGCO
Senior Vice President
Head, Business Banking

MARY CATHERINE ELIZABETH P. SANTAMARIA
Senior Vice President &
Chief Marketing Officer

Summary of Financial Performance

In 2019, BPI realized net profits of Php 28.80 billion, an increase of 24.8% or Php 5.73 billion from the Php 23.08 billion recorded in 2018. The 20.1% increase in Total Revenues to Php 94.33 billion drove the profit growth, partially offset by higher operating costs, loss provisioning, and taxes which grew Php 6.47 billion, Php 899 million, and Php 2.68 billion, respectively. The Bank's Comprehensive Income was Php 28.77 billion, up 31.5% on higher Net Income and improved marked to market valuation of Fair Value through Other Comprehensive Income (FVOCI) of the parent, insurance companies and associates.

The Bank's continued focus on growing its high margin businesses while maintaining its corporate franchise resulted in strong revenue results for the year. Total Revenues stood at Php 94.33 billion, an improvement of 20.1% boosted by the Bank's core businesses.

Net Interest Income grew by 18.1% to Php 65.94 billion from 2018's Php 55.84 billion attributed to a 24-basis point expansion in Net Interest Margin to 3.35% in 2019.

Non-Interest Income was Php 28.39 billion, an increase of 25.2% versus 2018, primarily from higher securities trading gains and fee-based income, higher fees from credit cards, transaction banking, branch services, and digital channels, but slightly tempered by lower income from investment banking.

Cost-to-Income Ratio at 53.1%, lower than the 55.5% recorded in the prior year, given the strong revenue performance. Operating Expenses totaled Php 50.08 billion, higher by 14.9% from the previous year. Compensation and Fringe Benefits increased Php 2.17 billion, or 14.2%, to Php 17.49 billion on increased headcount for both microfinance and regular branches. Occupancy and equipment-related expenses grew Php 2.98 billion, or 22.6%, to Php 16.12 billion due to higher technology-related outsourced services costs and the impact of the PFRS 16: Leases implementation. On January 1, 2019, the BPI Group adopted PFRS 16: Leases, which requires recognition of both right-of-use assets and lease liability arising from long-term leases. Other Operating Expenses was similarly higher at Php 16.47 billion, up Php 1.33 billion or 8.8% on increased regulatory, marketing, volume-related transaction, and outsourcing costs.

Total Assets stood at Php 2.21 trillion, higher by 5.7% year-on-year, as total funding increased by Php 93.5 billion or 5.3% to Php 1.85 trillion.

Total Loans as of December 31, 2019 reached Php 1.48 trillion, up 8.9% on the year, on the back of growth in the consumer, corporate, SME, and microfinance loan segments of 13.4%, 7.9%, 5.8%, and 100.3%, respectively. This brought Loan-to-Deposit Ratio at 87.0%. In terms of asset quality, the Bank registered NPL ratio of 1.66% and NPL reserve cover of 102.1%, an improvement of 19 and 13.8 percentage points, respectively. The Bank's total loss coverage, including allowances for contingent liabilities, stood at 104.8%.

Treasury securities increased by Php 11.62 billion or 3.40% to Php 353.11 billion of 2018's Php 341.50 billion. Of this amount, 78% was booked in Financial assets at amortized cost thus less exposed to interest rate risk.

Total Deposits grew 6.9% to Php 1.70 trillion versus level recorded in 2018. Current and Savings Deposits grew Php 31.27 billion or 2.7% while Time Deposits grew Php 78.33 billion or 17.6%. This growth, however, was partially offset by the 9.6% decline in Other Borrowed Funds to Php 150.84 billion due to maturity of BSP rediscounting products and reduced borrowings from other banks.

The Bank was active in the debt capital markets with a number of capital raising activities in 2019: (1) Green bond issuances of CHF 100 million two-year interest free ASEAN Green Bond and the US\$ 300 million Senior Unsecured Fixed-Rate ASEAN Green Bond; (2) Over Php 3 billion of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs); (3) Maiden bond issuance amounting to Php 9.51 billion of wholly-owned thrift bank and consumer lending arm, BPI Family Savings Bank (BFSB)

Capital Funds increased Php 21.06 billion or 8.5% to Php 269.58 billion from 2018's Php 248.52 billion. Regulatory ratios were both well above the BSP requirements with Common Equity Tier 1 Ratio of 15.17% and a Capital Adequacy Ratio of 16.07. Return on Equity for 2019 was at 10.97%. Market capitalization still among the largest in the industry stood at Php 396.17 billion at end- December 31,2019 with share price closed at Php 87.9. This represents a 1.5x multiple to book value.

The Bank paid a total of Php 12.17 billion cash dividends or Php 1.80 per share to its shareholders in 2019.

Statement of Management's Responsibility

For Financial Statements

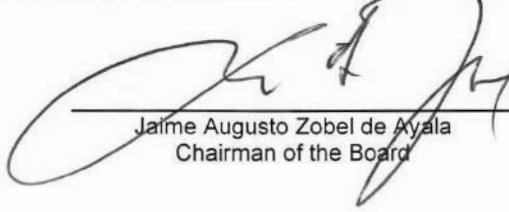
The management of Bank of the Philippine Islands (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework 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.

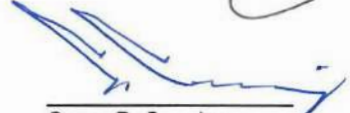
In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

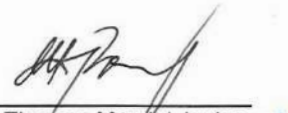
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

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.


Jaime Augusto Zobel de Ayala
Chairman of the Board


Cezar P. Consing
President and Chief Executive Officer


Maria Theresa Marcial Javier
Executive Vice President and Chief Finance Officer

MAR 11 2020

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this _____, affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala	EC4856934	Aug. 4, 2015/DFA Manila	Aug. 3, 2020
Cezar P. Consing	P6868155A	Apr. 17, 2018/DFA NCR South	Apr. 16, 2028
Maria Theresa Marcial Javier	P7958774A	Jul. 16, 2018/DFA Manila	Jul. 15, 2028

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Page No. 7 ;
Book No. 67 ;
Series of 2020.


FERNANDO J. REYES JR.,
Notary Public and in Makati City
Until Dec 31, 2022, Appt. No. M-02
RPT No. 13627803
2nd Fl., 12th Ave., 4th Corner, Ayala, Makati City
2019 PTR No. 8009506 12/18/2019
IPI No. 1046422, 8/5/2016
M. A. Corp. VISA 12066, 9/11/2013
PTR MLA 9067886/12/18/2019 /MLA

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS
BANK OF THE PHILIPPINE ISLANDS
FOR THE YEAR ENDED DECEMBER 31, 2019

The role and responsibilities of the Audit Committee are defined in the Board-approved Audit Committee charter. In accordance with this charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to:

- Systems of internal controls, risk management, and governance process of the Bank
- Integrity of the Bank's financial statements and financial reporting process
- Performance of the internal audit function and the external auditor
- Compliance with bank policies, applicable laws, rules and regulatory requirements

The Committee is composed of three (3) qualified non-executive and independent directors, all with necessary background, knowledge, skills, and/or experience to carry out its functions. It held 12 regular and 3 special meetings in 2019. Highlights of the Committee's activities were as follows:

1. Financial Statements:

- Reviewed and discussed with Management and the external auditor, Isla Lipana & Co., a member firm of Price Waterhouse Coopers, the audited consolidated financial statements of Bank of the Philippine Islands (BPI) and the related disclosures for the year ended December 31, 2019, including the assessment of the internal controls relevant to the financial reporting process. The review was performed in the following context:
 - that Management is responsible for the preparation and fair presentation of the financial statements in accordance with the prescribed financial reporting framework, and
 - that Isla Lipana has audited the financial statements in accordance with the Philippine Standards on Auditing and is responsible for expressing an opinion on the fairness of the presentation, including the results of its independent review of the Bank's business models and valuation techniques particularly on the recalibrated PFRS9 model and adoption of PFRS 16.

After obtaining assurance on the external auditor's independent and thorough review of the financial statements, the Committee endorsed the audited financial statements for approval by the Board and for inclusion in the 2019 Annual Report to the Stockholders.

- Discussed with Management and the internal auditors, the quarterly unaudited consolidated financial reports of BPI Group including the results of operations and endorsed the financial statements to the Board of Directors for approval.

2. External Audit:

- Review the audit plan and the scope of work of the external auditors, ensuring that areas of focus were appropriately covered and there were no significant gaps in the scope between external and internal audits to ensure effective use of resources.

The Committee also reviewed the audit results focusing on significant items with financial impact and key control issues through Management Letter of Comments and ensured that corrective actions are taken by Management. The Audit Committee also held an annual executive session and special meetings with the external auditor to discuss any issue or concerns on its financial reporting and attestation process and on the Bank's implementation of relevant accounting standards and its impact to the Bank.

- Assessed the overall performance and effectiveness of the external auditor, Isla Lipana and its audit process. The Committee ensures that lead audit partner is rotated every five (5) years and that Isla Lipana & Co. had reaffirmed its independence from BPI and its subsidiaries and are in compliance with the relevant ethical and professional standards. In consultation with Management, the Committee, recommended for consideration and endorsement of the Board of Directors to the stockholders, the re-engagement of Isla Lipana & Co. for BPI and its subsidiaries and affiliates for year 2020 and the related audit fees.

3. Internal Audit:

- Reviewed and approved the annual work plan of Internal Audit including its charter, risk assessment model and audit rating framework. The Committee ensures that the internal audit function is independent, has adequate and competent resources, and has appropriate authority to be able to effectively discharge its duties. The members of the Audit Committee had periodic discussions with the Chief Audit Executive during the year on significant control and/or risk issues arising from the audit reviews.
- Reviewed and discussed the reports from internal audit and other management assurance units ensuring that Management is taking the appropriate corrective actions in a timely manner. The Audit Committee also held joint session meetings with the Risk Management Committee to discuss updates on information technology including major systems implemented and cyber security threats as well as on relevant regulatory developments. Management's implementation plans were discussed and monitored to ensure that identified control gaps or significant risk are adequately addressed and mitigated.
- Reviewed the minutes of meetings of the different Audit Committees of the BPI subsidiaries, to ensure that identified control weaknesses, operational risks and compliance issues are monitored and acted upon.
- Evaluated the performance of Chief Audit Executive. The Committee also ensures that Internal Audit activities continuously conform with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics through internal and external quality assessment reviews.

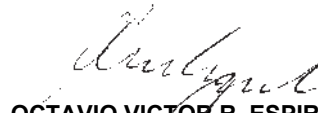
4. Regulatory Compliance:

- Reviewed the effectiveness of the system for monitoring compliance with laws and regulations through the regular reports from the Group Compliance Office on the results of its compliance reviews including Management's actions to address the issues.
- Discussed the results of the post-implementation reviews of related party transactions (RPTs), ensuring that any significant issues had been appropriately addressed.
- Discussed the 2019 BSP Report of Examination and Management responses including action plans on the findings, observations and recommendations to ensure that committed actions are implemented.

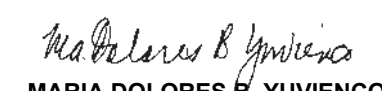
In compliance with the SEC requirement and the BPI Corporate Governance Manual, the Audit Committee:

- Attended the annual SEC accredited workshop on corporate governance, risk management and sustainability. The Committee were also provided with updates on relevant laws and regulations, accounting standards and tax rules.
- Reviewed the Audit Committee Charter to ensure that it is updated and aligned with the regulatory requirements.
- Performed the annual self-assessment and reviewed its performance against its charter and other regulatory mandates. The result was validated by the Compliance Officer and discussed in the Corporate Governance Committee. The process confirmed a satisfactory performance of the Audit Committee.

Based on the results of the assurance activities performed by the Bank's Internal Audit, compliance reviews and the external auditor's unqualified opinion on the financial statements, the Committee assessed that the Bank's systems of internal controls, risk management, and governance processes continue to be adequate and generally effective. This overall assessment states, among others, that the audit scope and coverage are sufficient, comprehensive, and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of issues and other relevant information to Management, Audit Committee, and the Board of Directors.


OCTAVIO VICTOR R. ESPIRITU
Member


XAVIER P. LOINAZ
Chairman


MARIA DOLORES B. YUVIENCO
Member



Isla Lipana & Co.

Bank of the Philippine Islands

Financial Statements

As at December 31, 2019 and 2018 and for each of the three
years in the period ended December 31, 2019

Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
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, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards.

What we have audited

The financial statements comprise:

- the consolidated and parent statements of condition as at December 31, 2019 and 2018;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2019;
- the consolidated and parent statements of comprehensive income for each of the three years in the period ended December 31, 2019;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2019;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated and parent financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing. 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.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 2

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 judgments; 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.



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Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 3

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, 2019, the total allowance for impairment for loans and advances amounted to PHP25,974 million for the BPI Group and PHP18,605 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP6,073 million for the BPI Group and PHP5,011 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 Parent Bank. For other loan accounts which are not individually credit impaired, they 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 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 Philippine Financial Reporting Standard (PFRS) 9, <i>Financial instruments</i>; 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 Parent Bank's loan portfolios; - review and approval of key judgments, assumptions and forward-looking information used in the ECL models; - reconciliations 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; and - the review and approval process for the outputs of the impairment models. Our work over the impairment of loans and advances included: - assessment of the methodology applied by the BPI Group and Parent Bank in the development of the ECL models vis-a-vis the requirements of PFRS 9; - testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data. Our assessment included the involvement of our internal specialist;



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Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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Key Audit Matter	How our audit addressed the Key Audit Matter
<i>(cont'd.)</i>	
Key elements in the impairment of loans and advances include: - 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; and - the application of appropriate impairment models for the collectively assessed accounts. This include 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). In calculating the loan loss provisioning, the BPI Group and Parent Bank applied the expected credit loss (ECL) model prescribed by PFRS 9, which is a complex process that takes into account forward-looking information reflecting the BPI Group and Parent Bank's view on potential future economic events.	- assessment of the appropriateness of the BPI Group's and 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 models against available macro-economic data; - testing of the accuracy and completeness of data in the ECL models by comparing them with the information obtained from source systems; - 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 collective loan loss allowance for selected accounts and portfolios at reporting date using the ECL models adopted by the BPI Group and Parent Bank.



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Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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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 it becomes 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.

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 Philippine Financial Reporting 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 entities within 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 Philippine Standards on Auditing 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.



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Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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As part of an audit in accordance with Philippine Standards on Auditing, 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 ability of each entity within the BPI Group and the Parent Bank 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 entities within 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.

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, related safeguards.



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Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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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 the Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP) and Bureau of Internal Revenue (BIR)

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 BSP Circular No. 1074 in Note 30 and BIR Revenue Regulations 15-2010 in Note 31 to the financial statements is presented for purposes of filing with the BSP and BIR, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the BPI Group. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information 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 Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 7, 2020, Makati City

SEC A.N. (individual) as general auditors 1176-AR-2, Category A; effective until June 20, 2021

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

TIN 221-755-698

BIR A.N. 08-000745-77-2018, issued on January 29, 2018; effective until January 28, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
February 26, 2020

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
DECEMBER 31, 2019 and 2018
(In Millions of Pesos)

		Consolidated		Parent	
	Notes	2019	2018	2019	2018
<u>ASSETS</u>					
CASH AND OTHER CASH ITEMS	4	47,256	43,536	45,982	42,419
DUE FROM BANGKO SENTRAL NG PILIPINAS	4	207,845	225,907	181,815	202,487
DUE FROM OTHER BANKS	4	22,356	12,477	18,356	8,615
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	4,5	22,570	34,323	18,364	22,659
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	24,105	16,721	17,688	10,346
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	53,905	37,206	48,320	30,583
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	275,105	287,571	252,006	267,497
LOANS AND ADVANCES, net	10	1,475,336	1,354,896	1,231,776	1,125,956
ASSETS HELD FOR SALE, net		3,155	3,363	342	455
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	23,748	16,252	16,595	10,146
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	6,746	5,659	10,031	9,942
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2,4	17,790	16,582	-	-
DEFERRED INCOME TAX ASSETS, net	13	9,706	8,536	6,653	5,723
OTHER ASSETS, net	14	15,407	22,199	9,910	16,313
Total assets		2,205,030	2,085,228	1,857,838	1,753,141

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
DECEMBER 31, 2019 and 2018
(In Millions of Pesos)

		Consolidated		Parent	
	Notes	2019	2018	2019	2018
<u>LIABILITIES AND CAPITAL FUNDS</u>					
DEPOSIT LIABILITIES	15	1,695,343	1,585,746	1,456,458	1,347,207
DERIVATIVE FINANCIAL LIABILITIES	7	2,877	3,891	2,877	3,888
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	150,837	166,901	126,529	150,880
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		2,946	3,988	2,946	3,988
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		8,299	6,931	6,421	5,354
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		9,865	9,057	7,418	6,875
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	14,061	14,056	-	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	47,768	43,120	38,939	35,793
Total liabilities		1,931,996	1,833,690	1,641,588	1,553,985
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		44,999	44,961	44,999	44,961
Share premium		74,449	74,181	74,449	74,181
Reserves		5,108	4,096	4,892	3,977
Surplus		147,460	127,459	94,226	76,958
Accumulated other comprehensive loss		(2,439)	(2,176)	(2,316)	(921)
		269,577	248,521	216,250	199,156
NON-CONTROLLING INTERESTS		3,457	3,017	-	-
Total capital funds		273,034	251,538	216,250	199,156
Total liabilities and capital funds		2,205,030	2,085,228	1,857,838	1,753,141

(The notes on pages 1 to 109 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, 2019
(In Millions of Pesos, Except Per Share Amounts)

	Notes	Consolidated			Parent	
		2019	2018	2017	2019	2018
INTEREST INCOME						
On loans and advances		87,151	69,401	54,615	67,895	51,901
On investment securities		12,709	9,616	9,185	11,776	8,942
On deposits with BSP and other banks		1,723	1,173	2,049	808	548
		101,583	80,190	65,849	80,479	61,391
INTEREST EXPENSE						
On deposits	15	28,874	21,255	16,660	21,476	15,645
On bills payable and other borrowed funds	16	6,764	3,092	1,150	6,031	2,588
		35,638	24,347	17,810	27,507	18,233
NET INTEREST INCOME		65,945	55,843	48,039	52,972	43,158
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	5,9,10,14	5,822	4,923	3,795	4,666	4,279
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		60,123	50,920	44,244	48,306	38,879
OTHER INCOME						
Fees and commissions		9,062	8,224	7,716	8,502	7,219
Income from foreign exchange trading		2,102	2,128	2,136	1,930	1,831
Income attributable to insurance operations	2	1,223	1,223	1,413	-	-
Securities trading gain		4,010	719	923	3,678	258
Other operating income	19	11,992	10,387	10,793	10,487	5,919
		28,389	22,681	22,981	24,597	15,227
OTHER EXPENSES						
Compensation and fringe benefits	21	17,487	15,315	13,897	13,479	11,834
Occupancy and equipment-related expenses	11,20	16,123	13,146	11,344	12,943	10,570
Other operating expenses	21	16,467	15,141	13,292	12,058	11,257
		50,077	43,602	38,533	38,480	33,661
PROFIT BEFORE INCOME TAX		38,435	29,999	28,692	34,423	20,445
INCOME TAX EXPENSE	22					
Current		10,037	7,404	6,418	8,788	5,793
Deferred	13	(685)	(734)	(462)	(583)	(776)
		9,352	6,670	5,956	8,205	5,017
NET INCOME FOR THE YEAR		29,083	23,329	22,736	26,218	15,428
Attributable to:						
Equity holders of BPI		28,803	23,078	22,416	26,218	15,428
Non-controlling interests		280	251	320	-	-
		29,083	23,329	22,736	26,218	15,428
Earnings per share for net income attributable to the equity holders of BPI during the year:						
Basic and diluted	18	6.39	5.35	5.69	5.82	3.57

(The notes on pages 1 to 109 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF COMPREHENSIVE INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2019
(In Millions of Pesos)

	Note	Consolidated			Parent	
		2019	2018	2017	2019	2018
NET INCOME FOR THE YEAR		29,083	23,329	22,736	26,218	15,428
OTHER COMPREHENSIVE (LOSS) INCOME	18					
Items that may be subsequently reclassified to profit or loss						
Share in other comprehensive income (loss) of associates		1,286	(1,281)	(252)	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		262	(771)	-	249	(461)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		545	(400)	196	-	-
Currency translation differences and others		(202)	(26)	126	(124)	-
Net change in fair value reserve on AFS, net of tax effect		-	-	713	-	-
Items that will not be reclassified to profit or loss						
Remeasurements of defined benefit obligation		(1,418)	612	(272)	(1,141)	431
Share in other comprehensive (loss) income of associates		(32)	596	(528)	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		(313)	(19)	-	(379)	320
Total other comprehensive (loss) income, net of tax effect		128	(1,289)	(17)	(1,395)	290
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		29,211	22,040	22,719	24,823	15,718
Attributable to:						
Equity holders of BPI		28,769	21,878	22,406	24,823	15,718
Non-controlling interests		442	162	313	-	-
		29,211	22,040	22,719	24,823	15,718

(The notes on pages 1 to 109 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2019
(In Millions of Pesos)

	Consolidated							
	Attributable to equity holders of BPI (Note 18)							Total equity
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	
Balance, January 1, 2017	39,308	29,591	2,711	98,602	(5,078)	165,134	2,550	167,684
Comprehensive income								
Net income for the year	-	-	-	22,416	-	22,416	320	22,736
Other comprehensive loss for the year	-	-	-	-	(10)	(10)	(7)	(17)
Total comprehensive income (loss) for the year	-	-	-	22,416	(10)	22,406	313	22,719
Transactions with owners								
Exercise of stock option plans	28	180	31	-	-	239	-	239
Cash dividends	-	-	-	(7,091)	-	(7,091)	-	(7,091)
Total transactions with owners	28	180	31	(7,091)	-	(6,852)	-	(6,852)
Transfer from surplus to reserves	-	-	90	(90)	-	-	-	-
Transfer from reserves to surplus	-	-	(2,578)	2,578	-	-	-	-
	-	-	(2,488)	2,488	-	-	-	-
Balance, December 31, 2017	39,336	29,771	254	116,415	(5,088)	180,688	2,863	183,551
Impact of PFRS 9 adoption	-	-	-	(62)	4,111	4,049	(8)	4,041
Restated balance, January 1, 2018	39,336	29,771	254	116,353	(977)	184,737	2,855	187,592
Comprehensive income								
Net income for the year	-	-	-	23,078	-	23,078	251	23,329
Other comprehensive loss for the year	-	-	-	-	(1,200)	(1,200)	(89)	(1,289)
Total comprehensive income (loss) for the year	-	-	-	23,078	(1,200)	21,878	162	22,040
Transactions with owners								
Proceeds from stock rights offering	5,587	44,120	-	-	-	49,707	-	49,707
Exercise of stock option plans	38	290	(25)	-	-	303	-	303
Cash dividends	-	-	-	(8,104)	-	(8,104)	-	(8,104)
Total transactions with owners	5,625	44,410	(25)	(8,104)	-	41,906	-	41,906
Transfer from surplus to reserves	-	-	3,867	(3,867)	-	-	-	-
Other movements	-	-	-	(1)	1	-	-	-
	-	-	3,867	(3,868)	1	-	-	-
Balance, December 31, 2018	44,961	74,181	4,096	127,459	(2,176)	248,521	3,017	251,538
Comprehensive income								
Net income for the year	-	-	-	28,803	-	28,803	280	29,083
Other comprehensive loss for the year	-	-	-	-	(34)	(34)	162	128
Total comprehensive income (loss) for the year	-	-	-	28,803	(34)	28,769	442	29,211
Transactions with owners								
Exercise of stock option pans	38	268	30	-	-	336	-	336
Cash dividends	-	-	-	(8,113)	-	(8,113)	-	(8,113)
Total transactions with owners	38	268	30	(8,113)	-	(7,777)	-	(7,777)
Transfer from surplus to reserves	-	-	2,002	(2,002)	-	-	-	-
Transfer from reserves to surplus	-	-	(1,020)	1,020	-	-	-	-
Other movements	-	-	-	293	(229)	64	(2)	62
	-	-	982	(689)	(229)	64	(2)	62
Balance, December 31, 2019	44,999	74,449	5,108	147,460	(2,439)	269,577	3,457	273,034

(The notes on pages 1 to 109 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2019
(In Millions of Pesos)

	Parent (Note 18)					
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2017	39,308	29,591	2,695	56,095	(4,807)	122,882
Comprehensive income						
Net income for the year	-	-	-	22,097	-	22,097
Other comprehensive income for the year	-	-	-	-	111	111
Total comprehensive income for the year	-	-	-	22,097	111	22,208
Transactions with owners						
Exercise of stock option plans	28	180	25	-	-	233
Cash dividends	-	-	-	(7,091)	-	(7,091)
Total transactions with owners	28	180	25	(7,091)	-	(6,858)
Transfer from reserves to surplus	-	-	(2,578)	2,578	-	-
Balance, December 31, 2017	39,336	29,771	142	73,679	(4,696)	138,232
Impact of PFRS 9 adoption	-	-	-	(178)	3,485	3,307
Restated balance, January 1, 2018	39,336	29,771	142	73,501	(1,211)	141,539
Comprehensive income						
Net income for the year	-	-	-	15,428	-	15,428
Other comprehensive income for the year	-	-	-	-	290	290
Total comprehensive income for the year	-	-	-	15,428	290	15,718
Transactions with owners						
Proceeds from stock rights offering	5,587	44,120	-	-	-	49,707
Exercise of stock option plans	38	290	(32)	-	-	296
Cash dividends	-	-	-	(8,104)	-	(8,104)
Total transactions with owners	5,625	44,410	(32)	(8,104)	-	41,899
Transfer from surplus to reserves	-	-	3,867	(3,867)	-	-
Balance, December 31, 2018	44,961	74,181	3,977	76,958	(921)	199,156
Comprehensive income						
Net income for the year	-	-	-	26,218	-	26,218
Other comprehensive loss for the year	-	-	-	-	(1,395)	(1,395)
Total comprehensive income for the year	-	-	-	26,218	(1,395)	24,823
Transactions with owners						
Exercise of stock option plans	38	268	43	-	-	349
Cash dividends	-	-	-	(8,113)	-	(8,113)
Total transactions with owners	38	268	43	(8,113)	-	(7,764)
Transfer from surplus to reserves	-	-	1,892	(1,892)	-	-
Transfer from reserves to surplus	-	-	(1,020)	1,020	-	-
Other movements	-	-	-	35	-	35
	-	-	872	(837)	-	35
Balance, December 31, 2019	44,999	74,449	4,892	94,226	(2,316)	216,250

(The notes on pages 1 to 109 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, 2019
(In Millions of Pesos)

	Notes	Consolidated			Parent	
		2019	2018	2017	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before income tax		38,435	29,999	28,692	34,423	20,445
Adjustments for:						
Impairment losses	5,9,10,14	5,822	4,923	3,795	4,666	4,271
Depreciation and amortization	11,14	7,132	4,797	4,255	4,767	2,916
Share in net income of associates	12	(372)	(700)	(772)	-	-
Dividend and other income	19	(77)	(76)	(68)	(3,794)	(904)
Share-based compensation	18	30	(25)	31	42	(32)
Interest income		(101,583)	(80,190)	(68,053)	(83,279)	(61,391)
Interest received		100,293	77,715	66,816	83,294	59,960
Interest expense		35,638	24,347	17,810	27,507	18,233
Interest paid		(35,300)	(23,440)	(17,495)	(27,375)	(17,494)
(Increase) decrease in:						
Interbank loans receivable and securities purchased under agreements to resell		1,898	(821)	595	1,895	(966)
Financial assets at fair value through profit or loss		(8,472)	(2,257)	9,272	(8,469)	(236)
Loans and advances, net		(125,028)	(154,077)	(164,957)	(109,711)	(140,860)
Assets held for sale		400	655	313	353	509
Assets attributable to insurance operations		287	465	(944)	-	-
Other assets		5,611	(8,096)	(3,940)	5,702	(3,761)
Increase (decrease) in:						
Deposit liabilities		109,598	23,546	130,900	109,252	23,244
Due to Bangko Sentral ng Pilipinas and other banks		(1,041)	2,770	548	(1,041)	2,770
Manager's checks and demand drafts outstanding		1,368	(91)	(557)	1,067	(408)
Accrued taxes, interest and other expenses		303	1,033	(51)	411	562
Liabilities attributable to insurance operations		5	(457)	146	-	-
Derivative financial instruments		(38)	52	(311)	(28)	45
Deferred credits and other liabilities		7,335	2,493	7,550	6,094	2,506
Net cash from (used in) operations		42,244	(97,435)	13,575	45,776	(90,591)
Income taxes paid		(10,363)	(7,115)	(6,505)	(9,135)	(5,560)
Net cash from (used in) operating activities		31,881	(104,550)	7,070	36,641	(96,151)

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2019
(In Millions of Pesos)

	Notes	Consolidated			Parent	
		2019	2018	2017	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES						
(Increase) decrease in:						
Investment securities, net	8,9	(4,343)	(25,828)	(7,029)	(3,574)	(31,400)
Bank premises, furniture, fixtures and equipment, net	11	(13,400)	(5,048)	(4,191)	(10,285)	(2,518)
Investment properties, net	14	(57)	1	-	(55)	12
Investment in subsidiaries and associates, net	12	933	305	745	(89)	(899)
Assets attributable to insurance operations		(1,368)	364	58	-	-
Dividends received	18	77	76	68	3,794	904
Net cash (used in) from investing activities		(18,158)	(30,130)	(10,349)	(10,209)	(33,901)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash dividends paid	17,18	(12,167)	(7,598)	(7,089)	(12,165)	(7,598)
Proceeds from share issuance	18	306	50,035	207	306	50,035
(Decrease) increase in bills payable and other borrowed funds	16	(16,064)	83,384	21,544	(24,351)	80,158
Net cash (used in) from financing activities		(27,925)	125,821	14,662	(36,210)	122,595
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(14,202)	(8,859)	11,383	(9,778)	(7,457)
CASH AND CASH EQUIVALENTS						
January 1	4,5	313,270	322,129	310,746	273,122	280,579
December 31		299,068	313,270	322,129	263,344	273,122

(The notes on pages 1 to 109 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019 and 2018 AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 2019

Note 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.

In 2019, the Bank’s office address, which also serves as its principal place of business, was transferred to Ayala North Exchange, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City. Prior to 2019, BPI’s registered office address and principal place of business were both located at BPI Building, Ayala Avenue corner Paseo de Roxas, 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, 2019, the BPI Group has 21,429 employees (2018 - 18,911 employees) and operates 1,167 branches (2018 - 1,056 branches) and 2,822 ATMs (2018 - 3,034 ATMs) 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 considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code, 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.

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) of the Parent Bank on February 19, 2020. There are no material events that occurred subsequent to February 19, 2020 until February 26, 2020.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership	
			2019	2018
BPI Family Savings Bank, Inc.	Philippines	Banking	100	100
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	Philippines	Asset management	100	100
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.	Philippines	Financing	100	100
Filinvest Algo Financial Corp.	Philippines	Financing	100	100
BPI Investment Management, Inc.	Philippines	Investment management	100	100
Santiago Land Development Corporation	Philippines	Land holding	100	100
BPI Operations Management Corp.	Philippines	Operations management	100	100
BPI Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Forex Corp.	Philippines	Foreign exchange	100	100
BPI Express Remittance Corp. USA	USA	Remittance	100	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	100	100
Green Enterprises S. R. L. in Liquidation	Italy	Remittance	100	100
First Far - East Development Corporation	Philippines	Real estate	100	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	100	100
BPI Express Remittance Spain S.A	Spain	Remittance	100	100
FEB Speed International	Philippines	Remittance	100	100
Ayala Plans, Inc.	Philippines	Pre-need	98.93	98.67
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI Century Tokyo Lease and Finance Corporation	Philippines	Leasing	51	51
BPI Century Tokyo Rental Corporation	Philippines	Rental	51	51
CityTrust Securities Corporation	Philippines	Securities dealer	51	51
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85

Note 2 - Assets and Liabilities Attributable to Insurance Operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	2019	2018
	(In Millions of Pesos)	
Assets		
Cash and cash equivalents (Note 4)	217	89
Insurance balances receivable, net	5,010	5,596
Investment securities		
Financial assets at fair value through profit or loss	5,382	1,788
Financial assets at fair value through other comprehensive income (OCI)	4,344	6,522
Financial assets at amortized cost	153	202
Investment in associates	167	167
Accounts receivable and other assets, net	2,320	2,106
Land, building and equipment	197	112
	17,790	16,582

	2019	2018
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	12,544	12,909
Accounts payable, accrued expenses and other payables	1,517	1,147
	14,061	14,056

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2019	2018	2017
	(In Millions of Pesos)		
Premiums earned and related income	3,841	3,750	3,624
Investment and other income	712	755	864
	4,553	4,505	4,488
Benefits, claims and maturities	1,942	2,049	2,006
Decrease in actuarial reserve liabilities	(412)	(379)	(524)
Commissions	938	800	789
Management and general expenses	838	799	791
Other expenses	24	13	13
	3,330	3,282	3,075
Income before income tax and minority interest	1,223	1,223	1,413

Note 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.
- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, leasing, trade and cash management 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 (more than 90%) 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. Interest charged for these funds is based on the BPI Group's cost of capital.

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 statements of condition, but exclude items such as taxation.

The segment assets, liabilities and results of operations of the reportable segments of the BPI Group as at and for the years ended December 31 are as follows:

	2019			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Net interest income	41,494	17,168	11,860	70,522
Provision for credit and impairment losses	3,489	2,328	5	5,822
Net interest income after provision for credit and impairment losses	38,005	14,840	11,855	64,700
Fees, commissions and other income, net	14,313	4,020	8,329	26,662
Total income	52,318	18,860	20,184	91,362
Compensation and fringe benefits	14,373	2,598	1,108	18,079
Occupancy and equipment-related expenses	10,147	2,126	314	12,587
Other operating expenses	15,057	3,389	1,721	20,167
Total other expenses	39,577	8,113	3,143	50,833
Operating profit	12,741	10,747	17,041	40,529
Share in net income of associates				563
Income tax expense				9,352
Total assets	539,093	1,208,553	427,571	2,175,217
Total liabilities	1,211,212	552,549	145,398	1,909,159

(3)

(4)

	2018			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Net interest income	33,973	11,019	16,148	61,140
Provision for credit and impairment losses	1,712	3,206	6	4,924
Net interest income after provision for credit and impairment losses	32,261	7,813	16,142	56,216
Fees, commissions and other income, net	12,292	3,260	5,280	20,832
Total income	44,553	11,073	21,422	77,048
Compensation and fringe benefits	12,554	2,132	1,002	15,688
Occupancy and equipment-related expenses	8,570	1,977	231	10,778
Other operating expenses	14,484	3,006	1,716	19,206
Total other expenses	35,608	7,115	2,949	45,672
Operating profit	8,945	3,958	18,473	31,376
Share in net income of associates				700
Income tax expense				6,670
Total assets	534,234	1,113,367	409,797	2,057,398
Total liabilities	1,124,800	552,969	137,872	1,815,641

	2017			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Net interest income	28,083	10,195	13,384	51,662
Provision for credit and impairment losses	2,085	1,710	5	3,800
Net interest income after provision for credit and impairment losses	25,998	8,485	13,379	47,862
Fees, commissions and other income, net	12,148	2,657	6,694	21,499
Total income	38,146	11,142	20,073	69,361
Compensation and fringe benefits	9,311	1,335	1,020	11,666
Occupancy and equipment-related expenses	4,242	1,210	125	5,577
Other operating expenses	13,512	2,706	1,652	17,870
Total other expenses	27,065	5,251	2,797	35,113
Operating profit	11,081	5,891	17,276	34,248
Share in net income of associates				772
Income tax expense				5,956
Total assets	476,749	1,007,058	389,085	1,872,892
Total liabilities	1,063,069	550,367	85,946	1,699,382

(5)

Reconciliation of segment results to consolidated results of operations:

	2019		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	70,522	(4,577)	65,945
Provision for credit and impairment losses	5,822	-	5,822
Net interest income after provision for credit and impairment losses	64,700	(4,577)	60,123
Fees, commissions and other income, net	26,662	1,727	28,389
Total income	91,362	(2,850)	88,512
Compensation and fringe benefits	18,079	(592)	17,487
Occupancy and equipment-related expenses	12,587	3,536	16,123
Other operating expenses	20,167	(3,700)	16,467
Total other expenses	50,833	(756)	50,077
Operating profit	40,529	(2,094)	38,435
Share in net income of associates (included in Other income)	563		563
Income tax expense	9,352		9,352
Total assets	2,175,217	29,813	2,205,030
Total liabilities	1,909,159	22,837	1,931,996

	2018		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	61,140	(5,297)	55,843
Impairment charge	4,924	(1)	4,923
Net interest income after impairment charge	56,216	(5,296)	50,920
Fees, commissions and other income, net	20,832	1,849	22,681
Total income	77,048	(3,447)	73,601
Compensation and fringe benefits	15,688	(373)	15,315
Occupancy and equipment - related expenses	10,778	2,368	13,146
Other operating expenses	19,206	(4,065)	15,141
Total operating expenses	45,672	(2,070)	43,602
Operating profit	31,376	(1,377)	29,999
Share in net income of associates (included in Other income)	700	-	700
Income tax expense	6,670	-	6,670
Total assets	2,057,398	27,830	2,085,228
Total liabilities	1,815,641	18,049	1,833,690

(6)

	2017		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	51,662	(3,623)	48,039
Provision for credit and impairment losses	3,800	(5)	3,795
Net interest income after provision for credit and impairment losses	47,862	(3,618)	44,244
Fees, commissions and other income, net	21,499	1,482	22,981
Total income	69,361	(2,136)	67,225
Compensation and fringe benefits	11,666	2,231	13,897
Occupancy and equipment-related expenses	5,577	5,767	11,344
Other operating expenses	17,870	(4,578)	13,292
Total other expenses	35,113	3,420	38,533
Operating profit	34,248	(5,556)	28,692
Share in net income of associates (included in Other income)	772	-	772
Income tax expense	5,956	-	5,956
Total assets	1,872,892	31,013	1,903,905
Total liabilities	1,699,382	20,972	1,720,354

“Consolidation adjustments/Others” pertain to amounts of insurance operations, support units and inter-segment elimination in accordance with the BPI Group’s internal reporting.

Note 4 - Cash and Cash Equivalents

The account at December 31 consists of:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Cash and other cash items	47,256	43,536	45,982	42,419
Due from Bangko Sentral ng Pilipinas (BSP)	207,845	225,907	181,815	202,487
Due from other banks	22,356	12,477	18,356	8,615
Interbank loans receivable and securities purchased under agreements to resell (Note 5)	21,394	31,261	17,191	19,601
Cash and cash equivalents attributable to insurance operations (Note 2)	217	89	-	-
	299,068	313,270	263,344	273,122

(7)

Note 5 - Interbank Loans Receivable and Securities Purchased under Agreements to Resell (SPAR)

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
BSP	20,306	24,791	16,947	14,000
Other banks	2,293	9,552	1,451	8,686
	22,599	34,343	18,398	22,686
Accrued interest receivable	11	30	6	23
	22,610	34,373	18,404	22,709
Allowance for impairment	(40)	(50)	(40)	(50)
	22,570	34,323	18,364	22,659

As at December 31, 2019, Interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P21,394 million (2018 - P31,261 million) for BPI Group and P17,191 million (2018 - P19,601 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	
	2019	2018	2019	2018
Peso-denominated	3.49 - 5.74	2.65 - 5.40	4.33 - 10.48	3.12 - 7.37
US dollar-denominated	1.55 - 2.62	1.50 - 2.34	1.55 - 2.62	1.50 - 2.34

Note 6 - Financial Assets at Fair Value through Profit or Loss (FVTPL)

The account at December 31 consists of:

	Note	Consolidated		Parent	
		2019	2018	2019	2018
		(In Millions of Pesos)			
Debt securities					
Government securities		17,017	8,953	14,482	5,515
Commercial papers of private companies		4,082	3,497	283	800
Listed equity securities		73	238	-	-
Derivative financial assets	7	2,933	4,033	2,923	4,031
		24,105	16,721	17,688	10,346

(8)

Note 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 notional amounts and fair values of derivative financial instruments as at December 31 are set out below:

Consolidated

	Fair Values			
	Assets		Liabilities	
	2019	2018	2019	2018
(In Millions of Pesos)				
Held for trading				
Foreign exchange derivatives				
Currency swaps	630	1,077	950	830
Currency forwards	436	250	450	219
Interest rate derivatives				
Interest rate swap	1,856	2,702	1,414	2,839
Interest rate futures	-	-	-	3
Warrants	2	4	-	-
Equity option	9	-	-	-
Held for hedging				
Cross currency swap	-	-	63	-
	2,933	4,033	2,877	3,891

Parent

	Fair Values			
	Assets		Liabilities	
	2019	2018	2019	2018
Held for trading				
Foreign exchange derivatives				
Currency swaps	630	1,077	950	827
Currency forwards	436	250	450	219
Interest rate derivatives				
Interest rate swap	1,855	2,702	1,414	2,839
Interest rate futures	-	-	-	3
Warrants	2	2	-	-
Held for hedging				
Cross currency swap	-	-	63	-
	2,923	4,031	2,877	3,888

Cash flow hedge of foreign currency-denominated bond
Consistent with its established risk management framework and asset liability management strategies, the Parent Bank decided to hedge the foreign currency exposure arising from the CHF-denominated debt (hedged item) issued in 2019 (Note 16).

The Parent Bank aims to minimize or reduce the volatility in the overall portfolio brought about by the movement of CHF against the US Dollar through a hedging instrument - cross currency interest rate swap (CCIRS). Under the terms of the CCIRS, the Parent Bank agrees to receive CHF in exchange for US Dollar at settlement date which coincides with the maturity date of the hedged item. The volatility arising from movement of US Dollar against the functional currency (Philippine Peso), however, is managed in conjunction with the Parent Bank’s overall foreign currency risk management. 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.

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.

Note 8 - Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Debt securities				
Government securities	39,751	32,718	36,409	27,814
Commercial papers of private companies	10,624	2,695	9,914	2,090
	50,375	35,413	46,323	29,904
Accrued interest receivable	704	118	686	89
	51,079	35,531	47,009	29,993
Equity securities				
Listed	1,738	1,129	972	406
Unlisted	1,088	546	339	184
	2,826	1,675	1,311	590
	53,905	37,206	48,320	30,583

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2019	2018	2019	2018
Peso-denominated	4.09 - 5.40	1.18 - 4.20	4.42 - 5.75	1.65 - 5.43
Foreign currency-denominated	2.14 - 2.94	2.09 - 2.85	2.14 - 2.94	2.33 - 2.85

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2019 amounts to P1,937 million (2018 - P278 million; 2017 - P200 million) and P1,871 million (2018 - P160 million; 2017 - P323 million) for the BPI Group and Parent Bank, respectively.

Dividend income from equity instruments recognized in the statement of income for the year ended December 31, 2019 amounts to P76 million (2018 - P64 million; 2017 - P53 million) and P48 million (2018 - P41 million; 2017 - P26 million) for the BPI Group and Parent Bank, respectively.

Note 9 - Investment Securities at Amortized cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Government securities	190,773	196,957	170,366	180,044
Commercial papers of private companies	80,644	86,826	78,285	83,964
	271,417	283,783	248,651	264,008
Accrued interest receivable	3,688	3,790	3,355	3,491
	275,105	287,573	252,006	267,499
Allowance for impairment	-	(2)	-	(2)
	275,105	287,571	252,006	267,497

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2019	2018	2019	2018
Peso-denominated	3.62 - 4.03	3.53 - 3.90	3.64 - 4.05	3.55 - 3.93
Foreign currency-denominated	3.08 - 4.69	2.80 - 3.16	3.11 - 4.83	2.84 - 3.19

Interest income from these investment securities recognized in the statements of income for the year ended December 31, 2019 amounts to P10,318 million (2018 - P9,035 million; 2017 - P8,631 million) and P9,675 million (2018 - P8,514 million; 2017 - P7,912 million) for the BPI Group and the Parent Bank, respectively.

Investment securities are expected to be realized as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Current (within 12 months)	15,165	30,159	10,686	28,038
Non-current (over 12 months)	259,940	257,414	241,320	239,461
	275,105	287,573	252,006	267,499

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 fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. 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 fair value through profit or loss.

Note 10 - Loans and Advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	1,147,643	1,043,855	1,121,050	1,019,626
Small and medium enterprise	73,357	87,998	54,553	62,058
Retail loans				
Credit cards	75,100	60,843	72,785	59,228
Real estate mortgages	137,380	126,088	11	12
Auto loans	53,789	51,845	-	-
Others	11,421	5,145	499	14
	1,498,690	1,375,774	1,248,898	1,140,938
Accrued interest receivable	9,660	8,454	6,958	5,963
Unearned discount/income	(7,040)	(6,430)	(5,475)	(4,978)
	1,501,310	1,377,798	1,250,381	1,141,923
Allowance for impairment	(25,974)	(22,902)	(18,605)	(15,967)
	1,475,336	1,354,896	1,231,776	1,125,956

Loans and advances aggregating P19,628 million (2017 - P31,520 million) are used as security for bills payable of the Parent Bank (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	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Within 12 months (Current)	552,190	554,183	517,516	515,723
Over 12 months (Non-current)	949,120	823,615	732,865	626,200
	1,501,310	1,377,798	1,250,381	1,141,923

Finance lease operations (the BPI Group as the lessor)

The BPI Group, through BPI Century Tokyo Lease and Finance Corporation, is engaged in the leasing out of transportation equipment under various finance lease arrangements which typically run for a non-cancellable period of five years. The lease contracts generally include an option for the lessee to purchase the leased asset after the lease period at a price that approximates to about 5% to 40% of the fair value of the asset at the inception of the lease. Likewise, the lease contract requires the lessee to put up a guarantee deposit equivalent to the residual value of the leased asset at the end of lease term. In the event that the residual value of the leased asset exceeds the guaranteed deposit liability at the end of the lease term, the BPI Group receives additional payment from the lessee prior to the transfer of the leased asset.

Details of finance lease receivables (included in “Corporate loans” category above) arising from lease contracts are as follows:

	Consolidated	
	2019	2018
	(In Millions of Pesos)	
Total future minimum lease collections	12,666	11,203
Unearned finance income	(1,395)	(1,321)
Present value of future minimum lease collections	11,271	9,882
Allowance for credit losses	(628)	(304)
	10,643	9,578

Details of future gross minimum lease payments receivable follow:

	Consolidated	
	2019	2018
	(In Millions of Pesos)	
Not later than one year	1,532	4,299
Later than one year but not later than five years	10,373	6,270
More than five years	761	634
	12,666	11,203
Unearned finance income	(1,395)	(1,321)
	11,271	9,882

There are no contingent rents arising from lease contracts outstanding at December 31, 2019 and 2018.

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2019	2018	2019	2018
Commercial loans				
Peso-denominated loans	5.00 - 5.95	4.11 - 5.52	5.24 - 5.88	3.98 - 5.44
Foreign currency-denominated loans	4.18 - 4.91	3.61 - 4.86	4.18 - 4.91	3.61 - 4.86
Real estate mortgages	7.30 - 7.74	6.61 - 6.97	0.10 - 4.26	7.04 - 8.00
Auto loans	8.31 - 10.69	7.46 - 10.93	-	-

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	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	278,099	220,587	138,607	97,170
Chattel mortgage	57,037	54,731	10	9
Others	148,385	172,503	146,038	168,260
	483,521	447,821	284,655	265,439
Unsecured loans	1,008,129	921,523	958,768	870,521
	1,491,650	1,369,344	1,243,423	1,135,960

Other collaterals include hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Note 11 - Bank Premises, Furniture, Fixtures and Equipment, net

The details of and movements in the account are summarized below:

Consolidated

		2019				
	Note	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
(In Millions of Pesos)						
Cost						
January 1, 2019, as previously reported		3,028	10,889	16,496	5,580	35,993
Impact of adoption of PFRS 16	20,29	-	9,051	-	-	9,051
January 1, 2019, as restated		3,028	19,940	16,496	5,580	45,044
Additions		-	2,607	1,326	1,570	5,503
Disposals		(9)	(224)	(707)	(1,019)	(1,959)
Transfers		-	(367)	(92)	-	(459)
December 31, 2019		3,019	21,956	17,023	6,131	48,129
Accumulated depreciation						
January 1, 2019		-	5,511	13,040	1,190	19,741
Depreciation and amortization		-	2,829	1,712	1,364	5,905
Disposals		-	(141)	(383)	(687)	(1,211)
Transfers		-	(20)	(12)	(22)	(54)
December 31, 2019		-	8,179	14,357	1,845	24,381
Net book value, December 31, 2019		3,019	13,777	2,666	4,286	23,748

(13)

(14)

	2018				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
	(In Millions of Pesos)				
Cost					
January 1, 2018	3,023	9,591	15,278	5,502	33,394
Additions	-	1,443	2,052	1,875	5,370
Disposals	(1)	(145)	(840)	(1,765)	(2,751)
Transfers	6	-	6	(32)	(20)
December 31, 2018	3,028	10,889	16,496	5,580	35,993
Accumulated depreciation					
January 1, 2018	-	4,849	11,749	1,739	18,337
Depreciation and amortization	-	755	1,831	1,269	3,855
Disposals	-	(93)	(541)	(1,800)	(2,434)
Transfers	-	-	1	(18)	(17)
December 31, 2018	-	5,511	13,040	1,190	19,741
Net book value, December 31, 2018	3,028	5,378	3,456	4,390	16,252

Parent

	Note	2019			
		Land	Buildings and leasehold improvements	Furniture and equipment	Total
		(In Millions of Pesos)			
Cost					
January 1, 2019, as previously reported		2,677	9,615	14,708	27,000
Impact of adoption of PFRS 16	20,29	-	7,900	-	7,900
January 1, 2019, as restated		2,677	17,515	14,708	34,900
Additions		-	1,767	1,036	2,803
Disposals		(9)	(223)	(567)	(799)
Transfers		-	(103)	-	(103)
December 31, 2019		2,668	18,956	15,177	36,801
Accumulated depreciation					
January 1, 2019		-	5,040	11,814	16,854
Depreciation and amortization		-	2,352	1,484	3,836
Disposals		-	(141)	(324)	(465)
Transfers		-	(19)	-	(19)
December 31, 2019		-	7,232	12,974	20,206
Net book value, December 31, 2019		2,668	11,724	2,203	16,595

(15)

	2018			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2018	2,661	8,582	13,850	25,093
Additions	(1)	1,178	1,590	2,767
Disposals	-	(145)	(732)	(877)
Transfers	17	-	-	17
December 31, 2018	2,677	9,615	14,708	27,000
Accumulated depreciation				
January 1, 2018	-	4,492	10,696	15,188
Depreciation and amortization	-	642	1,634	2,276
Disposals	-	(94)	(516)	(610)
December 31, 2018	-	5,040	11,814	16,854
Net book value, December 31, 2018	2,677	4,575	2,894	10,146

Depreciation and amortization charges are included in “Occupancy and equipment-related expenses” category in the statements of income.

In 2019, the Parent Bank realized a gain of P855 million (2018 - P969 million) (Note 19) from disposal of certain properties.

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.

(16)

Note 12 - Investments in Subsidiaries and Associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	6,746	5,659	-	-
Investments at cost method	-	-	10,031	9,942
	6,746	5,659	10,031	9,942

Investments in associates accounted for using the equity method in the consolidated statements of condition are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Acquisition cost	
		2019	2018	2019	2018
		(In Millions of Pesos)			
		(in %)			
BPI-Philamlife Assurance Corporation (BPLAC)	Philippines	47.96	47.67	389	371
AF Payments, Inc. (AFPI)	Philippines	20.00	20.00	820	750
National Reinsurance Corporation of the Philippines*	Philippines	13.69	13.69	204	204
Beacon Property Ventures, Inc.	Philippines	20.00	20.00	72	72
CityTrust Realty Corporation	Philippines	40.00	40.00	2	2
Global Payments Asia-Pacific Philippines, Incorporated	Philippines	49.00	49.00	1,342	1,342
				2,829	2,741

*The Parent Bank has a significant influence due to its representation in the governing body of National Reinsurance Corporation of the Philippines

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2019	2018
	(In Millions of Pesos)	
Acquisition cost		
At January 1	2,741	2,681
Additions during the year	88	60
At December 31	2,829	2,741
Accumulated equity in net income		
At January 1	3,264	3,239
Share in net income for the year	372	700
Dividends received	(629)	(675)
At December 31	3,007	3,264
Accumulated share in other comprehensive income (loss)		
At January 1	(206)	466
Share in other comprehensive income (loss) for the year	1,256	(672)
At December 31	1,050	(206)
Allowance for impairment	(140)	(140)
	6,746	5,659

(17)

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 has been aggregated as follows:

	2019	2018
	(In Millions of Pesos)	
Total assets	132,126	122,616
Total liabilities	113,282	105,960
Total revenues	25,911	18,618
Total net income	2,007	1,425

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	
	2019	2018	2019	2018	2019	2018
	(In Millions of Pesos)					
Subsidiaries						
BPI Europe Plc.	1,910	1,910	-	-	1,910	1,910
BPI Asset Management and Trust Corporation (BPI AMTC)	1,502	1,502	-	-	1,502	1,502
BPI Direct BanKo, Inc., A Savings Bank	1,009	1,009	-	-	1,009	1,009
Ayala Plans, Inc. (API)	864	863	-	-	864	863
BPI Capital Corporation	623	623	-	-	623	623
BPI Payments Holdings Inc.	573	503	(299)	(299)	274	204
BPI Century Tokyo Lease and Finance Corporation	329	329	-	-	329	329
FGU Insurance Corporation	303	303	-	-	303	303
BPI Forex Corp.	195	195	-	-	195	195
BPI Express Remittance Corp. USA	191	191	-	-	191	191
BPI Family Savings Bank, Inc.	150	150	-	-	150	150
BPI Remittance Centre (HK) Ltd. (BERC HK)	132	132	-	-	132	132
First Far-East Development Corporation	91	91	-	-	91	91
Green Enterprises S.R.L. in Liquidation	54	54	-	-	54	54
FEB Stock Brokers, Inc.	25	25	-	-	25	25
BPI Computer Systems Corp.	23	23	-	-	23	23
BPI Express Remittance Spain S.A	26	26	-	-	26	26
Others	321	321	-	-	321	321
Associates	2,009	1,991	-	-	2,009	1,991
	10,330	10,241	(299)	(299)	10,031	9,942

No non-controlling interest arising from investments in subsidiaries is deemed material to the BPI Group.

In 2019, the Parent Bank made an additional capital infusion to BPHI amounting to P70 million (2018 - P60 million). Likewise, the Parent Bank in 2018, recognized impairment loss of P299 million on its investment in BPHI due financial losses incurred by BPHI's associate, AFPI, as disclosed above.

On November 21, 2018, BPI International Finance Limited (included in "Others" subsidiaries in the table above) distributed its shares in BERC HK valued at P132 million as a property dividend to the Parent Bank. BERC HK became an immediate subsidiary of the Parent Bank following the property dividend declaration.

On October 17, 2018, the Parent Bank made additional investment to BPI AMTC via transfer of contractual customer relationships (included in "Intangible assets" in Note 14) valued at P902 million.

(18)

Note 13 - Deferred Income Taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	8,345	7,833	5,644	5,329
Pension liability	1,129	661	897	454
Provisions	394	329	313	248
Others	354	225	263	195
Total deferred income tax assets	10,222	9,048	7,117	6,226
Deferred income tax liabilities				
Unrealized gain on property appraisal	(483)	(491)	(483)	(491)
Others	(33)	(21)	19	(12)
Total deferred income tax liabilities	(516)	(512)	(464)	(503)
Deferred income tax assets, net	9,706	8,536	6,653	5,723

Movements in net deferred income tax assets are summarized as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
At January 1	8,536	8,091	5,723	5,180
Amounts recognized in statements of income	685	734	583	776
Amounts recognized in other comprehensive income	485	(289)	347	(233)
At December 31	9,706	8,536	6,653	5,723

Details of deferred income tax items recognized in the statements of income are as follows:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
	(In Millions of Pesos)					
Allowance for impairment	(946)	(547)	(443)	(718)	(593)	(563)
Provisions	-	(1)	(27)	-	6	(9)
Pension	18	68	174	9	9	(65)
NOLCO	83	129	(66)	-	-	-
Others	160	(383)	(100)	126	(198)	175
	(685)	(734)	(462)	(583)	(776)	(462)

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.

(19)

Note 14 - Other Assets, net

The account at December 31 consists of the following:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Intangible assets	2,797	3,070	2,435	2,416
Accounts receivable	2,358	2,761	2,218	2,509
Residual value of equipment for lease	2,781	2,601	-	-
Sundry debits	1,663	3,392	1,518	3,292
Prepaid expenses	944	1,343	578	1,007
Accrued trust and other fees	747	540	338	131
Rental deposits	734	671	623	573
Creditable withholding tax	503	408	107	79
Investment properties	156	129	143	118
Miscellaneous assets	3,239	8,108	2,260	6,853
	15,922	23,023	10,220	16,978
Allowance for impairment	(515)	(824)	(310)	(665)
	15,407	22,199	9,910	16,313

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within seven days.

Miscellaneous assets include prepaid expenses, postage stamps, stationery and supplies.

The allowance for impairment as at December 31, 2019 and 2018 mainly pertains to accounts receivable. The reconciliation of the allowance for impairment at December 31 is summarized as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
At January 1	825	848	665	701
Provision for (reversal of) impairment losses	54	89	5	(69)
Transfer/reallocation	(38)	(34)	(36)	110
Write-off	(326)	(79)	(324)	(77)
At December 31	515	824	310	665

(20)

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
		(in millions of pesos)		
Current (within 12 months)	10,089	17,143	7,632	14,434
Non-current (over 12 months)	5,833	5,880	2,588	2,544
	15,922	23,023	10,220	16,978

Note 15 - Deposit Liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2019	2018	2019	2018
		(In Millions of Pesos)		
Demand	272,020	256,279	262,149	245,620
Savings	899,181	883,650	795,936	778,246
Time	524,142	445,817	398,373	323,341
	1,695,343	1,585,746	1,456,458	1,347,207

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
		(in millions of pesos)		
Current (within 12 months)	796,447	602,031	711,910	534,119
Non-current (over 12 months)	898,896	983,715	744,548	813,088
	1,695,343	1,585,746	1,456,458	1,347,207

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		
	2019	2018	2017	2019	2018	2017
		(In Millions of Pesos)				
Demand	628	687	616	574	630	557
Savings	6,738	7,384	6,723	5,541	6,061	5,489
Time	21,508	13,184	9,321	15,361	8,954	5,367
	28,874	21,255	16,660	21,476	15,645	11,413

BSP reserve requirement

The Parent Bank and its bank and non-bank subsidiaries with quasi-banking functions should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency.

In 2018, the reserve ratio decreased to 18% from 20% following the BSP’s decision to reduce the requirements. In 2019, the BSP approved further reductions in reserves which brought the requirement down to 14% effective December 6, 2019 by virtue of BSP Circular 1063. Further, the BSP requires a 4% reserve requirement for LTNCDs.

Reserves must be set aside in deposits with the BSP. As at December 31, 2019, the reserves (included in Due from BSP) amounted to P178,591 million (2018 - P214,196 million) for the BPI Group and P169,303 million (2018 - P195,883 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2019 and 2018.

Note 16 - Bills Payable and Other Borrowed Funds

The account at December 31 consists of:

	Consolidated		Parent	
	2019	2018	2019	2018
		(In Millions of Pesos)		
Bills payable				
Local banks	34,364	58,810	21,810	46,761
Foreign banks	31,417	51,813	29,255	47,841
Other borrowed funds	85,056	56,278	75,464	56,278
	150,837	166,901	126,529	150,880

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. Loans and advances arising from these financing programs serve as collateral for this liability (Note 10). The average payment term of these bills payable is 0.90 years (2018 - 0.39 years).

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2019	2018	2019	2018
Private firms and local banks - Peso-denominated	2.20 - 6.67	2.75 - 7.35	2.25 - 6.25	2.75 - 5.06
Foreign banks - Foreign currency-denominated	0.63 - 4.20	1.32 - 4.20	1.45 - 3.66	1.32 - 3.26

Other borrowed funds

This represents funds raised via debt issuance programs as follows:

a) Peso Bond and Commercial Paper Program

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million, out of which a total of P25,000 million notes were issued with a coupon of 6.7970% per annum, payable quarterly to mature on March 6, 2020. Last 20 November 2019, BPI's Board of Directors approved the issuance of peso-denominated bonds and commercial papers of up to Php 100Bn, in one or more tranches, under an updated Bank Bond Issuance Program.

Likewise, on October 31, 2019, the BOD of BPI Family Savings Bank, Inc. (BPI Family), a subsidiary, approved the establishment of a Peso Bond Program in the aggregate amount of P35,000 million. In line with the said program, on December 16, 2019, BPI Family issued P9,600 million with a coupon of 4.30% per annum, payable quarterly to mature on June 16, 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 US\$2,000 million with drawdowns as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Amount (In Millions of Pesos)
US\$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000
US\$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.5%	September 10, 2024	15,572
CHF 100 million, 2-year senior unsecured Green Bonds	September 24, 2019	-	September 24, 2021	5,250

The CHF-denominated bonds are designated as hedged items in a cash flow hedge initiated by the Parent Bank in 2019. See Note 7 for the related disclosures.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			Parent	
	2019	2018		2018	2017
			(In Millions of Pesos)		
Bills payable	3,549	2,517	1,150	2,834	2,013
Other borrowed funds	3,215	575	-	3,197	575
	6,764	3,092	1,150	6,031	2,588

The movements in bills payable and other borrowed funds are summarized as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
				(In Millions of Pesos)
At January 1	166,901	83,517	150,880	70,722
Additions	374,332	706,779	291,585	651,065
Maturities	(387,343)	(623,196)	(313,027)	(570,594)
Amortization of discount	(17)	121	(19)	120
Exchange differences	(3,036)	(320)	(2,890)	(433)
At December 31	150,837	166,901	126,529	150,880

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
				(In Millions of Pesos)
Current (within 12 months)	48,291	99,381	35,948	84,086
Non-current (over 12 months)	102,546	67,520	90,581	66,794
	150,837	166,901	126,529	150,880

Note 17 - Deferred Credits and Other Liabilities

The account at December 31 consists of the following:

		Consolidated		Parent	
	Notes	2019	2018	2019	2018
			(In Millions of Pesos)		
Bills purchased - contra		15,301	12,872	15,299	12,862
Lease liabilities	20,29	7,856	-	6,739	-
Accounts payable		4,738	8,096	3,078	5,635
Outstanding acceptances		3,855	2,394	3,855	2,394
Deposits on lease contracts		2,639	2,438	-	-
Other deferred credits		1,576	810	323	67
Withholding tax payable		1,062	674	892	514
Due to the Treasurer of the Philippines		947	650	827	575
Vouchers payable		51	-	51	-
Dividends payable		-	4,053	-	4,052
Miscellaneous liabilities		9,743	11,133	7,875	9,694
		47,768	43,120	38,939	35,793

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.

Miscellaneous liabilities include pension liability, insurance, 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	
	2019	2018	2019	2018
				(In Millions of Pesos)
Current (within 12 months)	36,818	41,343	36,455	34,753
Non-current (over 12 months)	10,950	1,777	2,484	1,040
	47,768	43,120	38,939	35,793

Note 18 - Capital Funds

a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2019	2018	2017
			(In Millions of Pesos, except par value per share)
Authorized capital (at P10 par value per share)			
Common shares	49,000	49,000	49,000
Preferred A shares	600	600	600
	49,600	49,600	49,600

Details of outstanding common shares are as follows:

	2019	2018	2017
	(In Number of Shares)		
Issued common shares			
At January 1	4,502,449,501	3,939,412,661	3,937,043,603
Issuance of shares during the year	4,622,143	563,036,840	2,369,058
At December 31	4,507,071,644	4,502,449,501	3,939,412,661
Subscribed common shares	7,163,739	6,341,738	5,785,721

The BPI common shares are listed and traded in the PSE since October 12, 1971.

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 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, 2019, 2018 and 2017, the Parent Bank has 12,396, 12,588, and 11,488 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2019, 2018 and 2017.

b) Reserves

The account consists of:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
	(In Millions of Pesos)					
General loan loss provision	4,739	3,867	-	4,739	3,867	-
Reserve for trust business	199	90	90	-	-	-
Executive stock option plan amortization	136	105	130	119	76	108
Reserve for self-insurance	34	34	34	34	34	34
	5,108	4,096	254	4,892	3,977	142

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 provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. Accordingly, the BPI Group appropriated P4,739 million at December 31, 2019 (2018 - P3,867 million) representing the excess of GLLP over PFRS 9 loan loss provision out of surplus earnings to meet the requirement of the BSP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI AMTC’s income from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business reaches 20% of the authorized capital of BPI AMTC.

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.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and Executive Stock Purchase Plan (ESPP) to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
December 11, 2019	4,035,000	9,100,000
December 11, 2018	4,168,000	11,500,000
December 13, 2017	3,560,000	7,500,000
December 14, 2016	3,560,000	4,500,000
December 18, 2015	3,575,000	8,000,000

The ESOP has a three-year vesting period from grant date while the ESPP has a five-year payment period.

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 P6.50 and P17.41 for the years ended December 31, 2018 and 2017 respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2019	2018	2017
At January 1	11,773,334	11,338,333	9,100,000
Granted	4,000,000	3,480,000	3,485,000
Exercised	(1,116,666)	(2,786,665)	(746,667)
Cancelled	(691,667)	(258,334)	(500,000)
At December 31	13,965,001	11,773,334	11,338,333
Exercisable	6,733,334	5,120,000	6,745,000

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 ESPP is equivalent to 15% below the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The subscription dates for ESPP were on February 4, 2020, January 7, 2019 and February 15, 2017.

c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
	(In Millions of Pesos)					
Fair value reserve on available-for-sale securities						
At January 1	-	(3,125)	(3,838)	-	(3,275)	(3,724)
Effect of PFRS 9 adoption	-	3,125	-	-	3,275	-
Unrealized fair value loss before tax	-	-	264	-	-	23
Amount recycled to profit or loss	-	-	447	-	-	424
Deferred income tax effect	-	-	2	-	-	2
At December 31	-	-	(3,125)	-	-	(3,275)
Fair value reserve on financial assets at FVOCI						
At January 1	(33)	-	-	69	-	-
Unrealized fair value loss before tax	(424)	(364)	-	(94)	(12)	-
Amount recycled to profit or loss	387	(390)	-	(32)	(128)	-
Effect of PFRS 9 adoption	-	757	-	-	210	-
Deferred income tax effect	(14)	(36)	-	(4)	(1)	-
At December 31	(84)	(33)	-	(61)	69	-
Share in other comprehensive income (loss) of insurance subsidiaries						
At January 1	(36)	45	(158)	-	-	-
Share in other comprehensive income (loss) for the year, before tax	389	(316)	175	-	-	-
Effect of PFRS 9 adoption	(229)	229	-	-	-	-
Deferred income tax effect	(6)	6	28	-	-	-
At December 31	118	(36)	45	-	-	-
Share in other comprehensive income (loss) of associates						
At January 1	(206)	479	1,259	-	-	-
Share in other comprehensive income (loss) for the year	1,254	(685)	(780)	-	-	-
At December 31	1,048	(206)	479	-	-	-
Translation adjustment on foreign operations						
At January 1	(704)	(678)	(804)	-	-	-
Translation differences and others	(202)	(26)	126	(124)	-	-
At December 31	(906)	(704)	(678)	(124)	-	-
Remeasurements of defined benefit obligation, net						
At January 1	(1,197)	(1,809)	(1,537)	(990)	(1,421)	(1,083)
Actuarial (losses) gains for the year	(1,851)	877	(387)	(1,508)	616	(358)
Deferred income tax effect	433	(265)	115	367	(185)	20
At December 31	(2,615)	(1,197)	(1,809)	(2,131)	(990)	(1,421)
	(2,439)	(2,176)	(5,088)	(2,316)	(921)	(4,696)

(27)

d) Dividend declarations

Cash dividends declared by the BOD of the Parent Bank are as follows:

Date declared	Amount of dividends	
	Per share	Total (In Millions of Pesos)
<i>For the year ended December 31, 2019</i>		
May 15, 2019	0.90	4,056
November 20, 2019	0.90	4,057
		8,113
<i>For the year ended December 31, 2018</i>		
June 20, 2018	0.90	4,052
December 19, 2018	0.90	4,052
		8,104
<i>For the year ended December 31, 2017</i>		
June 15, 2017	0.90	3,545
December 15, 2017	0.90	3,546
		7,091

e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank	28,803	23,078	22,416	26,218	15,428	22,097
b) Weighted average number of common shares outstanding during the year	4,507	4,316	3,939	4,507	4,316	3,939
c) Basic EPS (a/b)	6.39	5.35	5.69	5.82	3.57	5.61

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.

Note 19 - Other Operating Income

Details of other operating income are as follows:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
	(In Millions of Pesos)					
Credit card income	3,525	3,197	2,953	3,423	3,126	2,894
Trust and asset management fees	2,868	2,818	3,516	4	-	190
Rental income	2,047	1,898	1,672	267	254	219
Gain on sale of assets	1,165	1,243	1,204	898	658	302
Dividend income	77	76	68	3,794	904	9,492
Miscellaneous income	2,310	1,155	1,380	2,101	977	1,074
	11,992	10,387	10,793	10,487	5,919	14,171

Dividend income recognized by the Parent Bank substantially pertains to dividend distributions of subsidiaries.

Miscellaneous income includes recoveries on charged-off assets and fees arising from service arrangements with customers and related parties.

(28)

Note 20 - Leases

The BPI Group (as lessee) has various lease agreements which mainly pertain to branch premises and equipment that are renewable under certain terms and conditions. Rental contracts are typically made for fixed periods of 4 to 6 years. The balances arising from these leases are presented below:

a) Right-of-use assets and lease liabilities (PFRS 16)

On January 1, 2019, the BPI Group adopted PFRS 16, *Leases* which requires recognition of both right-of-use assets and lease liability arising from long-term leases. The impact of initial adoption of PFRS 16 are summarized in Note 29.

Details of right-of-use assets and lease liabilities at December 31, 2019 are as follows:

	Note	Consolidated	Parent
		(In Millions of Pesos)	
<i>Right-of-use assets</i>	11		
Buildings and leasehold improvements		7,787	6,733
<i>Lease liabilities (included in "Deferred credits and other liabilities")</i>	17		
Current		1,485	1,251
Non-current		6,371	5,488
		7,856	6,739

Additions to the right-of-use assets (Note 11) in 2019 aggregated P669 million and P442 million for BPI Group and BPI Parent, respectively. Total cash outflow for leases in 2019 amounted to P1,869 million and P1,466 million for BPI Group and BPI Parent, respectively.

Amounts recognized in the statement of income relating to leases:

	Note	Consolidated	Parent
		(In Millions of Pesos)	
<i>Depreciation expense</i>	11		
Buildings and leasehold improvements		1,933	1,609
Interest expense (included in "Interest expense")		398	315
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		228	203
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		55	43
		2,614	2,170

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).

(29)

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 6.6% to 6.9%. The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

b) Operating leases (PAS 17)

Prior to January 1, 2019, the BPI Group's lease contracts were accounted for as operating leases following the provisions of PAS 17. The rentals pertaining to branch premises (included in Occupancy and equipment-related expenses) under these lease contracts were as follows:

	Consolidated	Parent
	(In Millions of Pesos)	
2018	1,809	1,503
2017	1,495	1,211

The future minimum lease payments under non-cancellable operating leases of the BPI Group as of December 31, 2018 are as follows:

	Amount
No later than 1 year	107
Later than 1 year but no later than 5 years	214
More than 5 years	57
	378

Note 21 - Operating Expenses

Details of compensation and fringe benefits expenses are as follows:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
			(In Millions of Pesos)			
Salaries and wages	14,613	12,624	11,642	11,231	9,702	8,891
Retirement expense (Note 23)	631	755	720	536	608	574
Other employee benefit expenses	2,243	1,936	1,535	1,712	1,524	1,226
	17,487	15,315	13,897	13,479	11,834	10,691

Details of other operating expenses are as follows:

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
			(In Millions of Pesos)			
Insurance	4,162	4,105	3,940	2,861	2,789	2,448
Advertising	1,492	1,310	1,215	1,316	1,123	1,002
Travel and communication	1,203	1,002	902	974	825	748
Management and other professional fees	506	606	501	388	626	419
Supervision and examination fees	653	587	542	506	441	401
Litigation expenses	558	526	598	308	255	348
Taxes and licenses	492	791	714	657	539	491
Office supplies	480	592	328	389	490	267
Amortization expense	311	293	296	30	11	289
Shared expenses	-	-	-	39	26	16
Others	6,610	5,329	4,256	4,590	4,132	3,197
	16,467	15,141	13,292	12,058	11,257	9,626

(30)

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.

Note 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					
	2019		2018		2017	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	11,531	30.00	9,000	30.00	8,608	30.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	(1,553)	(4.04)	(517)	(1.72)	(696)	(2.42)
Tax-exempt income	(2,926)	(7.61)	(1,582)	(5.27)	(4,350)	(15.16)
Others, net	2,300	5.98	(231)	(0.77)	2,394	8.34
Effective income tax	9,352	24.33	6,670	22.24	5,956	20.76

	Parent					
	2019		2018		2017	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	10,327	30.00	6,134	30.00	7,765	30.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	(1,445)	(4.20)	(519)	(2.54)	(606)	(2.34)
Tax-exempt income	(1,637)	(4.76)	(495)	(2.42)	(2,907)	(11.23)
Others, net	960	2.79	(103)	(0.50)	(466)	(1.80)
Effective income tax	8,205	23.83	5,017	24.54	3,786	14.63

Note 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)

BPI has a unified plan which covers all subsidiaries except insurance entities. Under this plan, the normal retirement age is 60 years. 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. 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 determined on the same basis as in voluntary retirement.

The net defined benefit cost and contributions to be paid by the entities within the BPI Group are determined by an independent actuary.

(31)

Non-life insurance subsidiary

BPI/MS has a separate trustee 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.

Following are the amounts recognized based on recent actuarial valuations:

(a) Pension liability as at December 31 recognized in the statements of condition

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Present value of defined benefit obligation	14,892	10,892	12,545	9,171
Fair value of plan assets	(12,172)	(9,851)	(10,130)	(8,195)
Pension liability recognized in the statements of condition	2,720	1,041	2,415	976
Effect of asset ceiling	46	-	-	-
	2,766	1,041	2,415	976

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	
	2019	2018	2019	2018
	(In Millions of Pesos)			
At January 1	9,851	10,710	8,195	9,003
Contributions	861	781	715	627
Interest income	648	616	535	513
Benefit payments	(1,187)	(1,206)	(985)	(1,072)
Remeasurement - return on plan assets	1,999	(1,050)	1,665	(876)
Transfer to defined contribution plan	-	-	5	-
At December 31	12,172	9,851	10,130	8,195

The carrying values of the plan assets represent their fair value as at December 31, 2019 and 2018.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Debt securities	3,773	3,054	3,140	2,540
Equity securities	5,721	4,630	4,761	3,852
Others	2,678	2,167	2,229	1,803
	12,172	9,851	10,130	8,195

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P421 million at December 31, 2019 (2018 - P451 million). An officer of the Parent Bank exercises the voting rights over the plan's investment in BPI's common shares.

(32)

The movements in the present value of defined benefit obligation are summarized as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
		(In Millions of Pesos)		
At January 1	10,892	12,718	9,171	10,508
Interest cost	944	712	795	582
Current service cost	545	659	456	539
Remeasurement - change in assumptions and experience adjustment	3,698	(1,991)	3,096	(1,386)
Benefit payments	(1,187)	(1,206)	(985)	(1,072)
Transfers to defined contribution plan	-	-	12	-
At December 31	14,892	10,892	12,545	9,171

The BPI Group has no other transactions with the plan other than the regular funding contributions.

(b) Expense recognized in the statements of income

	Consolidated			Parent		
	2019	2018	2017	2019	2018	2017
		(In Millions of Pesos)				
Current service cost	545	659	619	456	539	507
Net interest cost	86	96	82	80	69	56
Settlement loss	-	-	9	-	-	9
Past service cost	-	-	(5)	-	-	(5)
	631	755	705	536	608	567

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
Discount rate	5.57%	8.66%	5.57%	8.66%
Future salary increases	5.00%	5.00%	5.00%	5.00%

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.

(33)

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, 2019 for the BPI Group and the Parent Bank amount to P1,001 million and P836 million, (2018 - P659 million and P539 million, respectively) respectively. The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2019 is 9.65 years (2018 - 8 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
		(In Millions of Pesos)		
Up to one year	1,135	1,310	873	1,076
More than 1 year to 5 years	3,967	3,632	3,470	3,036
More than 5 years to 10 years	8,200	7,437	6,923	6,388
More than 10 years to 15 years	11,617	11,116	9,765	9,310
More than 15 years to 20 years	6,825	8,014	5,853	6,869
Over 20 years	25,238	27,103	19,527	21,193

The sensitivity of the defined benefit obligation as at December 31 to changes in the weighted principal assumptions follows:

Consolidated

2019

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.60%	Increase by 5.00%
Salary growth rate	1.0%	Increase by 10.40%	Decrease by 9.10%

2018

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 3.34%	Increase by 3.57%
Salary growth rate	1.0%	Increase by 7.59%	Decrease by 6.73%

Parent

2019

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.60%	Increase by 5.00%
Salary growth rate	1.0%	Increase by 10.30%	Decrease by 9.00%

2018

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 3.90%	Increase by 4.17%
Salary growth rate	1.0%	Increase by 8.86%	Decrease by 7.86%

(34)

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 statements of condition.

b) Defined contribution retirement plan

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.

Under the normal or late retirement, employees are entitled to a benefit equal to the total of the following amounts:

- The higher between (a) cumulative fund balance equivalent to 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code
- Employee contributions fund

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 Republic Act (“RA”) No. 7641.

Accordingly, the liability for the defined benefit minimum guarantee is actuarially calculated similar to the defined benefit plan.

The funding status of the defined contribution plan is shown below:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Fair value of plan assets	1,748	1,254	1,325	930
Present value of defined benefit obligation	(811)	(298)	(604)	(219)
	937	956	721	711
Effect of asset ceiling	945	956	721	711
	(8)	-	-	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
At January 1	298	239	219	172
Interest cost	27	15	20	10
Current service cost	59	48	40	31
Benefit payments	(56)	(20)	(41)	(18)
Remeasurement - change in assumptions and experience adjustment	483	16	366	24
At December 31	811	298	604	219

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
At January 1	1,254	916	930	707
Contribution paid by employer	237	183	163	139
Interest income	114	62	88	48
Benefit payments	(56)	(20)	(41)	(18)
Transfer to the plan	-	-	2	54
Remeasurement - return on plan assets	199	113	183	-
At December 31	1,748	1,254	1,325	930

Total retirement expense for the year ended December 31, 2019 under the defined contribution plan for the BPI Group and Parent Bank is P142 million (2018 - P43 million) and P98 million (2018 - P27 million). The components of plan assets of the defined contributions as at December 31, 2019 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Debt securities	663	966	506	716
Equity securities	962	213	730	214
Others	123	75	89	-
	1,748	1,254	1,325	930

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 20.83 years (2018 - 19 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, 2019 and 2018 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 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.

Note 24 - Asset Management Business

At December 31, 2019, the net asset value of trust and fund assets managed by the BPI Group through BPI AMTC amounts to P731 billion (2018 - P591 billion).

As required by the General Banking Act, BPI AMTC has deposited government securities with the BSP valued at P377 million (2018 - P349 million).

Note 25 - Related Party Transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and 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 Transaction Committee that vets and endorses all significant related party transactions, including those involving directors, officers, stockholders and their related interests (DOSRI), for which the latter shall require final Board approval. The Committee consists of three directors, majority of whom are independent directors including the Chairman, and two non-voting members from management, namely, the Chief Audit Executive and the Chief Compliance Officer.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

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			
2019			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	5	58	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.18% to 10.69% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(38)	350	
Ayala Group	27,306	59,885	
Other related parties	275	736	
	27,548	61,029	
Deposits from:			
Subsidiaries	1,024	9,746	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.22% to 0.27% Savings - 0.59% to 0.62% Time - 3.61% to 5.15%
Associates	1,486	1,903	
Ayala Group	(3,517)	13,287	
Key management personnel	694	1,238	
	(313)	26,174	
2018			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	(81)	53	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 3.87% to 8.25% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	190	387	
Ayala Group	5,026	32,579	
Other related parties	159	461	
	5,294	33,480	
Deposits from:			
Subsidiaries	373	8,722	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.22% to 0.31% Savings - 0.62% to 0.68% Time - 2.61% to 4.37%
Associates	38	417	
Ayala Group	12,263	16,804	
Key management personnel	162	543	
	12,836	26,486	

2017			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	59	134	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 1.37% to 7.64% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 4 days to 14 years. Additional information on DOSRI loans are discussed below.
Associates	152	197	
Ayala Group	(609)	27,553	
Key management personnel	-	-	
Other related parties	(592)	302	
	(990)	28,186	
Deposits from:			
Subsidiaries	1,111	8,349	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.23% to 0.25% Savings - 0.70% to 0.79% Time - 2.15% to 2.22%
Associates	(469)	379	
Ayala Group	(7,665)	4,541	
Key management personnel	(959)	381	
	(7,982)	13,650	
Parent			
2019			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	5	58	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 0.10% to 5.88% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(38)	350	
Ayala Group	27,306	59,885	
Other related parties	275	736	
	27,548	61,029	
Deposits from:			
Subsidiaries	1,083	9,715	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.21% to 0.26% Savings - 0.55% to 0.58% Time - 3.27% to 5.41%
Associates	1,473	1,887	
Ayala Group	(2,053)	12,921	
Key management personnel	642	1,105	
	1,145	25,628	

(39)

2018			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	(81)	53	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 3.87% to 8.25% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	190	387	
Ayala Group	5,026	32,579	
Key management personnel	-	-	
Other related parties	159	461	
	5,294	33,480	
Deposits from:			
Subsidiaries	388	8,631	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.21% to 0.30% Savings - 0.58% to 0.64% Time - 2.33 to 4.67%
Associates	55	414	
Ayala Group	10,446	14,974	
Key management personnel	103	463	
	10,992	24,482	
2017			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	59	134	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 1.37% to 7.64% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 4 days to 14 years. Additional information on DOSRI loans are discussed below.
Associates	152	197	
Ayala Group	(609)	27,553	
Key management personnel	-	-	
Other related parties	(592)	302	
	(990)	28,186	
Deposits from:			
Subsidiaries	1,098	8,243	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.21% to 0.24% Savings - 0.66% to 0.75% Time - 1.68% to 1.80%
Associates	(482)	359	
Ayala Group	(7,452)	4,528	
Key management personnel	(772)	360	
	(7,608)	13,490	

(40)

The aggregate amounts included in the determination of income before income tax (prior to elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated

	2019	2018	2017
	(In Millions of Pesos)		
Interest income			
Subsidiaries	99	84	39
Associates	21	14	-
Ayala Group	2,867	1,346	966
Other related parties	44	20	15
	3,031	1,464	1,020
Other income			
Subsidiaries	2,260	1,801	1,485
Associates	1,511	1,222	977
Ayala Group	580	203	247
	4,351	3,226	2,709
Interest expense			
Subsidiaries	99	84	38
Associates	3	2	1
Ayala Group	128	119	21
Key management personnel	9	3	1
	239	208	61
Other expenses			
Subsidiaries	2,148	1,698	1,371
Associates	22	51	34
Ayala Group	435	501	319
	2,605	2,250	1,724
Retirement benefits			
Key management personnel	51	47	44
Salaries, allowances and other short-term benefits			
Key management personnel	871	800	744
Directors' remuneration	121	93	87

(41)

Parent

	2019	2018	2017
	(In Millions of Pesos)		
Interest income			
Subsidiaries	-	1	3
Associates	21	14	-
Ayala Group	2,867	1,346	966
Other related parties	44	20	15
	2,932	1,381	984
Other income			
Subsidiaries	2,157	1,620	1,433
Associates	1,272	1,035	977
Ayala Group	372	137	155
	3,801	2,792	2,565
Interest expense			
Subsidiaries	99	84	34
Associates	3	2	1
Ayala Group	123	98	20
Key management personnel	5	3	1
	230	187	56
Other expenses			
Subsidiaries	28	145	27
Ayala Group	435	501	319
	463	646	346
Retirement benefits			
Key management personnel	44	40	37
Salaries, allowances and other short-term benefits			
Key management personnel	751	697	629
Directors' remuneration	92	77	73

Other income mainly consists of rental income and revenue from service arrangements with related parties.

Other expenses mainly consist of rental expenses and management fees.

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Outstanding DOSRI loans	10,026	8,248	10,024	8,248

As at December 31, 2019, allowance for credit losses amounting to P10 million (2018 - P40 million) have been recognized against receivables from related parties.

Note 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 enterprise. 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.

(42)

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 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.

The most important financial risks that the BPI Group manages are credit risk, liquidity risk and market risk.

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 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 relevant regulatory requirements and international benchmarks.

Credit risk may also arise due to substantial exposures to a particular counterparty which the BPI Group manages by adopting proper risk controls and diversification strategies to prevent undue risk concentrations from excessive exposures to particular counterparties, industries, countries or regions.

The most evident source of credit risk is loans and advances; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking, 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 Bank's credit risk. CPRM supports the senior management in coordination with various business lending and operations units in identifying, measuring and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risk. The BPI Group monitors its portfolio based on different segmentation to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be totally eliminated. However, said risk may be reduced by adopting proper risk control and diversification strategies to prevent undue risk concentrations from excessive exposures to particular counterparties, industries, countries or regions.

The BPI Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. 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 one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default of an obligor or counterparty, the loss severity given a default event and the exposure at default.

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. 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 the team that prepares the calculations, e.g., Risk Models Validation and Internal Auditors. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions.

Credit loss estimates are based on estimates of the probability of default (PD) and loss severity given a default. The probability of default is the likelihood that a borrower will default on its obligation; the loss given default (LGD) is the estimated loss on the loan 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 Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

Settlement risk arises in any situation where a payment in cash, securities, foreign exchange currencies, or equities is made in the expectation of a corresponding receipt in cash, securities, foreign exchange currencies, or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the BPI Group's market transactions on any single day. For certain securities, the introduction of the delivery versus payment facility in the local market has brought down settlement risk significantly.

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 risk is requiring security 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); 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 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 lending 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 into master netting arrangements with certain counterparties with which it undertakes a 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 probability of default of individual counterparties. The BPI Group uses its internal credit risk rating system, credit models or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are fed into 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 loan.

The BPI Group has adopted a credit classification system that aims to identify deteriorating 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 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) and SMEs 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; 14-scale rating system with ten (10) ‘pass’ rating grades for SME; and 26-scale rating system with thirteen (13) pass ratings for cross-border accounts mapped based on reputable external rating agency.

The BPI Group uses the following set of classifications:

Classifications	Large corporate	Cross-border	SME
Standard monitoring	AAA to B- or unrated and based on prescribed days past due (dpd) threshold	Investment grade (IG) or Non-IG with no SICR; or based on prescribed dpd threshold	AAA to B- or unrated and based on prescribed dpd threshold
Special monitoring	CCC to C or based on prescribed dpd threshold	Non-IG with SICR but assessed to be non-impaired; based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold
Default	Adversely classified accounts (ACA) or based on prescribed dpd threshold or Item in litigation (IL)	Default, with objective evidence of impairment; or based on prescribed dpd threshold	ACA or based on prescribed dpd threshold or IL

ii. Retail loans

The BPI Group uses automated 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 probability of default (PD).

Classifications	Credit cards	Personal, auto and housing	SEME*
Standard monitoring	Current to 29 dpd	Current to 30 dpd	Current to 7 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd	Not applicable
Default	90 dpd and up or IL	>90, IL, Loss	8 dpd and up

*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 reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of 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	Credit risk grade following S&P or its equivalent
Standard monitoring	IG (AAA to BBB-)
Special monitoring	Non-IG (BB+ to C)
Default	Default (D)

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

Credit risk exposures relating to on-balance sheet loans and advances are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
(In Millions of Pesos)				
Corporate and SME loans, net	1,204,950	1,122,610	1,167,582	1,074,782
Retail loans, net	270,386	232,286	64,194	51,174
	1,475,336	1,354,896	1,231,776	1,125,956

The carrying amount of loans and advances above also represents the BPI Group’s maximum exposure to credit risk.

Credit quality of loans and advances, net

The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

Consolidated

Corporate and SME loans

	2019				2018			
	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	1,091,916	28,701	-	1,120,617	1,034,673	23,243	-	1,057,916
Special monitoring	45,963	41,416	-	87,379	48,392	16,077	-	64,469
Default	-	-	13,091	13,091	-	-	13,564	13,564
Gross carrying amount	1,137,879	70,117	13,091	1,221,087	1,083,065	39,320	13,564	1,135,949
Loss allowance	(6,870)	(3,110)	(6,157)	(16,137)	(5,768)	(1,843)	(5,728)	(13,339)
Carrying amount	1,131,009	67,007	6,934	1,204,950	1,077,297	37,477	7,836	1,122,610

Retail loans

	2019				2018			
	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	251,736	10,638	-	262,374	217,645	8,531	-	226,176
Special monitoring	322	6,764	-	7,086	1,002	5,727	-	6,729
Default	-	-	10,763	10,763	-	-	8,944	8,944
Gross carrying amount	252,058	17,402	10,763	280,223	218,647	14,258	8,944	241,849
Loss allowance	(3,236)	(1,780)	(4,821)	(9,837)	(4,114)	(1,405)	(4,044)	(9,563)
Carrying amount	248,822	15,622	5,942	270,386	214,533	12,853	4,900	232,286

Parent

Corporate and SME loans

	2019				2018			
	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	1,064,720	25,034	-	1,089,754	995,540	22,727	-	1,018,267
Special monitoring	42,297	39,478	-	81,775	43,147	14,737	-	57,884
Default	-	-	9,824	9,824	-	-	9,772	9,772
Gross carrying amount	1,107,017	64,512	9,824	1,181,353	1,038,687	37,464	9,772	1,085,923
Loss allowance	(5,972)	(2,990)	(4,809)	(13,771)	(5,108)	(1,734)	(4,299)	(11,141)
Carrying amount	1,101,045	61,522	5,015	1,167,582	1,033,579	35,730	5,473	1,074,782

Retail loans

	2019				2018			
	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	59,732	4,277	-	64,009	51,886	338	-	52,224
Special monitoring	183	1,323	-	1,506	203	935	-	1,138
Default	-	-	3,513	3,513	-	-	2,638	2,638
Gross carrying amount	59,915	5,600	3,513	69,028	52,089	1,273	2,638	56,000
Loss allowance	(808)	(941)	(3,085)	(4,834)	(1,839)	(482)	(2,505)	(4,826)
Carrying amount	59,107	4,659	428	64,194	50,250	791	133	51,174

The tables below present the gross amount of “Stage 2” loans and advances by age category.

Consolidated

	2019			2018		
	Corporate and SME loans	Retail loans	Total	Corporate and SME loans	Retail loans	Total
	(In Millions of Pesos)			(In Millions of Pesos)		
Current	68,517	5,999	74,516	35,632	5,697	41,329
Past due up to 30 days	505	4,749	5,254	175	2,834	3,009
Past due 31 - 90 days	1,095	6,654	7,749	3,513	5,727	9,240
Past due 91 - 180 days	-	-	-	-	-	-
Over 180 days	-	-	-	-	-	-
	70,117	17,402	87,519	39,320	14,258	53,578

Parent

	2019			2018		
	Corporate and SME loans	Retail loans	Total	Corporate and SME loans	Retail loans	Total
	(In Millions of Pesos)			(In Millions of Pesos)		
Current	63,673	3,494	67,167	34,696	241	34,937
Past due up to 30 days	400	783	1,183	47	97	144
Past due 31 - 90 days	439	1,323	1,762	2,721	935	3,656
Past due 91 - 180 days	-	-	-	-	-	-
Over 180 days	-	-	-	-	-	-
	64,512	5,600	70,112	37,464	1,273	38,737

26.1.3.2 Treasury and other investment securities

Credit risk exposures arising from treasury and other investment securities are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Due from BSP	207,845	225,907	181,815	202,487
Due from other banks	22,356	12,477	18,356	8,615
Interbank loans receivable and SPAR	22,570	34,323	18,364	22,659
Financial assets at FVTPL	24,032	16,483	17,688	10,346
Financial assets at FVOCI	51,079	35,531	47,009	29,993
Investment securities at amortized cost	275,105	287,571	252,006	267,497
	602,987	612,292	535,238	541,597

(49)

Credit quality of treasury and other investment securities

Consolidated

	2019				2018			
	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	207,845	-	-	207,845	225,907	-	-	225,907
Due from other banks	22,356	-	-	22,356	12,480	-	-	12,480
Interbank loans receivable and SPAR	22,561	-	-	22,561	34,306	-	-	34,306
Financial assets at FVTPL	24,032	-	-	24,032	16,483	-	-	16,483
Financial assets at FVOCI	51,079	-	-	51,079	35,531	-	-	35,531
Investment securities at amortized cost	275,105	-	-	275,105	287,573	-	-	287,573
Default								
Interbank loans receivable and SPAR	-	-	49	49	-	-	67	67
Gross carrying amount	602,978	-	49	603,027	612,280	-	67	612,347
Loss allowance	-	-	(40)	(40)	(5)	-	(50)	(55)
Carrying amount	602,978	-	9	602,987	612,275	-	17	612,292

Parent

	2019				2018			
	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	181,815	-	-	181,815	202,487	-	-	202,487
Due from other banks	18,356	-	-	18,356	8,615	-	-	8,615
Interbank loans receivable and SPAR	18,355	-	-	18,355	22,642	-	-	22,642
Financial assets at FVTPL	17,688	-	-	17,688	10,346	-	-	10,346
Financial assets at FVOCI	47,009	-	-	47,009	29,993	-	-	29,993
Investment securities at amortized cost	252,006	-	-	252,006	267,499	-	-	267,499
Default								
Interbank loans receivable and SPAR	-	-	49	49	-	-	67	67
Gross carrying amount	535,229	-	49	535,278	541,582	-	67	541,649
Loss allowance	-	-	(40)	(40)	(2)	-	(50)	(52)
Carrying amount	535,229	-	9	535,238	541,580	-	17	541,597

(50)

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	
	2019	2018	2019	2018
		(In Millions of Pesos)		
Accounts receivable, net	1,509	1,916	1,785	1,315
Other accrued interest and fees receivable	264	671	209	573
Rental deposits	734	360	623	131
Sales contracts receivable, net	-	541	-	360
Others, net	84	2,179	150	2,047
	2,591	5,667	2,767	4,426

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

	2019				2018			
	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	389,148	3,608	-	392,756	232,257	74	-	232,331
Special monitoring	11,417	-	-	11,417	3,246	264	-	3,510
Default	-	-	411	411	-	-	63	63
Gross carrying amount	400,565	3,608	411	404,584	235,503	338	63	235,904
Loss allowance*	(506)	(104)	(40)	(650)	(710)	(30)	(13)	(753)
Carrying amount	400,059	3,504	371	403,934	234,793	308	50	235,151

*Included in “Miscellaneous liabilities” in Note 17

Parent

	2019				2018			
	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	382,750	3,374	-	386,124	229,849	69	-	229,918
Special monitoring	11,417	-	-	11,417	3,242	258	-	3,500
Default	-	-	408	408	-	-	63	63
Gross carrying amount	394,167	3,374	408	397,949	233,091	327	63	233,481
Loss allowance*	(488)	(92)	(39)	(619)	(682)	(28)	(13)	(723)
Carrying amount	393,679	3,282	369	397,330	232,409	299	50	232,758

*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

	2019			2018		
	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	13,091	6,157	6,934	13,564	5,728	7,836
Retail loans	10,763	4,821	5,942	8,944	4,044	4,900
Total credit-impaired assets	23,854	10,978	12,876	22,508	9,772	12,736
Fair value of collateral	11,662			12,611		

Parent

	2019			2018		
	Gross exposure	Impairment allowance	Carrying amount	Gross exposure	Impairment allowance	Carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	9,824	4,809	5,015	9,772	4,299	5,473
Retail loans	3,513	3,085	428	2,638	2,505	133
Total credit-impaired assets	13,337	7,894	5,443	12,410	6,804	5,606
Fair value of collateral	6,354			7,704		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances. As at December 31, 2019, the BPI Group’s foreclosed collaterals have carrying amount of P3,155 million (2018 - P3,363 million). The related foreclosed collaterals have aggregate fair value of P9,583 million (2018 - P9,859 million). 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 statements of condition.

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) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period and releases for financial instruments de-recognized in the period;
- Write-offs of allowances related to assets that were written off during the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period;
- 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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Corporate and SME loans				
Loss allowance, at January 1, 2019	5,768	1,843	5,728	13,339
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,072)	2,707	1,691	2,326
Transfer from Stage 2	6	(680)	291	(383)
Transfer from Stage 3	10	2	(177)	(165)
New financial assets originated	3,688	-	-	3,688
Financial assets derecognized during the period	(1,959)	(295)	(1,203)	(3,457)
Changes in assumptions and other movements in provision	1,521	(508)	70	1,083
	1,194	1,226	672	3,092
Write-offs and other movements	(92)	41	(243)	(294)
Loss allowance, at December 31, 2019	6,870	3,110	6,157	16,137
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Retail loans				
Loss allowance, at January 1, 2019	4,114	1,405	4,044	9,563
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,031)	1,418	2,456	2,843
Transfer from Stage 2	33	(716)	559	(124)
Transfer from Stage 3	3	33	(161)	(125)
New financial assets originated	1,070	-	-	1,070
Financial assets derecognized during the period	(308)	(115)	(339)	(762)
Changes in assumptions and other movements in provision	(613)	(190)	882	79
	(846)	430	3,397	2,981
Write-offs and other movements	(32)	(55)	(2,620)	(2,707)
Loss allowance, at December 31, 2019	3,236	1,780	4,821	9,837

(53)

Parent

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Corporate and SME loans				
Loss allowance, at January 1, 2019	5,108	1,734	4,299	11,141
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,846)	2,614	1,360	2,128
Transfer from Stage 2	3	(658)	251	(404)
Transfer from Stage 3	6	1	(88)	(81)
New financial assets originated	3,450	-	-	3,450
Financial assets derecognized during the period	(1,844)	(279)	(842)	(2,965)
Changes in assumptions and other movements in provision	1,205	(469)	23	759
	974	1,209	704	2,887
Write-offs and other movements	(110)	47	(194)	(257)
Loss allowance, at December 31, 2019	5,972	2,990	4,809	13,771
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Retail loans				
Loss allowance, at January 1, 2019	1,839	482	2,505	4,826
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(558)	877	1,749	2,068
Transfer from Stage 2	11	(286)	350	75
Transfer from Stage 3	-	1	(9)	(8)
New financial assets originated	217	-	-	217
Financial assets derecognized during the period	(36)	(41)	(205)	(282)
Changes in assumptions and other movements in provision	(667)	(41)	762	54
	(1,033)	510	2,647	2,124
Write-offs and other movements	2	(51)	(2,067)	(2,116)
Loss allowance, at December 31, 2019	808	941	3,085	4,834

Consolidated

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Corporate and SME loans				
Loss allowance, at January 1, 2018	6,905	1,136	4,372	12,413
Provision for credit losses for the year				
Transfers:				
Transfer in (out of) Stage 1	(1,344)	1,661	1,701	2,018
Transfer in (out of) Stage 2	161	(661)	161	(339)
Transfer in (out of) Stage 3	-	-	(3)	(3)
New financial assets originated	3,761	-	-	3,761
Financial assets derecognized during the period	(1,951)	(250)	(515)	(2,716)
Changes in assumptions and other movements in provision	(1,782)	(49)	331	(1,500)
	(1,155)	701	1,675	1,221
Write-offs and other movements	18	6	(319)	(295)
Loss allowance, at December 31, 2018	5,768	1,843	5,728	13,339

(54)

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	(In Millions of Pesos)			
Retail loans				
Loss allowance, at January 1, 2018	3,148	1,188	3,925	8,261
Provision for credit losses for the year				
Transfers:				
Transfer in (out of) Stage 1	(686)	983	1,866	2,163
Transfer in (out of) Stage 2	36	(509)	392	(81)
Transfer in (out of) Stage 3	18	42	(337)	(277)
New financial assets originated	861	-	-	861
Financial assets derecognized during the period	(145)	(95)	(661)	(901)
Changes in assumptions and other movements in provision	1,085	(210)	643	1,518
	1,169	211	1,903	3,283
Write-offs and other movements	(203)	6	(1,784)	(1,981)
Loss allowance, at December 31, 2018	4,114	1,405	4,044	9,563

Parent

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	(In Millions of Pesos)			
Corporate and SME loans				
Loss allowance, at January 1, 2018	6,332	1,029	3,128	10,489
Provision for credit losses for the year				
Transfers:				
Transfer in (out of) Stage 1	(1,053)	1,575	1,223	1,745
Transfer in (out of) Stage 2	133	(621)	104	(384)
Transfer in (out of) Stage 3	-	-	-	-
New financial assets originated	3,286	-	-	3,286
Financial assets derecognized during the period	(1,824)	(213)	(311)	(2,348)
Changes in assumptions and other movements in provision	(1,783)	(42)	388	(1,437)
	(1,241)	699	1,404	862
Write-offs and other movements	17	6	(233)	(210)
Loss allowance, at December 31, 2018	5,108	1,734	4,299	11,141

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	(In Millions of Pesos)			
Retail loans				
Loss allowance, at January 1, 2018	929	205	2,290	3,424
Provision for credit losses for the year				
Transfers:				
Transfer in (out of) Stage 1	(309)	413	1,255	1,359
Transfer in (out of) Stage 2	16	(119)	194	91
Transfer in (out of) Stage 3	1	1	(22)	(20)
New financial assets originated	137	-	-	137
Financial assets derecognized during the period	(41)	(20)	(496)	(557)
Changes in assumptions and other movements in provision	1,106	2	686	1,794
	910	277	1,617	2,804
Write-offs and other movements	-	-	(1,402)	(1,402)
Loss allowance, at December 31, 2018	1,839	482	2,505	4,826

Critical accounting estimate - 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).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- 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; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Forward-looking scenarios

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 best- and worst-case scenarios take into account certain adjustments that will lead to a more positive or negative economic outcome.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes is likewise considered, if material.

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, 2019

	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 (%)	6.3	6.6	6.6	7.2	0.0	4.2
Inflation rate (%)	3.0	3.1	2.7	2.4	11.0	5.9
BVAL 5Y (%)	4.5	4.7	4.0	4.3	11.2	10.3
US Treasury 5Y (%)	2.5	2.5	2.8	3.4	1.4	1.3
Exchange rate	52.300	54.874	51.550	52.856	56.970	62.653

At December 31, 2018

	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 (%)	7.0	6.4	7.3	7.3	4.1	(1.2)
Inflation rate (%)	4.1	3.2	3.5	2.7	6.1	8.8
PDST-R2 5Y (%)	7.0	6.7	6.7	6.4	8.1	10.7
US Treasury 5Y (%)	3.2	2.4	2.7	2.2	6.0	3.7
Exchange rate	54.638	57.796	53.620	52.812	55.829	66.661

Sensitivity analysis

The loan portfolios have different sensitivities to movements in macroeconomic variables, so the above three scenarios have varying impact on the expected credit losses of 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 by P554 million as at December 31, 2019 from the baseline scenario (2018 - P1,850 million).

Transfers between stages

Transfers from Stage 1 and Stage 2 are based on the assessment of significant increase in credit risk ('SICR') from initial recognition. The impact of moving from 12 months 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 would have decreased by P1,312 million as at December 31, 2019 (2018 - P1,436 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, 2019)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less - allowance	Total
(In Millions of Pesos)							
Due from BSP	207,845	-	-	-	-	-	207,845
Due from other banks	22,356	-	-	-	-	-	22,356
Interbank loans receivable and SPAR	22,610	-	-	-	-	(40)	22,570
Financial assets at FVTPL	6,620	27	1	6	17,378	-	24,032
Financial assets at FVOCI	5,034	-	-	258	45,787	-	51,079
Investment securities at amortized cost, net	58,564	1,258	4,595	3,189	207,499	-	275,105
Loans and advances, net	162,335	124,841	229,745	365,874	618,515	(25,974)	1,475,336
Other financial assets	-	-	-	-	3,423	(832)	2,591
At December 31, 2019	485,364	126,126	234,341	369,327	892,602	(26,846)	2,080,914

Consolidated (December 31, 2018)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less - allowance	Total
(In Millions of Pesos)							
Due from BSP	225,907	-	-	-	-	-	225,907
Due from other banks	12,480	-	-	-	-	(3)	12,477
Interbank loans receivable and SPAR	34,373	-	-	-	-	(50)	34,323
Financial assets at FVTPL	4,682	99	3	3	11,696	-	16,483
Financial assets at FVOCI	2,411	-	52	-	33,068	-	35,531
Investment securities at amortized cost, net	65,164	680	4,714	1,777	215,238	(2)	287,571
Loans and advances, net	85,441	110,627	226,604	317,595	637,531	(22,902)	1,354,896
Other financial assets	-	-	-	-	6,225	(558)	5,667
At December 31, 2018	430,458	111,406	231,373	319,375	903,758	(23,515)	1,972,855

Parent (December 31, 2019)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less - allowance	Total
(In Millions of Pesos)							
Due from BSP	181,815	-	-	-	-	-	181,815
Due from other banks	18,356	-	-	-	-	-	18,356
Interbank loans receivable and SPAR	18,404	-	-	-	-	(40)	18,364
Financial assets at FVTPL	3,041	110	56	-	14,481	-	17,688
Financial assets at FVOCI	4,714	-	-	258	42,037	-	47,009
Investment securities at amortized cost, net	56,942	585	4,595	3,189	186,695	-	252,006
Loans and advances, net	161,348	68,302	226,235	222,217	572,279	(18,605)	1,231,776
Other financial assets	-	-	-	-	3,076	(309)	2,767
At December 31, 2019	444,620	68,997	230,886	225,664	818,568	(18,954)	1,769,781

Parent (December 31, 2018)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less - allowance	Total
(In Millions of Pesos)							
Due from BSP	202,487	-	-	-	-	-	202,487
Due from other banks	8,615	-	-	-	-	-	8,615
Interbank loans receivable and SPAR	22,709	-	-	-	-	(50)	22,659
Financial assets at FVTPL	4,679	99	2	-	5,566	-	10,346
Financial assets at FVOCI	1,952	-	52	-	27,989	-	29,993
Investment securities at amortized cost, net	63,541	-	4,487	1,777	197,694	(2)	267,497
Loans and advances, net	83,098	57,991	219,927	182,685	598,222	(15,967)	1,125,956
Other financial assets	-	-	-	-	4,816	(390)	4,426
At December 31, 2018	387,081	58,090	224,468	184,462	834,287	(16,409)	1,671,979

(57)

(58)

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 is managed by the RMO guided by policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD.

Market risk management is incumbent on the BOD through the RMC. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, counterparty credit risk, interest rate risk of the banking book and liquidity risk. 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 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 the BPI Group’s market-making transactions. Non-trading portfolios primarily arise from the interest rate management of the BPI Group’s retail and commercial banking assets and liabilities.

The BPI Group has exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities. Most derivatives while used to hedge open exposures to mitigate price risk inherent in the BPI Group’s portfolios do not qualify as accounting hedges.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group’s market risk control system. This metric estimates, 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. In order 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 the management to assess the vulnerability of Bank’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 detrimental effect to the Bank’s positions. The Bank periodically performs stress testing (price risk and liquidity risk) to assess the Bank’s condition on assumed stress scenarios. Contingency plans are frequently reviewed to ensure the Bank’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	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Local fixed-income	92	33	91	25
Foreign fixed-income	127	168	120	154
Foreign exchange	45	44	10	9
Derivatives	127	95	127	95
Equity securities	30	28	-	-
Mutual fund	5	7	-	-
	426	375	348	283

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.

As at reporting date, the BPI Group is mainly exposed to movements of US Dollar (USD) against the Philippine Peso (Php). Volatilities caused by movement of USD against Php are regularly monitored in line with the limits established internally.

The table below summarizes the BPI Group’s exposure to foreign currency exchange rate risk at December 31.

Consolidated

	2019			2018		
	USD	Others*	Total	USD	Others*	Total
(In Millions of Pesos)						
Financial Assets						
Cash and other cash items	3,060	285	3,345	2,742	752	3,494
Due from other banks	16,126	1,583	17,709	6,749	2,620	9,369
Interbank loans receivable and SPAR	813	132	945	6,639	146	6,785
Financial assets at FVTPL	9,149	178	9,327	8,491	119	8,610
Financial assets at FVOCI - debt securities	16,977	-	16,977	25,385	172	25,557
Investment securities at amortized cost	127,442	1,414	128,856	127,260	1,507	128,767
Loans and advances, net	149,012	7,621	156,633	145,995	4,970	150,965
Others financial assets	13,746	1,697	15,443	1,230	106	1,336
Total financial assets	336,325	12,910	349,235	324,491	10,392	334,883
Financial Liabilities						
Deposit liabilities	228,362	6,130	234,492	241,547	6,692	248,239
Derivative financial liabilities	1,438	75	1,513	1,967	118	2,085
Bills payable	80,817	482	81,299	82,692	458	83,150
Due to BSP and other banks	942	-	942	1,250	-	1,250
Manager’s checks and demand drafts outstanding	316	10	326	87	61	148
Other financial liabilities	17,749	1,668	19,417			
Accounts payable	129	13	142	119	3	122
Total financial liabilities	329,753	8,378	338,131	327,662	7,332	334,994
Net on-balance sheet position	6,572	4,532	11,104	(3,171)	3,060	(111)

*Others category includes financial instruments denominated in JPY, EUR and GBP.

Parent

	2019			2018		
	USD	Others*	Total	USD	Others*	Total
(In Millions of Pesos)						
Financial Assets						
Cash and other cash items	2,858	284	3,142	2,552	751	3,303
Due from other banks	14,556	1,553	16,109	4,874	2,269	7,143
Interbank loans receivable and SPAR	-	-	-	5,260	-	5,260
Financial assets at FVTPL	6,807	78	6,885	5,144	119	5,263
Financial assets at FVOCI - debt securities	15,030	-	15,030	25,132	172	25,304
Investment securities at amortized cost	117,006	145	117,151	117,143	220	117,363
Loans and advances, net	147,803	7,148	154,951	144,486	4,787	149,273
Others financial assets	13,445	1,566	15,011	1,220	90	1,310
Total financial assets	317,505	10,774	328,279	305,811	8,408	314,219
Financial Liabilities						
Deposit liabilities	214,389	5,965	220,354	227,621	6,442	234,063
Derivative financial liabilities	1,438	75	1,513	1,967	115	2,082
Bills payable	77,749	-	77,749	79,178	-	79,178
Due to BSP and other banks	942	-	942	1,250	-	1,250
Manager's checks and demand drafts outstanding	314	10	324	81	61	142
Other financial liabilities	17,817	1,588	19,405	20,947	1,500	22,447
Accounts payable	121	12	133	117	2	119
Total financial liabilities	312,770	7,650	320,420	331,161	8,120	339,281
Net on-balance sheet position	4,735	3,124	7,859	(25,350)	288	(25,062)

*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.

Year	Change in currency	Effect on pre-tax income	
		Consolidated	Parent
		(In millions of Pesos)	
2019	+/- 1.24%	-/+ 81	-/+ 59
2018	+/- 1.92%	-/+ 71	-/+ 95

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 arises from the BPI Group’s core banking activities. The BPI Group is subject to re-pricing risk arising from financial assets and liabilities that have different maturities and are re-priced taking into account the prevailing market interest rates.

The BPI Group employs two methods to measure the potential impact of interest rate risk: (i) one that focuses on the economic value of the banking book, and (ii) one that focuses on net interest earnings. The RMC sets limits on the two interest rate risk metrics which are monitored monthly by the Market Risk Division of the RMO.

Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to the Bank's capital and earnings arising from the adverse movements in interest rates that affect its banking book positions. Excessive levels of interest rate risks in the banking book can pose a significant threat to the Bank's earnings and capital base. The Bank has established comprehensive risk management policies, procedures, risk limits structures and employs risk measurement models supported by a robust risk management system.

Interest rate exposures from core banking activities are measured using the following earnings-based and economic value-based models: (a) Earnings-at-Risk (EaR) measures the potential deterioration in net interest income over the next 12 months due to adverse movements in interest rates, and (b) Balance Sheet Value-at-Risk (BS VaR) measures the impact on the economic value of the future cash flows in the banking book due to changes in interest rates.

Earnings-at-Risk (EaR)

The EaR is built on repricing profile of the Bank and considers principal payments only. The Bank projects interest inflows from its financial assets and interest outflows from its financial liabilities in the next 12 months as earnings are affected when interest rate moved against the Bank’s position. As of December 31, 2019, the net interest income impact of movement in interest rates amounts to P2,424 million (2018 - P806 million) for the whole BPI Group and P1,986 million (2018 - P715 million) for the Parent Bank.

Balance Sheet Value-at-Risk (BSVaR)

The BS VaR 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 is the present value of the Bank’s expected net cash flows based on the current interest rates. As at December 31, the average BSVaR, computed on a monthly basis, for the banking book stood at P13,754 million (2018 - P15,507 million) for the whole BPI Group and P9,530 million (2018 - P13,483 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 ALCO and at the Board level through the Risk Management Committee (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 for a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the Bank's economic value and earnings. The design of the price and EaR stress tests include steepening and flattening yield curves, parallel up/down and short rate up/down shocks. The interest rate shocks applied is calibrated for all major currencies in which the Bank has significant positions. 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 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, 2019)

	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, 2019					
Financial Assets					
Cash and other cash items	-	-	-	47,256	47,256
Due from BSP	-	-	-	207,845	207,845
Due from other banks	-	-	-	22,356	22,356
Interbank loans receivable and SPAR	-	-	-	22,570	22,570
Financial assets at FVTPL	334	472	1,050	22,176	24,032
Financial assets at FVOCI	-	-	-	51,079	51,079
Investment securities at amortized cost	-	-	-	275,105	275,105
Loans and advances, net	890,934	136,779	311,924	135,699	1,475,336
Other financial assets	-	-	-	2,591	2,591
Total financial assets	891,268	137,251	312,974	786,677	2,128,170
Financial Liabilities					
Deposit liabilities	796,447	359,265	539,631	-	1,695,343
Derivative financial liabilities	81	397	936	1,463	2,877
Bills payable and other borrowed funds	-	15,415	-	135,422	150,837
Due to BSP and other banks	-	-	-	1,288	1,288
Manager's checks and demand drafts outstanding	-	-	-	8,299	8,299
Other financial liabilities	-	-	-	9,392	9,392
Total financial liabilities	796,528	375,077	540,567	155,864	1,868,036
Total interest gap	94,740	(237,826)	(227,593)	630,813	260,134

(63)

Consolidated (December 31, 2018)

	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, 2018					
Financial Assets					
Cash and other cash items	-	-	-	43,536	43,536
Due from BSP	-	-	-	225,907	225,907
Due from other banks	-	-	-	12,477	12,477
Interbank loans receivable and SPAR	-	-	-	34,323	34,323
Financial assets at FVTPL	70	1,172	1,125	14,116	16,483
Financial assets at FVOCI	-	-	-	35,531	35,531
Investment securities at amortized cost	-	1	-	287,570	287,571
Loans and advances, net	828,847	130,082	270,105	125,862	1,354,896
Other financial assets	-	-	-	5,667	5,667
Total financial assets	828,917	131,255	271,230	784,989	2,016,391
Financial Liabilities					
Deposit liabilities	602,032	831,505	152,209	-	1,585,746
Derivative financial liabilities	43	1,204	1,279	1,365	3,891
Bills payable and other borrowed funds	20,915	10,516	-	135,470	166,901
Due to BSP and other banks	-	-	-	3,988	3,988
Manager's checks and demand drafts outstanding	-	-	-	6,931	6,931
Other financial liabilities	-	-	-	19,313	19,313
Total financial liabilities	622,990	843,225	153,488	167,067	1,786,770
Total interest gap	205,927	(711,970)	117,742	617,922	229,621

(64)

Parent (December 31, 2019)

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
	(In Millions of Pesos)				
As at December 31, 2019					
Financial Assets					
Cash and other cash items	-	-	-	45,982	45,982
Due from BSP	-	-	-	181,815	181,815
Due from other banks	-	-	-	18,356	18,356
Interbank loans receivable and SPAR	-	-	-	18,364	18,364
Financial assets at FVTPL	334	472	1,050	15,832	17,688
Financial assets at FVOCI	-	-	-	47,009	47,009
Investment securities at amortized cost	-	-	-	252,006	252,006
Loans and advances, net	824,718	90,806	257,603	58,649	1,231,776
Other financial assets	-	-	-	2,767	2,767
Total financial assets	825,052	91,278	258,653	640,780	1,815,763
Financial Liabilities					
Deposit liabilities	711,910	301,381	443,167	-	1,456,458
Derivative financial liabilities	81	397	936	1,463	2,877
Bills payable and other borrowed funds	-	15,118	-	111,411	126,529
Due to BSP and other banks	-	-	-	1,288	1,288
Manager's checks and demand drafts outstanding	-	-	-	6,421	6,421
Other financial liabilities	-	-	-	4,801	4,801
Total financial liabilities	711,991	316,896	444,103	125,384	1,598,374
Total interest gap	113,061	(225,618)	(185,450)	515,396	217,389

(65)

Parent (December 31, 2018)

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
(In Millions of Pesos)					
As at December 31, 2018					
Financial Assets					
Cash and other cash items	-	-	-	42,419	42,419
Due from BSP	-	-	-	202,487	202,487
Due from other banks	-	-	-	8,615	8,615
Interbank loans receivable and SPAR	-	-	-	22,659	22,659
Financial assets at FVTPL	70	1,172	1,125	7,979	10,346
Financial assets at FVOCI	-	-	-	29,993	29,993
Investment securities at amortized cost	-	1	-	267,496	267,497
Loans and advances, net	757,320	81,133	224,477	63,026	1,125,956
Other financial assets	-	-	-	4,426	4,426
Total financial assets	757,390	82,306	225,602	649,100	1,714,398
Financial Liabilities					
Deposit liabilities	534,119	708,636	104,452	-	1,347,207
Derivative financial liabilities	43	1,204	1,279	1,362	3,888
Bills payable and other borrowed funds	20,915	10,516	-	119,449	150,880
Due to BSP and other banks	-	-	-	3,988	3,988
Manager's checks and demand drafts outstanding	-	-	-	5,354	5,354
Other financial liabilities	-	-	-	13,408	13,408
Total financial liabilities	555,077	720,356	105,731	143,561	1,524,725
Total interest gap	202,313	(638,050)	119,871	505,539	189,673

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 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.

(66)

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 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. HQLAs therefore, serve 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, commitment facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Cash outflows from derivatives contracts are effectively offset by derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively.

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 and the required stable funding 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	
	2019	2018	2019	2018
Liquidity ratio	167.06%	160.92%	168.13%	160.10%
Net stable funding ratio	130.74%	141.99%	122.65%	139.81%
Leverage ratio	10.70%	10.43%	10.06%	9.79%
Total exposure measure	2,224,550	2,120,270	1,887,364	1,795,947

The improvement in the Parent Bank’s LCR in 2019 was attained due to growing portfolio of government securities while cash, reserves and claims on the BSP make up on average 53% of the total stock of HQLA.

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 (inclusive of 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, 2019)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2019				
Financial Assets				
Cash and other cash items	47,256	-	-	47,256
Due from BSP	207,845	-	-	207,845
Due from other banks	22,356	-	-	22,356
Interbank loans receivable and SPAR	22,551	17	114	22,682
Financial assets at FVTPL	6,862	1,558	16,756	25,176
Financial assets at FVOCI	10,575	8,161	47,820	66,556
Investment securities at amortized cost	46,278	84,560	221,296	352,134
Loans and advances, net	656,088	267,511	581,062	1,504,661
Other financial assets	2,591	-	-	2,591
Total financial assets	1,022,402	361,807	867,048	2,251,257
Financial Liabilities				
Deposit liabilities	796,447	359,265	539,631	1,695,343
Bills payable and other borrowed funds	49,564	57,590	46,207	153,361
Due to BSP and other banks	1,288	-	-	1,288
Manager's checks and demand drafts outstanding	8,299	-	-	8,299
Other financial liabilities	9,392	-	-	9,392
Total financial liabilities	864,990	416,855	585,838	1,867,683
Total maturity gap	157,412	(55,048)	281,210	383,574

Consolidated (December 31, 2018)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2018				
Financial Assets				
Cash and other cash items	43,536	-	-	43,536
Due from BSP	225,923	-	-	225,923
Due from other banks	12,477	-	-	12,477
Interbank loans receivable and SPAR	35,028	12	135	35,175
Financial assets at FVTPL	8,740	1,231	4,170	14,141
Financial assets at FVOCI	29,154	1,601	7,730	38,485
Investment securities at amortized cost	42,442	59,550	251,643	353,635
Loans and advances, net	580,825	205,331	604,684	1,390,840
Other financial assets	5,667	-	-	5,667
Total financial assets	983,792	267,725	868,362	2,119,879
Financial Liabilities				
Deposit liabilities	923,895	878,739	195,585	1,998,219
Bills payable and other borrowed funds	97,507	77,117	475	175,099
Due to BSP and other banks	3,988	-	-	3,988
Manager's checks and demand drafts outstanding	6,931	-	-	6,931
Other financial liabilities	19,313	-	-	19,313
Total financial liabilities	1,051,634	955,856	196,060	2,203,550
Total maturity gap	(67,842)	(688,131)	672,302	(83,671)

Parent (December 31, 2019)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2019				
Financial Assets				
Cash and other cash items	45,982	-	-	45,982
Due from BSP	181,815	-	-	181,815
Due from other banks	18,356	-	-	18,356
Interbank loans receivable and SPAR	18,245	17	114	18,376
Financial assets at FVTPL	926	1,522	15,612	18,060
Financial assets at FVOCI	5,023	8,074	45,980	59,077
Investment securities at amortized cost	25,347	76,282	209,930	311,559
Loans and advances, net	605,833	196,549	449,524	1,251,906
Other financial assets, net	2,767	-	-	2,767
Total financial assets	904,294	282,444	721,160	1,907,898
Financial Liabilities				
Deposit liabilities	711,910	301,381	443,167	1,456,458
Bills payable and other borrowed funds	36,025	45,421	45,988	127,434
Due to BSP and other banks	1,288	-	-	1,288
Manager's checks and demand drafts outstanding	6,421	-	-	6,421
Other financial liabilities	4,801	-	-	4,801
Total financial liabilities	760,445	346,802	489,155	1,596,402
Total maturity gap	143,849	(64,358)	232,005	311,496

(69)

Parent (December 31, 2018)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2018				
Financial Assets				
Cash and other cash items	42,419	-	-	42,419
Due from BSP	202,487	-	-	202,487
Due from other banks	8,615	-	-	8,615
Interbank loans receivable and SPAR	22,705	12	135	22,852
Financial assets at FVTPL	2,530	1,229	4,169	7,928
Financial assets at FVOCI	23,926	1,392	7,390	32,708
Investment securities at amortized cost	39,473	50,821	239,775	330,069
Loans and advances, net	520,744	145,807	479,908	1,146,459
Other financial assets, net	4,426	-	-	4,426
Total financial assets	867,325	199,261	731,377	1,797,963
Financial Liabilities				
Deposit liabilities	814,358	726,595	116,373	1,657,326
Bills payable and other borrowed funds	85,037	76,747	-	161,784
Due to BSP and other banks	3,988	-	-	3,988
Manager's checks and demand drafts outstanding	5,354	-	-	5,354
Other financial liabilities	13,408	-	-	13,408
Total financial liabilities	922,145	803,342	116,373	1,841,860
Total maturity gap	(54,820)	(604,081)	615,004	(43,897)

26.3.3 Maturity profile - Derivative instruments*(a) 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 and Parent

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
2019				
Interest rate swap contracts - held for trading				
- Inflow	334	472	1,050	1,856
- Outflow	(81)	(397)	(936)	(1,414)
- Net inflow	253	75	114	442
Non-deliverable forwards and swaps - held for trading				
- Inflow	22	-	-	22
- Outflow	(107)	(484)	(356)	(947)
- Net outflow	(85)	(484)	(356)	(925)

(70)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
(In Millions of Pesos)				
2018				
Interest rate swap contracts - held for trading				
- Inflow	99	1,285	1,317	2,701
- Outflow	(59)	(1,296)	(1,485)	(2,840)
- Net inflow	40	(11)	(168)	(139)
Non-deliverable forwards and swaps - held for trading				
- Inflow	36,071	2,103	3,680	41,854
- Outflow	(35,972)	(2,120)	(3,680)	(41,772)
- Net inflow (outflow)	99	(17)	-	82

(a) 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. 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 and Parent

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
(In Millions of Pesos)				
Foreign exchange derivatives - held for trading				
2019				
- Inflow	527	509	11	1,047
- Outflow	(451)	(66)	-	(517)
- Net inflow (outflow)	76	443	11	530
2018				
- Inflow	127,002	4,184	-	131,186
- Outflow	(127,082)	(4,136)	-	(131,218)
- Net inflow (outflow)	(80)	48	-	(32)
Foreign exchange derivatives - held for hedging				
- Inflow	-	5,174	-	5,174
- Outflow	-	(5,316)	-	(5,316)
- Net (outflow)	-	(142)	-	(142)

(71)

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, 2019)

	Carrying Amount	Fair value		
		Level 1	Level 2	Total
(In Millions of Pesos)				
<i>Recurring measurements:</i>				
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	2,933	-	2,933	2,933
Trading assets				
- Debt securities	21,099	17,562	3,537	21,099
- Equity securities	73	73	-	73
Financial assets at FVOCI				
- Debt securities	51,079	50,995	84	51,079
- Equity securities	2,826	1,738	1,088	2,826
	78,010	70,368	7,642	78,010
Financial liabilities				
Derivative financial liabilities	2,877	-	2,877	2,877
<i>Non-recurring measurements:</i>				
Assets held for sale, net	3,155	-	9,583	9,583

Consolidated (December 31, 2018)

	Carrying Amount	Fair value		
		Level 1	Level 2	Total
(In Millions of Pesos)				
<i>Recurring measurements</i>				
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,033	-	4,033	4,033
Trading assets				
- Debt securities	12,450	11,656	794	12,450
- Equity securities	238	238	-	238
Financial assets at FVOCI				
- Debt securities	35,531	35,089	442	35,531
- Equity securities	1,675	1,129	546	1,675
	53,927	48,112	5,815	53,927
Financial liabilities				
Derivative financial liabilities	3,891	-	3,891	3,891
<i>Non-recurring measurements</i>				
Assets held for sale, net	3,363	-	9,859	9,859

(72)

Parent Bank (December 31, 2019)

	Carrying Amount	Fair value		
		Level 1	Level 2	Total
(In Millions of Pesos)				
Recurring measurements				
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	2,923	-	2,923	2,923
Trading securities - debt securities	14,765	14,765	-	14,765
Financial assets at FVOCI				
- Debt securities	47,009	47,009	-	47,009
- Equity securities	1,311	972	339	1,311
	66,008	62,746	3,262	66,008
Financial liabilities				
Derivative financial liabilities	2,877	-	2,877	2,877
Non-recurring measurements				
Assets held for sale, net	342	-	3,296	3,296

Parent Bank (December 31, 2018)

	Carrying Amount	Fair value		
		Level 1	Level 2	Total
Recurring measurements		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,031	-	4,031	4,031
Trading securities - debt securities	6,315	5,528	787	6,315
Financial assets at FVOCI				
- Debt securities	29,993	29,838	155	29,993
- Equity securities	590	406	184	590
	40,929	35,772	5,157	40,929
Financial liabilities				
Derivative financial liabilities	3,888	-	3,888	3,888
Non-recurring measurements				
Assets held for sale, net	455	-	3,496	3,496

There are no assets and liabilities whose fair values fall under the Level 3 category as at December 31, 2019 and 2018. Likewise, there were no transfers between Level 1 and Level 2 during the years ended December 31, 2019 and 2018.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair valueConsolidated (December 31, 2019)

	Carrying Amount	Fair value		Total
		Level 1	Level 2	
Financial assets				
Cash and other cash items	47,256	-	47,256	47,256
Due from BSP	207,845	-	207,845	207,845
Due from other banks	22,356	-	22,356	22,356
Interbank loans receivable and SPAR	22,570	-	22,610	22,610
Investment securities at amortized cost	275,105	276,454	-	276,454
Loans and advances, net	1,475,336	-	1,480,074	1,480,074
Other financial assets	2,591	-	2,591	2,591
Financial liabilities				
Deposit liabilities	1,695,343	-	1,678,607	1,678,607
Bills payable and other borrowed funds	150,837	84,973	65,461	150,434
Due to BSP and other banks	2,946	-	2,946	2,946
Manager's checks and demand drafts outstanding	8,299	-	8,299	8,299
Other financial liabilities	9,392	-	9,392	9,392
Non-financial assets				
Investment properties	155		638	638

Consolidated (December 31, 2018)

	Carrying Amount	Fair value		Total
		Level 1	Level 2	
Financial assets				
Cash and other cash items	43,536	-	43,536	43,536
Due from BSP	225,907	-	225,907	225,907
Due from other banks	12,477	-	12,480	12,480
Interbank loans receivable and SPAR	34,323	-	34,373	34,373
Investment securities at amortized cost	287,571	254,850	3,802	258,652
Loans and advances, net	1,354,896	-	1,362,803	1,362,803
Other financial assets	5,667	-	5,667	5,667
Financial liabilities				
Deposit liabilities	1,585,746	-	1,585,746	1,585,746
Bills payable and other borrowed funds	166,901	-	163,545	163,545
Due to BSP and other banks	3,988	-	3,988	3,988
Manager's checks and demand drafts outstanding	6,931	-	6,931	6,931
Other financial liabilities	19,313	-	19,313	19,313
Non-financial assets				
Investment properties	129	-	1,786	1,786

Parent Bank (December 31, 2019)

	Carrying Amount	Fair value		Total
		Level 1	Level 2	
Financial assets				
Cash and other cash items	45,982	-	45,982	45,982
Due from BSP	181,815	-	181,815	181,815
Due from other banks	18,356	-	18,356	18,356
Interbank loans receivable and SPAR	18,346	-	18,405	18,405
Investment securities at amortized cost	252,006	252,964	-	252,964
Loans and advances, net	1,231,776	-	1,230,551	1,230,551
Other financial assets	2,767	-	2,767	2,767
Financial liabilities				
Deposit liabilities	1,456,458	-	1,450,164	1,450,164
Bills payable and other borrowed funds	126,529	75,463	50,663	126,126
Due to BSP and other banks	1,288	-	1,288	1,288
Manager's checks and demand drafts outstanding	6,421	-	6,421	6,421
Other financial liabilities	4,801	-	4,801	4,801
Non-financial assets				
Investment properties	143		638	638

Parent Bank (December 31, 2018)

	Carrying Amount	Fair value		
		Level 1	Level 2	Total
Fair values disclosed		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	42,419	-	42,419	42,419
Due from BSP	202,487	-	202,487	202,487
Due from other banks	8,615	-	8,615	8,615
Interbank loans receivable and SPAR	22,659	-	22,709	22,709
Investment securities at amortized cost	267,497	236,113	3,775	239,888
Loans and advances, net	1,125,956	-	1,144,903	1,144,903
Other financial assets	4,426	-	4,426	4,426
Financial liabilities				
Deposit liabilities	1,347,207	-	1,347,207	1,347,207
Bills payable and other borrowed funds	150,880	-	150,533	150,533
Due to BSP and other banks	3,988	-	3,988	3,988
Manager's checks and demand drafts outstanding	5,354	-	5,354	5,354
Other financial liabilities	13,408	-	13,408	13,408
Non-financial assets				
Investment properties	118	-	1,786	1,786

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.

Note 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 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% 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	
	2019	2018	2019	2018
	(In Millions of Pesos)			
Tier 1 capital	262,873	244,276	262,239	243,519
Tier 2 capital	14,079	13,116	11,500	10,795
Gross qualifying capital	276,952	257,392	273,739	254,314
Less: Regulatory adjustments/required deductions	24,810	23,152	72,400	68,491
Total qualifying capital	252,142	234,240	201,339	185,823
Risk weighted assets	1,568,855	1,455,746	1,347,976	1,252,790
CAR (%)	16.07	16.09	14.94	14.83
CET1 (%)	15.17	15.19	14.08	13.97

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, 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.

Note 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.

Note 29 - Summary of Significant Accounting Policies

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.

29.1 Basis of preparation

The financial statements of the BPI Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) 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 Insurance Commission.

The financial statements comprise the statements of condition, statements of income and statements of 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 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

- Fair value of derivatives and other financial instruments (Note 7)
- Calculation of defined benefit obligation (Note 23)
- Useful lives of bank premises, furniture, fixtures and equipment (Note 11)
- Impairment of investments subsidiaries and associates (Note 12)

Critical accounting judgments

- Classification of investment securities at amortized cost (Note 9)
- Realization of deferred income tax assets (Note 13)

29.2 Changes in accounting policy and disclosures

(a) New standards adopted by the BPI Group

The BPI Group has adopted the following standards effective January 1, 2019:

PFRS 16, ‘Leases’
PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On adoption of PFRS 16, the BPI Group recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as ‘operating leases’ under the principles of PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.87% and 4.25% for the Subsidiaries and BPI Parent, respectively.

The reconciliation between the operating lease commitments under PAS 17 at December 31, 2018 discounted using the BPI Group’s incremental borrowing rate and the lease liability recognized as at January 1, 2019 is as follows:

	Consolidated	Parent
	(In Millions of Pesos)	
Operating lease commitments, December 31, 2018	11,896	10,161
Discounted amount using the incremental borrowing rate	8,926	7,696
Add: Finance lease liabilities recognized at December 31, 2018	-	-
Less: Short-term leases recognized on a straight-line basis as expense	228	203
Low-value leases and contracts reassessed as service agreements	54	44
Lease liability, January 1, 2019	8,644	7,449

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statements of condition as at December 31, 2018. The amount of prepaid lease payments amount to P452 million and P451 million for BPI Group and Parent Bank, respectively.

In applying PFRS 16 for the first time, the BPI Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- apply the provisions of PFRS 16 to contracts that were previously identified as leases applying PAS 7, ‘Statement of cash flows’ and IFRIC 4, ‘Determining whether an arrangement contains a lease’.

Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019)
It has been clarified previously that PAS 12, not PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of the above interpretation did not have a material impact on the financial statements of the BPI Group.

(b) *New standards, amendments and interpretations not yet adopted by the BPI Group*

The following new accounting standards and interpretations are not mandatory for December 31, 2019 reporting period and have not been early adopted by the BPI Group:

PFRS 17, Insurance Contracts (effective for annual periods beginning on or after January 1, 2022)
PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. 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. An optional, simplified premium allocation approach 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.

The Insurance Commission, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The BPI Group is assessing the quantitative impact of PFRS 17 as of reporting date.

Likewise, the following amendments are not mandatory for December 31, 2019 reporting period and have not been early adopted by the BPI Group:

- Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to PFRS 3, Business Combinations
- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Revised Conceptual Framework for Financial Reporting

The adoption of the above amendments is not expected to have a material impact on the financial statements of the BPI Group.

29.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The BPI Group recognizes a financial instrument in the statements of condition when, and only when, the BPI Group becomes a party to the contractual provisions of the instrument.

29.3.1Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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 29.3.2.2) 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 fair value through profit or loss, 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 fair value through profit or loss 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 29.3.2.1 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.

29.3.2 Financial assets

29.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at fair value through profit or loss, fair value through other comprehensive income and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans and advances, due from BSP and other banks, government and corporate bonds and other financial receivables.

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 (‘SPPI’), and that are not designated at fair value through profit or loss, 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. 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.
- *Fair value through other comprehensive income (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 fair value through other comprehensive income (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.
- *Fair value through profit or loss (FVTPL)*
Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within ‘Trading gain on securities’ 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 fair value through profit or loss. 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 (SPPI)

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 fair value through profit or loss.

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

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s net assets.

The BPI Group subsequently measures all equity investments at fair value through profit or loss, except where the BPI Group’s management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. 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 income’ when the BPI Group’s right to receive payments is established. Gains and losses on equity investments at fair value through profit or loss are included in the ‘Trading gain on securities’ in the statements of income.

29.3.2.2 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 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.
 - 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, 2019 and 2018.

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 significant increase in credit risk (SICR)

The BPI Group compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. 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:

- 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.
 - 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 exposure at default 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.
- 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. Macroeconomic variables 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 probability of default, exposure at default (EAD), and loss given default (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.

29.3.3 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.

29.3.4 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.

29.3.5 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. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity 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.

The BPI Group may write-off financial assets that are still subject to enforcement activity. The write-off of loans is approved by the BOD in compliance with the BSP requirements. Loans written-off are fully covered with allowance.

29.3.6 Financial liabilities

29.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at fair value through profit or loss 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 “Trading gains/losses on securities”. 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 fair value through profit or loss 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.

29.3.6.2 Subsequent measurement and derecognition

Financial liabilities at fair value through profit or loss 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.

29.3.7 Loan commitments

Loan commitments are contracts in which the BPI Group is required to provide loans with pre-specified terms to customers. These contracts, which are not issued at below-market interest rates, and are not settled net in cash or by delivering or issuing another financial instrument, are not recorded in the statements of condition.

29.3.8 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 “Trading gain on securities”.

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.

As disclosed in Note 7, the BPI Group has existing cash flow hedge activity. There are no fair value hedges or net investment hedges as of reporting date.

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.

29.3.8.1 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 29.3.2 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 fair value through profit or loss.

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 fair value through profit or loss.

29.3.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

The BPI Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, PSE, Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter (OTC) derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The BPI Group considers relevant and observable market prices in its valuations where possible. The BPI Group has no assets or liabilities classified under Level 3 as at December 31, 2019 and 2018.

29.3.10 Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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.

29.3.11 Dividend income

Dividend income is recognized in profit or loss when the BPI Group’s right to receive payment is established.

29.3.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at December 31, 2019 and 2018, there are no financial assets and liabilities presented at net amounts due to offsetting.

29.3.13 Cash and cash equivalents

Cash and cash equivalents consist of Cash and other cash items, Due from BSP, Due from other banks, and Interbank loans receivable and securities purchased under agreements to resell with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

29.3.14 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 statements of condition under “Interbank loans receivable and securities purchased under agreements to resell”. Securities lent to counterparties are also retained in the financial statements.

29.4 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

Subsidiaries are all entities over which the BPI Group has control. The BPI Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The BPI Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the BPI Group’s voting rights relative to the size and dispersion of holdings of other shareholders give the BPI Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the BPI Group. They are de-consolidated from the date that control ceases.

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary 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. 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.

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.

When the BPI Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the BPI Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the Parent Bank are reported in consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the statements of income as net income (loss) attributable to non-controlling interests.

(c) 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. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The BPI Group’s investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

If the ownership interest in an associate is reduced but significant influence is retained, a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The BPI Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the BPI Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the BPI Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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 have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

29.5 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 is determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

29.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who allocates resources to, and assesses the performance of the operating segments of the BPI Group.

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).

29.7 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. Historical cost includes expenditure that is directly attributable to the acquisition of an asset which comprises its purchase price, import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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.

Land 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.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. 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, 2019 and 2018.

An item of Bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss 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.

29.8 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.

29.9 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.

29.10 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 the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under Other assets, net in the statements of condition. Goodwill on acquisitions of associates is included in Investments in subsidiaries and associates. Separately recognized goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary/associate include carrying amount of goodwill relating to the subsidiary/associate sold.

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

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have finite useful lives of ten years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship. Contractual customer relationships are included under Other assets, net in the statements 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.

29.11 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.

29.12 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, 2019 and 2018.

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.

29.13 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.

There are no warranties and other similar obligation and refunds agreed with customers.

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.

29.14 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.

29.15 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) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss recognized under “Trading gain/loss on securities” in the statements of income. Translation differences on non-monetary financial instruments, such as equities classified as financial assets at FVOCI, are included in Accumulated other comprehensive income (loss) in the capital funds.

(c) 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.

29.16 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the BPI Group is established.

29.17 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.

29.18 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the year except to the extent that current tax is related to items (for example, current tax on financial assets at FVOCI) that are charged or credited in other comprehensive income or directly to capital funds.

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 Provision for income tax - Current.

(b) Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, and associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the BPI Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the BPI Group is unable to control the reversal of the temporary difference for associates except when there is an agreement in place that gives the BPI Group the ability to control the reversal of the temporary difference.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

29.19 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 statements 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 statements 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 statements 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 statements 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, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (par value) and share premium for the excess of exercise price over par value.

(e) Profit sharing and bonus plans

The BPI Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Parent Bank’s shareholders after certain adjustments. The BPI Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

29.20 Capital funds

Share capital consists of common shares which are instruments that meet the definition of “equity”.

Share premium includes any premiums or consideration received in excess of the total par value of the common shares issued.

Incremental costs directly attributable to the issue of new shares are treated as a deduction from the share issuance proceeds.

29.21 Earnings per share (EPS)

Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. In case of a rights issue, an adjustment factor is being considered for the weighted average number of shares outstanding for all periods before the rights issue. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

29.22 Dividends on common shares

Dividends on common shares are recognized as a liability in the BPI Group’s financial statements in the period in which the dividends are approved by the BOD.

29.23 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).

29.24 Leases

29.24.1 BPI Group is the lessee

Until December 31, 2018, leases of bank premises, furniture and fixtures and equipment were classified as either finance leases or operating leases. From January 1, 2019, the BPI Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

From January 1, 2019 (PFRS 16)

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the statements of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the 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).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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.

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.

Accounting policies prior to January 1, 2019 (PAS 17)

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to “Occupancy and equipment-related expenses” in the statements of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Finance lease

Leases of assets, where the BPI Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

29.24.2 BPI Group is the lessor

PFRS 16 substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, the BPI Group (as a lessor) continues to classify its leases as operating leases or finance leases.

Operating lease

Properties (land and building) leased out under operating leases are included in “Investment properties” in the statements of condition. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income under finance lease is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

29.25 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; (d) amounts recoverable from reinsurers and loss adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts; and (e) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The more significant provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) premium income from sale of pre-need plans is recognized as earned when collected; (b) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (c) 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 (d) 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.

29.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

29.27 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no changes to the presentation made during the year.

29.28 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the BPI Group’s financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 30 - 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	
	2019	2018	2019	2018
Return on average equity				
- Daily average ¹	10.97	10.21	12.51	8.50
- Simple average ²	11.12	10.75	12.62	9.15
Return on average assets				
- Daily average ³	1.38	1.20	1.50	0.96
- Simple average ⁴	1.34	1.16	1.45	0.92
Net interest margin				
- Daily average ⁵	3.35	3.11	3.18	2.87
- Simple average ⁶	3.26	2.96	3.08	2.72

¹Net 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, 2019 and 2018.

²Net 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, 2019 and 2018.

³Net income divided by average total assets as at period indicated. Average total assets is based on the daily average balance of total assets as at December 31, 2019 and 2018.

⁴Net income divided by average total assets as at period indicated. Average total assets is based on the year-on-year balance of total assets as at December 31, 2019 and 2018.

⁵Net 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, 2019 and 2018.

⁶Net 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, 2019 and 2018.

(ii) Description of Capital Instrument Issued

The Bank considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2019 and 2018.

(iii) Significant Credit Exposures

Details of the loans and advances portfolio as to concentration as to industry/economic sector (in %) at December 31 are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
Real estate, renting and other related activities	24.37	23.08	17.77	16.00
Manufacturing	15.30	16.28	18.09	19.26
Wholesale and retail trade	11.35	12.56	12.61	14.16
Consumer	8.32	8.16	5.46	5.08
Financial institutions	10.81	6.09	12.90	7.28
Agriculture and forestry	2.87	2.74	3.40	3.26
Others	26.98	31.09	29.77	34.96
	100.00	100.00	100.00	100.00

(iv) Breakdown of Total Loans

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	
	2019	2018	2019	2018
(In Millions of Pesos)				
Secured loans				
Real estate mortgage	278,099	220,587	138,607	97,170
Chattel mortgage	57,037	54,731	10	9
Others	148,385	172,503	146,038	168,260
	483,521	447,821	284,655	265,439
Unsecured loans	1,008,129	921,523	958,768	870,521
	1,491,650	1,369,344	1,243,423	1,135,960

Other collaterals include hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Breakdown of performing and non-performing loans net of allowance for credit losses are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
(In Millions of Pesos)				
Performing loans	1,389,937	1,301,712	1,166,932	1,090,776
Non-performing loans (NPL)	24,835	25,391	12,174	12,985
	1,414,772	1,327,103	1,179,106	1,103,761
Allowance attributable to performing loans	(10,106)	(9,882)	(6,780)	(6,947)
Allowance attributable to NPL	(15,304)	(12,597)	(11,685)	(8,861)
	(25,410)	(22,479)	(18,465)	(15,808)
Net carrying amount	1,389,362	1,304,624	1,160,641	1,087,953

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.

(v) Information on Related Party Loans

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
		(In Millions of Pesos)		
Outstanding DOSRI loans	10,026	8,248	10,024	8,248
	In percentages (%)			
	Consolidated		Parent	
	2019	2018	2019	2018
% to total outstanding loans and advances	0.67	0.60	0.81	0.73
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	17.30	21.51	17.30	21.51
Past due DOSRI loans	0.01	-	0.01	-
Non-performing DOSRI loans	-	-	-	-

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans. At December 31, 2019 and 2018.

(vi) Secured Liabilities and Assets Pledged as Security

The Bank’s Bills payable (Note 16) 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. Loans and advances arising from these financing programs serve as collateral for this liability (Note 10).

(vii) Contingencies and commitments arising from off-balance sheet items

Credit risk exposures arising from off-balance sheet items, which are mainly composed of undrawn loan commitments and unused letters of credit, are as follows:

	Consolidated		Parent	
	2019	2018	2019	2018
		(In Millions of Pesos)		
Gross carrying amount	404,584	235,904	397,949	233,481
Loss allowance*	(650)	(753)	(619)	(723)
Carrying amount	403,934	235,151	397,330	232,758

*Included in “Miscellaneous liabilities” in Note 17

Note 31 - 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 Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

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, 2019 consist of:

(In Millions of Pesos)	Amount
Deposit and loan documents	7,208
Trade finance documents	584
Mortgage documents	432
Shares of stocks	-
Others	6
	8,230

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2019 consist of:

(In Millions of Pesos)	Amount		
	Paid	Accrued	Total
Income taxes withheld on compensation	1,751	205	1,956
Withholding tax on withdrawal from decedent’s account	10	2	12
Final income taxes withheld on interest on deposits and yield on deposit substitutes	3,435	252	3,687
Final income taxes withheld on income payment	642	374	1,016
Creditable income taxes withheld (expanded)	460	44	504
Fringe benefit tax	121	29	150
VAT withholding tax	39	5	44
	6,458	911	7,369

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2019 consist of:

(In Millions of Pesos)	Amount		
	Paid	Accrued	Total
Gross receipts tax	3,711	382	4,093
Real property tax	119	-	119
Municipal taxes	209	-	209
Others	9	-	9
	4,048	382	4,430

Local and national taxes imposed by the government which are incurred under the normal courses of business are part of “Taxes and Licenses” within Other Operating Expense (Note 21).

(iv) Tax cases and assessments

As at reporting date, the Parent Bank has pending cases filed in courts, with the tax authorities contesting certain tax assessments, and for various claims for tax refund. Management is of the opinion that the ultimate outcome of the said cases will not have a material impact on the financial statements of the Parent Bank.

Stakeholder Engagement

AND MATERIAL TOPICS

Stakeholder Engagement

Insights from regular dialogue with our stakeholders keep our organizational goals and strategies aligned with stakeholder needs and expectations. We identify our key stakeholders as our clients, shareholders, employees, government and regulatory agencies, suppliers and contractors, and communities. They have significant influence on our economic, social, and environmental performance and are similarly impacted by our conduct of business in the context of global, regional, and local megatrends. Through this proactive engagement, we maintain beneficial relationships within the community where we operate.

To ensure a sustained quality and frequency of engagement, the Bank has set up various engagement platforms for each stakeholder group. The information obtained through these platforms helps us identify issues the Bank should address as well as opportunities that will allow us to continue to build long-lasting value. We conducted an engagement survey for the 2019 report, the results of which continue to validate the existing stakeholder concerns and material topics.

How We Engage Them	Their Concerns	How We Respond
Clients - Daily customer touch points through branches, personnel, phone, e-mail, and social media channels - Annual and periodic satisfaction surveys - Regular visits to existing clients including area briefings	- Quality and availability of products and services suited to their needs - Convenient, affordable, reliable, and efficient delivery of products and services - Accessibility and security of electronic services - Transparency of requirements and processes - Competency of personnel to address concerns - Sound and customized financial advice - Turn-around time of applications - Data privacy and security	- Proactive approach to client concerns (e.g. proper allocation of manpower resources, review of outsourcing services, set up of more effective contact centers, and continuous process improvements) - Constant monitoring and upgrade of systems - Ongoing personnel capacity building through product briefings, seminars, and trainings - Timely provision of customized feedback, advice, and/or solutions to inquiries - Economic and product briefings, as well as financial and investment education seminars
Investors - Regular investor meetings and conference calls - Annual stockholders’ meeting	- Shareholder return - Financial performance - Business growth and continuity - Responsible financing	Transparent and timely disclosures
Employees - Online portals, face-to-face meetings, and learning sessions - Annual performance appraisals - Periodic engagement survey - Town halls - Quarterly Labor Management Conferences - HR caravans	- Capacity-building and availability of work tools across all levels - Opportunities for career development - Clear understanding of the Bank’s strategy and direction - Pay for performance or meritocracy - Competitive compensation and benefits - Work-life balance - Rewards and recognition	- Leadership development programs, Harvard management mentor (on-demand type of learning), moving towards digital learning - Career mobility and officer’s development program, shortened time in rank - Town hall meetings - Promotions, performance bonuses, and salary increases are tied to performance, non-financial rewards - Salary reviews to ensure competitiveness of compensation against market - Semi-flexible work hours (head offices) - Rewards and recognition programs are anchored on reinforcing the core values of the Bank

How We Engage Them	Their Concerns	How We Respond
Suppliers and Contractors - Accreditation - E-mails, letters, and memos - Weekly meetings with facility maintenance agencies - Monthly meetings with security agencies	- Procurement policies (e.g. requirements and criteria for evaluation) - Other procurement-related concerns (e.g. cost, terms of payment, and warranties)	- Cascade of policies - Real-time updates
Government and Regulatory Agencies - Annual bank examination - Regular audits and follow-up - Regular correspondence through letters and e-mail through authorized and appropriately-training personnel, covering all forms of communication, whether formal, informal, or social interactions in relation to the Bank’s business through any kind of correspondence such as in-person, electronic media, and/or written	- Compliance with relevant national laws and regulations, including BSP regulations and guidelines - Transparency and accountability - Feedback on the Bank’s operations	- Transparent and timely disclosures and reports - Compliance to regulations - Conduct of internal and external audits - Formal explanations and responses to queries
Communities, NGOs, and Civil Society - Partnerships and agreements - Regular correspondence through e-mails, letters, memos, meetings, text message, phone calls - Updates through website, social media pages, print, and online platforms - Assessment and feedback on partnership and engagement - BPI Foundation Partners’ Night	- New programs and initiatives - Update and expansion of existing projects - Takeaways from activities conducted - Opportunities for capacity-building and access to financial and non-financial resources - Responsible financing	- Organize events for beneficiaries and external partners (e.g. workshops and symposiums) - Accomplishment reports - Attendance in meetings and real-time updates

Material Topics

Materiality assessment helps us identify topics that matter most to our business and stakeholders. It guides us in deciding on our strategies and where to focus our resources. Our materiality matrix combines the results of our stakeholder engagement exercises with internal analyses of current economic, social, and environmental trends and events that impact the business.

The annual review and updating of our materiality matrix ensures that its contents still reflect the issues relevant to all of the Bank’s stakeholders given our dynamically changing landscape. An addition to this report is an alignment with non-financial ESG rating disclosures which were popular among our investors. Identified material topics are consolidated into our Sustainability Strategy Framework and aligned with the overall purpose of the Bank as embodied in our Credo.

Value to our Capitals	Impacted Stakeholders	Material Topic	Corresponding Disclosure	Relevance
Social and Relationship Capital: Building Trust	- Business operations - Clients - Government and regulators	Anti-corruption	103-2	We believe our first responsibility is to our clients. If we understand and address our clients’ financial needs, we will be entrusted with their most important financial transactions, and we will build lasting relationships. We do well when our clients do well.
		Marketing and labelling	417-2	
		Customer privacy	103-2	
		Customer service	Complaint intensity or % of resolved complaints	
		Compliance	- Corporate governance - Compliance	
Human Capital: Empowering Our People	Employees and indirect hires	Employment	102-8 401-1 401-2	We believe in our responsibility to our people. We seek to hire the best people for each job, provide them with the means to perform at a high level, and reward them fairly. We value integrity, professionalism, and loyalty. We promote a culture of mutual respect, meritocracy, performance, and teamwork. We strive to be the employer of choice among Philippine financial institutions.
		Training and education	404-1	
		Diversity and equal opportunity	405-1	
		Non-discrimination	406-1	
		Freedom of association and collective bargaining	102-41	
Financial Capital: Contributing to Economic Development	- Business operations - Shareholders - Government and regulators - Suppliers - Communities	Economic performance	201-1	We believe in our responsibility to our shareholders. We treat capital as a most valuable asset and seek to generate superior returns while being prudent in risk- taking, spending, and investment.
		Supply chain management	102-9	
		Financial inclusion and wellness	Financial products and services for underbanked and SEMEs	
		Scaling up enterprises	Financial products and services for underbanked and SMEs	
		Financing sustainable development	Total amount of loans disbursed contributing to sustainable development	

Value to our Capitals	Impacted Stakeholders	Material Topic	Corresponding Disclosure	Relevance
Social and Relationship Capital: Empowering Our Society	- Communities - Civil society and NGOs	Corporate social responsibility	- Financial literacy programs and beneficiaries - Scaling up MSMEs and social enterprises programs and beneficiaries - Environmental sustainability programs and beneficiaries	We believe in our responsibility to our country. Our prosperity is greatly dependent on the well-being of our nation. We aim to be inclusive and responsible in nation-building. Through BPI Foundation, we are committed o the welfare and sustainability of the communities we serve.
		Volunteerism	Volunteer hours and employee-led volunteer activities	
Manufactured and Intellectual Capital: Strengthening our Delivery Infrastructure	- Business operations - Clients	Branch, ATM and CAM footprint	Number of branches, ATMs and CAMs	We recognize the importance of building strong capabilities by increasing effective client access points in both digital and branch distribution platforms. We ensure that our traditional and electronic channels are easily accessible, always available, and tightly secured.
		Digitalization	Uptime	
		Security practices	410-1	
		Physical and information security	103-2	
Natural Capital: Promoting Efficient Resource Management	- Business operations - Clients - Government and regulators - Civil society and NGOs	Energy	302-1 302-3	We track and implement measures to become more eco-efficient in our day-to-day operations. We contribute to nation building through investments and/or funding businesses that have direct impact to the environment.
		Emissions	305-2 305-4	
		Sustainable energy financing	Sustainable energy financing loans disbursed	

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205-3	Confirmed incidents of corruption and actions taken	132-133	
GRI 300: ENVIRONMENTAL 2016			
Reporting Boundary: Environmental indicators include all BPI Group branches and offices in the Philippines, excluding BanKo branches and BLUs due to insufficient system to capture BanKo data			
302: Energy			
103	Management approach	85-86, A126-A129	
302-1	Energy consumption within the organization	85-86	
302-3	Energy intensity	85-86	
305: Emissions			
103	Management approach	85-86, A126-A129	
305-2	Energy indirect (Scope 2) GHG emissions	85-86	
305-4	GHG emissions intensity	85-86	
308: Supplier Environmental Assessment			
Scope and Boundary: All Facilities Seives Group-managed suppliers of the BPI Group, excluding international offices			
103	Management approach	84, A126-A129	
308-1	New suppliers that were screened using environmental criteria	84	

Disclosure Number	Disclosure Title	Page	Omission
GRI SPECIFIC DISCLOSURES			
GRI 400: SOCIAL 2016			
Reporting Boundary: All are consolidated figures of active employees of the BPI Group, excluding local hires of BPI international offices			
401: Employment			
103	Management approach	76-80, A126-A129	
401-1	New employee hires and employee turnover	77	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	78, 140-141	
404: Training and Education			
103	Management approach	76-80, 140-142, A126-A129	
404-1	Average hours of training per year per employee	80	
404-2	Programs for upgrading employee skills and transition assistance programs	80, 140-142	
405: Diversity and Equal Opportunity			
103	Management approach	76-80, 94-95, A126-A129	
405-1	Diversity of governance bodies and employees	76-77, 94-95	
406: Non-Discrimination			
103	Management approach	142, A126-A129	
406-1	Incidents of discrimination and corrective actions taken	142	
410: Security Practices			
Reporting Boundary: All local branches and offices of the BPI Group			
103	Management approach	79, 140-142, A126-A129	
410-1	Security personnel trained in human rights policies or procedures	79, 140-142	
414: Supplier Social Assessment			
Reporting Boundary: All Facilities Services Group-managed suppliers of the BPI Group, excluding international offices			
103	Management approach	84, A126-A129	
414-1	New suppliers that were screened using social criteria	84	
417: Marketing and Labeling			
Reporting Boundary: All processes and parties involved in the BPI Groups' Customer Assistance Program			
103	Management approach	83-84, 139-140, A126-A129	
417-2	Incidents of non-compliance concerning product and service information and labeling	140	

Statement of Management's Responsibility

For Non-Financial Data

The Management of the Bank of the Philippine Islands (BPI) collaborated and thought through the preparation of BPI's 2019 Integrated Report. This report is prepared based on the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework and Bangko Sentral ng Pilipinas (BSP) guidelines on the submission of Annual Reports, and references the Global Reporting Initiative (GRI) Standards for sustainability performance disclosures.

The Management supervised the publication of this report, and is responsible for ensuring integrity of the report and disclosures on the Bank's website.

This report contains certain forward-looking statements that may involve risks or uncertainties as they relate to future events and circumstances that may be beyond BPI's control.

In addition, regulations of the Philippine Stock Exchange (PSE) prohibit making price-sensitive forecasts without considerable independent review. The management therefore advises readers to use caution when interpreting any forward-looking statements in this report.


CEZAR P. CONSING
President and Chief Executive Officer


MARIA THERESA MARCIAL JAVIER
Executive Vice-President, Chief Finance Officer
and Chief Sustainability Officer

BANK OF THE PHILIPPINE ISLANDS
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INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV GL AS Philippines Branch ("DNV GL") has been commissioned by the management of the Bank of the Philippine Islands ("BPI" or the "Bank", SEC Identification Number: PW-121) to undertake an independent assurance of the sustainability/non-financial disclosures in BPI's 2019 Integrated Report (the "Report") in its printed format for the year ended 31st December 2019. This Report is prepared by BPI for identified material topics based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework"). The intended users of this Assurance Statement are the management of the Bank.

We performed this assurance engagement using DNV GL's assurance methodology VeriSustain^{TM1}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with the Global Reporting Initiative's ("GRI's") Principles for Defining Report Content and Report Quality. The verification engagement was carried out from December 2019 to April 2020.

We understand that the reported financial data and related information are based on statutory disclosures and Audited Financial Statements, which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion related to non-financial sustainability disclosures in this Report. We are providing a 'limited level' of assurance based on DNV GL VeriSustain and no external stakeholders were interviewed as part of this assurance engagement.

The engagement excludes the review of the Bank's position statements, the statements for the management approach, and case studies and examples if any included in this Report.

Responsibilities of the Management of the Bank of the Philippine Islands and of the Assurance Provider

The Board of BPI has sole responsibility for the preparation of the Report and is responsible for all information provided as well as the processes for collecting, analysing and reporting the information presented in the Report. BPI has stated that this Report was based on the <IR> framework and has adopted general disclosures and selected performance indicators for disclosures related to identified material topics from the GRI Standards 2016.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the Bank to us as part of our review have been provided in good faith, true, and free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. DNV GL was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Our verification engagement included limited level of verification of sustainability performance disclosures for the identified material topics of BPI in the section "Stakeholder Engagement and Materiality". Our verification applies a ±5% uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

Basis of our Opinion and Limitations

A multi-disciplinary team of sustainability and assurance specialists performed assurance at the Head Office at Makati City, and selected sites (BPI Buendia Center Branch, Makati) of BPI. We undertook the following activities:

- Review of the non-financial sustainability disclosures in this Report;
- Review of approaches to materiality determination and stakeholder engagement; DNV GL did not have any direct engagement with external stakeholders;
- Review of information provided to us by the Bank on its reporting and management processes related to sustainability performance for the reporting year based on the reporting framework adopted by BPI
- Interviews with selected members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and findings were discussed with Corporate Sustainability Team;

¹ The VeriSustain protocol is available on dnvgl.com.

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

- Planned site visits to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose the sites that we visited as part of verification;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritised based on our risk-based approach, i.e. relevance of identified material topics and sustainability context of the business;
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

Opinion and Observations

On the basis of the assurance engagement undertaken, nothing has come to our attention to suggest that BPI's 2019 Integrated Report does not properly describe the non-financial performance of identified material topics based on the International <IR> Framework.

Without affecting our assurance opinion, we also provide the following observations:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

The Report has brought out key stakeholders identified (clients, shareholders, employees, government and regulatory agencies, suppliers and contractors, and communities), based on significant influence on BPI's economic, social, and environmental performance and impacted by the Bank's conduct of business in the context of global, regional, and local megatrends. Further the Report details out methods of engagement including frequency and their concerns in the section "Stakeholder Engagement and Materiality" of this Report and how these engagements help BPI in formulating the organizational goals and strategies and helps the Bank align with stakeholder needs and expectations.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

The Report describes that BPI Has carried out an annual review and update of its materiality matrix to ensure that its material topics reflect the issues relevant to the Bank's stakeholders considering external environment and dynamically changing landscape. Further BPI has also stated that they have considered non-financial ESG rating disclosures due to emerging needs of financial capital providers – Investors. The identified material topics are linked to six Capitals of <IR> framework.

Responsiveness

The extent to which an organization responds to stakeholder issues.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

The Report brings out the Bank's responses to identified material topics and significant issues which have arisen during the reporting period through disclosures on Corporate Governance, Compliance, Risk, Business Model, Sustainability Strategy Framework and delivering shared values. Further the Report also brings out its non-financial performance related to its material topics through selected GRI Topic Specific Standards, including the Bank's ability to create value on the six capitals of <IR> framework.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

The majority of the performance disclosures verified through onsite and offsite verification, i.e. at the Head Office and sampled sites, and through desk reviews, were found to be fairly accurate, reliable, identifiable and traceable to the source. Considering the limited sampling, we did not detect any major errors related to data collection or aggregation. We also reviewed the calculations and related assumptions used for its

suitability, taking into account the principle of Reliability. Some of the data inaccuracies identified during the verification process were found to be attributable to interpretation and aggregation errors. These identified errors were communicated, and the responses and corrections made to the reported data and information were reviewed.

Completeness

How much of all the information that has been identified as material to the organization and its stakeholders is reported.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

The Report discloses the Bank's non-financial disclosures based on <IR> framework and performance during the reporting period 2019 related to its material issues using appropriate GRI Topic Specific Standards, for the identified boundary of operations and covering the Bank's approaches to value creation and responses to key challenges faced.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

The Report presents disclosures related to the Bank's performance, challenges and concerns of stakeholders during the reporting period in a neutral, consistent and balanced manner, applying adequate consideration to not unduly influence stakeholders' opinion made based on the reported data and information.

Statement of Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015- Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct² during the assurance engagement and maintain independence wherever required by relevant ethical requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV GL has provided assurance to Ayala Corporation, Ayala Land Inc. Manila Water Company Inc., AC Energy and Globe Telecom, Inc. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV GL did not provide any services to BPI in 2019 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL AS Philippines Branch

Vadakepathth Nandkumar,
Assurance Reviewer,
Head - Sustainability
Operations,
DNV GL – Business Assurance
India Private Limited.

Heng Chwin Mak
Operations Manager –
South East Asia
DNV GL Technology Centre.
Singapore 118227

Prasun Kundu,
Assurance Reviewer,
DNV GL – Business Assurance
India Private Limited.

11th April 2020, Manila, Philippines

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Leaders' Biographies

BOARD OF DIRECTORS

JAIME AUGUSTO ZOBEL DE AYALA

Position: **Chairman**

Tenure

- **Appointed Chairman March 2004 to Present**
- **Appointed Vice-Chairman 1995 to March 2004**
- **Appointed a Non-Executive Director March 1990**

Board Committee membership

- **Chairman of the Executive Committee**
- **Member of the Nomination Committee**

Age

60, Born 1959

Nationality

Filipino

Career

He has been a director of Ayala Corporation since May 1987 and its Chairman and CEO since April 2006. Mr. Zobel also serves on the Board of the following Philippine Stock Exchange (PSE) – listed companies, namely: Chairman of Globe Telecom, Inc. and Integrated Microelectronics, Inc., and Vice-Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy Philippines, Inc. He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holdings Corp., AC Infrastructure Holdings Corporation and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy, Inc., Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Limited.

Relevant Skills and Experience

Chairman Jaime Zobel de Ayala has a distinguished track record as an international businessman. Having been the CEO of Ayala Corporation, a holding company established in 1834, with diverse business interests, a legacy of pioneering the future and aspirations for sustainable national development, Mr. Zobel has received may honors including: World Economic Forum Global Leader for Tomorrow in 1995; Emerging Markets CEO of the year in 1998 (sponsored by ING); Philippine TOYM (Ten Outstanding Young Men) Award in 1999 and Management Association of the Philippines Management Man of the Year Award in 2006. He has a deep understanding of international strategic, commercial and environmental issues, and gained extensive experience as a member of the board of directors of the companies in the Ayala Group in the areas of banking, telecommunications, property development, water distribution, health and education, renewable energy. During his time as Chair, he has been committed to

developing and maintaining a strong dialogue with investors and other key stakeholders and has ensured that their views are considered during Board discussions and decision-making. He has also demonstrated a strong commitment to ensuring that the highest standards of corporate governance, ethics and compliance are maintained. Mr. Zobel has a strong commitment to national development, which is reflected in the thrust of the Ayala Group towards new capacity-building efforts in strategic sectors such as power and transport infrastructure. In 2007, he received the Harvard Business School Alumni Achievement Award, the school's highest recognition. He is also a recipient of the Order of Mabini, rank of Commander (2015), Philippine Legion of Honor, rank of Grand Commander (2010), and Presidential Medal of Merit (2009).

Outside Interests/Commitments

He is a member of various international and local business and socio-civic organizations, including the JP Morgan International Council, Mitsubishi Corporation International Advisory Committee, Global Board of Advisors of the Council on Foreign Relations, Harvard Global Advisory Council, University of Tokyo Global Advisory Board, and Singapore Management University Board of Trustees. He is also Chairman of Harvard Business School's Asia-Pacific Advisory Board and Endeavor Philippines, and former Chairman of the Asia Business council, and the Ramon Magsaysay Foundation. He was also the Philippine Representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council from 2010-2015. He is also the Chairman Emeritus of the Asia Business Council, Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships.

Environmental, Social and Governance

In 2017, the UN Global Compact named him a Sustainable Development Goals Pioneer for integrating sustainability into business strategy and operations. He was formerly a chairman of the World Wildlife Fund Philippine Advisory Council.

Education

He received his B.A. in Economics (with honors) from Harvard University in 1981 and completed his MBA at Harvard Business School in 1987.

Other Philippine Stock Exchange-Listed Companies

Ayala Corporation - Chairman and Chief Executive Officer
Globe Telecom, Inc. – Chairman of the Board
Integrated Micro-Electronics, Inc. – Chairman of the Board
Ayala Land, Inc. – Vice-Chairman of the Board
Manila Water Company, Inc. – Vice-Chairman of the Board
AC Energy Philippines, Inc. – Vice-Chairman

² The DNV GL Code of Conduct is available from the DNV GL website (www.dnvgl.com)

Leaders’ Biographies			
REBECCA G. FERNANDO Position: Non-Executive Director Tenure • Appointed Non-Executive Director from October 1995 to 2007 • Appointed Non-Executive Director from March 2009 to present Board Committee membership • Member of the Executive Committee • Member of the Related Party Transaction Committee • Member of the Retirement/Pension Committee She is also a member of the Board of Directors of BPI Capital Corporation, BPI Family Savings Bank, Inc., and BPI Asset Management and Trust Corporation. Age 71, Born 1948 Nationality Filipino Career Ms. Fernando is the Financial Consultant and Member of the Finance Boards of The Roman Catholic Archbishop of Manila and of The Roman Catholic Archbishop of Antipolo. Relevant Skills and Experience She is a Certified Public Accountant. Education She graduated with a BSBA degree major in accounting from the University of the Philippines in 1970. She took further studies for an MBA at the University of the Philippines and attended an Executive Program on Transnational Business at the Pacific Asian Management Institute at the University of Hawaii. Other Philippine Stock Exchange-Listed Companies None	Age 58, Born 1961 Nationality Filipino Career He is currently the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer of Ayala Corporation, a PSE-listed company and Finance Group Head of the Ayala Group. He is a Director of Ayala Hotels, Inc., AC Energy, Inc., Ayala Healthcare Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala Aviation Corporation. AC Education, Inc., Asiacom Philippines, Inc., AG Counselors Corporation, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc. (formerly Ayala Automotive Holdings Corporation), A.C.S.T. Business Holdings, Inc. He is the Treasurer of Ayala Retirement Fund Holdings, Inc. President and CEO of AC Ventures Holdings, Inc., (formerly Water Capital Works, Inc.), AYC Finance Limited, Bestfull Holdings Limited, and Purefoods International Limited. He is the Vice Chairman of Lagdigan Land Corporation, President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. Relevant Skills and Experience Previously, he served as President of BPI Family Savings Bank from 2010-2015 and President of BPI Capital Corporation from 2007-2010. He served as the President of the Chamber of Thrift Banks from 2013-2015. He was also Officer-in-Charge for Ayala Life Assurance, Inc. in 2009 and Director and Chairman of Ayala Plans, Inc. in 2010-2011. Mr. Limcaoco joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia. Outside Interests/Commitments He is an Independent Director of SSI Group, Inc., Chairman of Darong Agricultural and Development Corporation and Zapfam Inc. He is a director of LICA Management Inc. and Just For Kids, Inc. Education He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.	Other Philippine Stock Exchange-Listed Companies <i>Globe Telecom, Inc.</i> – Non-Executive Director <i>Integrated Micro-Electronics, Inc.</i> – Non-Executive Director <i>SSI Group, Inc.</i> - Independent Director XAVIER P. LOINAZ* Position: Independent Director Tenure • Appointed Executive Director from March 1982 to March 2004 • Appointed Non-Executive Director from January 2005 to March 2009 • Appointed Independent Director from March 2009 to Present Board Committee membership • Chairman of the Audit Committee • Member of the Nomination Committee He is also an Independent Director of BPI Family Savings Bank, Inc. and BPI/MS Insurance Corporation. Age 76, Born 1943 Nationality Filipino Career He held the position of President and Chief Executive Officer of the Bank for 22 years from 1982 to 2004. Relevant Skills and Experience Under his presidency of the Bank, BPI obtained its universal banking license. It was also during his tenure that BPI consummated the biggest merger in the banking industry when it acquired the former Far East Bank & Trust Company (FEBTC). This merger strengthened its foothold in the asset management & trust services, enhanced its penetration of the middle market, as well as further reinforced its dominance in branch banking. In 2000, it also formalized its acquisition of three major insurance companies in the life, non-life and reinsurance fields. This move integrated the insurance product line into the bank’s basket of financial products for its customers. During his presidency, the Bank also established in February 2000 BPI Direct Savings Bank, a savings bank focused on providing internet and mobile banking services to its customers, which was to become the forerunner of BPI Direct BanKo. He was President of the Bankers Association of the Philippines for two terms from 1989 to 1991.	Outside Interests/Commitments He is the Chairman and President of XPL Manitou Properties, Inc. and Vice-Chairman of XPL MTJL Properties Inc. He is a member of the Board of Directors/ Trustees of DAOI Condominium Corporation and E. Zobel Foundation Environmental, Social and Governance Chairman of the Board of Alay Kapwa Kilusan Pangkalusugan. Education He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963, and obtained his MBA Finance at the Wharton School of Pennsylvania in 1965. Other Philippine Stock Exchange-Listed Companies <i>Ayala Corporation</i> – Independent Director AURELIO R. MONTINOLA III Position: Non-Executive Director Tenure • Appointed Non-Executive Director from January 2004 to December 2004 • Appointed Executive Director from January 2005 to April 2013 • Appointed Non-Executive Director from April 2013 to Present Board Committee membership • Member of the Executive Committee • Member of the Risk Management Committee • Member of the Nomination Committee • Member of the Personnel and Compensation Committee Among the several BPI subsidiaries and affiliates, Mr. Montinola serves as member of the Board of Directors of the following: BPI Capital Corporation, BPI Direct BanKo, Inc., BPI Family Savings Bank, Inc., and BPI/MS Insurance Corporation. Age 68, Born 1951 Nationality Filipino Career Mr. Montinola served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for twelve years from 1992 to 2004.
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Leaders’ Biographies			
Relevant Skills and Experience 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. Outside Interests/Commitments Mr. Montinola is the Chairman of East Asia Computer Center Inc., and Amon Trading Corporation. Environmental, Social and Governance Mr. Montinola is a member of the Board of Trustees of BPI Foundation Inc. and the Kabang Kalikasan ng Pilipinas Foundation, Inc. He also sits as Vice-chairman of Philippine Business for Education Inc. Education 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. Other Philippine Stock Exchange-Listed Companies <i>Far Eastern University, Incorporated</i> – Chairman of the Board <i>Roxas and Company, Inc.</i> – Independent Director		Relevant Skills and Experience She was a member of the Board of Directors of Ayala Corporation from 2004 until September 2010. She is a CPA-Lawyer. Outside Interests/Commitments She serves as Director of the following companies: Ayala Land Commercial REIT, Inc., Michigan Holdings, Inc., and Anvaya Cove Beach and Nature Club, Inc. She is Vice-President of Sonoma Properties, Inc. Environmental, Social and Governance She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. Education Ms. Nollredo graduated with the degree of Bachelor of Science in Business Administration major in Accounting (magna cum laude) from the University of the Philippines in 1960 and placed second at the Certified Public Accountant Licensure Board Examination administered in the same year. In 1965, she obtained her Bachelor of Laws degree (cum laude) also from the University of the Philippines where she also placed second at the Bar Examination held in the same year. Other Philippine Stock Exchange-Listed Companies <i>Xurpas, Inc.</i> – Non-Executive Director <i>D&L Industries, Inc.</i> – Independent Director	
MERCEDITA S. NOLLEDO Position: Non-Executive Director Tenure • Appointed Non-Executive Director November 1991 to Present Board Committee membership • Chairman of the Retirement/Pension Committee • Member of the Corporate Governance Committee Ms. Nollredo is also a Director in the following BPI subsidiaries and affiliates: BPI Investment Management, Inc., where she sits as Chairman; BPI Family Savings Bank, Inc., BPI Capital Corporation and BPI Asset Management and Trust Corporation. Age 78, Born 1941 Nationality Filipino Career Ms. Nollredo was a Senior Managing Director and also served as Corporate Secretary of Ayala Corporation and Senior Counsel of the Ayala Group of Companies.		Career Mr. Periquet spent the early part of his career doing equity research, sales and trading for several firms in London, eventually joining Deutsche Bank as head of the Asian Equities desk. In 2000, he established Deutsche Regis Partners, Inc., a joint-venture with Deutsche Bank, which became the largest stockbroker in the Philippines were he as Chairman, Managing Director & Head-Research. Relevant Skills and Experience He also, at one time, served on three government boards: the Development Bank of the Philippines, the DBP Leasing Corp., and the Metro Rail Transit Corp. Outside Interests/Commitments He is also an Independent Director of Albizia ASEAN Tenggara Fund, Chairman of the Campden Hill Group, Inc. and Pacific Main Holdings. Environmental, Social and Governance He is a trustee of Lyceum University of the Philippines, a member of the finance committees of the Ateneo de Manila University and the Philippine Jesuit Provincial and a member of the Dean’s Global Advisory Council at the University of Virginia’s Darden School of Business. Education Mr. Periquet graduated from the Ateneo de Manila University with an AB Economics degree in 1982. He also holds a Master of Science degree in Economics from Oxford University and an MBA from the University of Virginia. Other Philippine Stock Exchange-Listed Companies <i>ABS-CBN Corporation</i> – Independent Director <i>ABS-CBN Holdings Corporation</i> – Independent Director <i>Ayala Corporation</i> – Independent Director <i>DMCI Holdings, Inc.</i> – Independent Director <i>Semirara Mining Corporation</i> – Independent Director <i>Max’s Group of Companies</i> – Independent Director <i>Philippine Seven Corporation</i> – Independent Director ELI M. REMOLONA, JR.* Position: Independent Director Tenure • Appointed Independent Director April 2019 to Present Board Committee membership • Member of the Risk Management Committee Age 67, Born 1952	Nationality Filipino Career While currently a Visiting Professor of Economics at Williams College, MA, USA, Mr. Remolona previously worked for 14 years at the Federal Reserve Bank of New York and 19 years at the Bank for International Settlements (BIS). He served as the Chief Representative for Asia and the Pacific of the BIS. He also served as Secretary of the Asian Consultative Council, which consists of the governors of the 12 leading central banks in the region. He was an Associate Editor of the International Journal of Central Banking. Until 2008, he was Head of Economics for Asia and the Pacific of the BIS. Mr. Remolona joined the BIS in 1999 and for 6 years served as Head of Financial Markets in Basel and Editor of the BIS Quarterly Review. Before that, he was Research Officer of the Federal Reserve Bank of New York. Relevant Skills and Experience He has extensive policy experience in financial markets, sovereign risk, international finance, central banking and monetary policy. He also taught at Columbia University, New York University and the University of the Philippines. Outside Interests/Commitments He is also currently Associate Editor of the International Journal of Central Banking. Environmental, Social and Governance He is an Advisor to the Academy of finance in Hong Kong. Education Mr. Remolona obtained his Bachelor’s Degree in Economics from Ateneo de Manila University and has a Ph.D. in Economics from Stanford University. Other Philippine Stock Exchange-Listed Companies None MARIA DOLORES B. YUVIENCO* Position: Independent Director Tenure • Appointed Independent Director April 2016 to Present • Appointed Non-Executive Director April 2014 Board Committee membership • Chairman of the Corporate Governance Committee • Member of the Audit Committee • Member of the Related Party Transaction Committee
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Leaders’ Biographies			
Ms. Yuvienco is an Independent Director of BPI Asset Management and Trust Corporation. Age 72, Born 1947 Nationality Filipino Career 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. Relevant Skills and Experience Her exposure at the BSP was largely in bank supervision where her responsibilities ranged from the crafting of policies/regulations on banking supervision to onsite 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. She is a Certified Public Accountant and a Career Executive Service Professional. Outside Interests/Commitments In April 2018, Ms. Yuvienco was elected as Independent Director of First Consolidated Bank (Thrift Bank), and was chosen to chair the Nomination and Governance Committee. Education 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. Other Philippine Stock Exchange-Listed Companies None *Independent Director as defined in Sec. 38 of the Securities Regulation Code and BSP Circular Nos. 296 and 749. Per Article V of the Amended By-Laws of the Bank, all nominations for election of Directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary, together with the written acceptance of the nominee, not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix. No		nominee shall qualify to be elected as Director unless this requirement is complied with. In accordance with this, the nominations are subsequently processed and evaluated by the Nomination Committee of the Bank in a meeting called for that purpose in compliance with SRC Rule 38. ANGELA PILAR B. MARAMAG Corporate Secretary Filipino, 50 years old, was appointed Corporate Secretary on April 8, 2015. She is also the Corporate Secretary or Deputy Corporate Secretary of various BPI subsidiaries and affiliates, including BPI Family Savings Bank, BPI Capital, BPI Forex, BPI/MS Insurance Corp., and BPI Century Tokyo Lease and Finance Corp. Prior to joining BPI, Ms. Maramag was Senior Counsel at the Bank for International Settlements (BIS) in Basel, Switzerland, from 2001 to 2008, and Head of Finance and Administration at the BIS Representative Office in Hong Kong from 2008 to 2011. She was a Legal Officer at the United Nations Compensation Commission in Geneva, Switzerland, from 1998 to 2001. Ms. Maramag was admitted to the Philippine Bar (1995) and New York State Bar (1998). She received her Master in Laws (LL.M) from the University of Chicago in 1997, Juris Doctor (J.D) in 1994 from Ateneo de Manila School of Law, and AB Honors Program in Economics in 1990 from Ateneo de Manila University. SENIOR MANAGEMENT RAMON L. JOCSON Executive Vice President & Chief Operating Officer Filipino, 60 years old, Mr. Jocsen is currently an EVP and the COO of BPI. He is the Head of BPI’s Enterprise Services Segment (ESS), which serves as the enterprise backbone of the organization that includes Human Resources, Centralized Operations, Information Systems, Digital Channels, Business Transformation, Data Science, Facilities Services, Corporate Affairs and Communications, and Customer Experience Management Office. He chairs the Bank’s IT Steering Committee and is a member of the Bank’s Management Committee. He is currently the Vice-Chairman of the CyberSecurity Committee of the Bankers Association of the Philippines. Mr. Jocsen began his career as a Systems Analyst with IBM Manila in 1982, subsequently taking on more responsibility as he assumed different positions, including Information Systems Manager, Systems	
		Engineering Manager and Manager of Quality. In 1995, he was assigned in Singapore where he led IBM’s Applications/Systems Integration business in ASEAN and South Asia. In 1996, he was appointed as Managing Director for IBM Philippines. In 2000, he took on a new assignment as Vice President and GM of IBM Global Services, ASEAN and South Asia. He was then appointed as Vice President and GM of IBM Global Services for Industrial Sector for Asia Pacific in 2005. In 2007, he took on the role of Vice President and GM of Application Services for the Growth Market Unit, where he led IBM’s Applications Management and Application Integration Services in Asia Pacific, Central and Eastern Europe, Latin America and Middle East/Africa. He was then appointed as VP & GM of Integrated Technology Services for Asia Pacific in 2010. In 2013, he was appointed as VP & GM of IBM Global Services for Central and Eastern Europe based in Prague, Czech Republic. In this capacity, he was responsible for IBM’s services portfolio in Russia/CIS, Turkey, Poland & Baltics, Central Europe and South East Europe. From January 2015 he was in Singapore as IBM Asia Pacific VP & GM for Strategic Outsourcing, until he joined BPI in September 2015. He was also a member of IBM’s Growth & Transformation Team, which is composed of the top senior leaders in IBM which worked directly with the Chairman on key/strategic initiatives. He has served on several external boards, including the Economic Development Board of Singapore, Philamlife and iPeople. Mr. Jocsen obtained his B.S. Industrial Engineering degree from the University of the Philippines in 1982. He also has an MBA from the Ateneo Graduate School of Business.	She joined BPI in 1995 through the Bank Officers Development Program. She has 25 years of banking experience with expertise in strategic planning and finance, corporate banking, debt and equity capital markets, portfolio management, trust, and wealth management. She previously served on the BPI Trust Committee and the board of BPI Investment Management, Inc. Prior to her banking career, she worked for the National Economic and Development Authority, and the Agricultural Policy Credit Council. She previously served as president of the Fund Managers Association of the Philippines, president of the Trust Officers Association of the Philippines, vice-chairman of Capital Markets Development Committee of FINEX, alternate governor of the Market Governance Board of Philippine Dealing and Exchange Corporation, and member of the National Advisory Council of WWF Philippines. Ms. Marcial obtained her Master’s Degree in Economics in 1995 from the University of the Philippines Diliman and BS Economics, Cum Laude, from the University of the Philippines Los Baños in 1990. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.
		ANTONIO V. PANER Executive Vice President & Treasurer Filipino, 61 years old, Mr. Paner serves as Treasurer and head of the Bank’s Global Markets Segment. As such, he is 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– in the Philippines and abroad. Mr. Paner is Chairman of the Bank’s Asset & Liability Committee and is a member of the Management Committee and Asset Management Investment Council. He also serves on the board of BPI Europe Plc. Mr. Paner joined BPI in 1985, when the Bank acquired Family Savings Bank and performed various Treasury and Trust positions until 1989. Between 1989 and 1996, he worked at Citytrust, then the consumer banking arm of Citibank in the Philippines, which BPI acquired in 1996. At BPI, he has been responsible for various businesses of the bank, including Risk Taking, Portfolio Management, Money Management, Asset Management, Remittance and Private Banking. Mr. Paner served as President of the Money Market Association of the Philippines (MART) in 1998 and remains an active member up to present. He is currently the Vice Chairman of the Bankers Association	

of the Philippines' (BAP) Open Market Committee. He is also a member of the Makati Business Club, Management Association of the Philippines, British Chamber of Commerce, and the Philippine British Business Council.

He 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. In 2009, he completed the Advanced Management Program at Harvard Business School.

Mr. Paner retired as of December 31, 2019.

SIMON R. PATERNO **Executive Vice President**

Filipino, 61 years old, Mr. Paterno serves as head of BPI's Financial Products & Alternative Channels. As such, he is responsible for building and managing BPI's service capabilities across all asset, liability, payments, and bancassurance platforms. He also serves on the Bank's Management, Asset & Liability, Credit Committees, as well as on the Boards of AF Payments, Zalora Philippines, BPI Century Tokyo Lease and Finance Corporation, BPI Century Tokyo Rental Corporation, BPI/MS Insurance Corporation and BPI Direct Banko where he is the Chairman.

Prior to joining BPI, Mr. Paterno represented CIMB in its search for a Philippine bank investment, having joined the group in late 2012 as CEO-designate of Bank of Commerce, which was targeted for acquisition by CIMB. Between 2004 and 2012, he was Managing Director and Country Manager of Credit Suisse, where he also founded and served as Chairman of Credit Suisse Securities Philippines, Inc., the firm's securities broker/dealer subsidiary. Between 2002 and 2004, Mr. Paterno was President & CEO of Development Bank of the Philippines and concurrently Chairman of the LGU Guarantee Corp. and other DBP subsidiaries. Prior to DBP, Mr. Paterno was a Managing Director at J.P. Morgan, where he spent 18 years in various capacities, rising from Head of Philippine banking to Head for sovereign clients in all of Asia. During the Asian Financial Crisis, he led the project teams that advised the Indonesian Bank Restructuring Agency (IBRA) and its Malaysian counterpart, Danaharta.

In his career, Mr. Paterno worked on some of the most significant sovereign financing transactions in the Philippines: restructuring of its foreign debt (1991), debut eurobond (1992), Brady exchanges (1994), Domestic Bond Exchanges (2006), and Debt Exchange Warrants (2008).

Mr. Paterno received his MBA from Stanford University in 1984 and his AB Honors Program in Economics (Cum Laude) from the Ateneo de Manila University in 1980.

Mr. Paterno retired as of June 30, 2019. He is the Founder and CEO of 2QR Corporation, a financial Technology start-up.

MARIE JOSEPHINE M. OCAMPO **Executive Vice President**

Filipino, 58 years old, Ms. Ocampo is the Head of the Mass Retail Segment of the Bank. She is responsible for BPI's Unsecured Lending and Cards Group in which she oversees BPI's credit, debit and prepaid card businesses as well as personal and micro finance loans. Ms. Ocampo is currently the Chairman of BPI Direct Banko. She is a member of the Board of TAFE Corporation, BPI Payments Holdings Inc., Global Payments Asia-Pacific Philippines, Inc., AF Payments Inc., Zalora Philippines and CARD MRI Rizal Bank Inc.

Ms. Ocampo started her career in BPI as Vice-President for Marketing and Sales of BPI Credit Cards in 1996. She soon took the position of President for BPI Card Corporation, the bank's credit card subsidiary where she won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for retooling the bank's data warehouse and customer analytics capabilities into its distinct competitive advantage. Ms. Ocampo also developed the bank's CRM initiatives on top of driving the bank's advertising and digital initiatives across the breadth of products, channels and services. In 2015, she became the Payments and Remittance group head, and was tasked to grow fee revenue via expanding existing businesses and developing new payment platforms.

Prior to joining BPI, Ms. Ocampo gained her extensive marketing experience as Assistant Product Manager at Johnson & Johnson Australia in 1985 and as Associate Marketing Manager in Johnson & Johnson Philippines in 1987. She led the expansion of Johnson & Johnson's Health Care, Baby Care and Sanitary Protection business.

Ms. Ocampo graduated Magna Cum Laude and received her Bachelor of Science in Business Management, Honors Program at Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School in 2007.

JUAN CARLOS L. SYQUIA **Executive Vice President**

Filipino, 53 years old, is Head of Corporate Banking. Prior to taking on this role in 2018, he was the President of BPI Capital Corporation and Co-Head for Investment Banking for the Bank. He has over 28 years of work experience in the financial services industry.

Prior to joining BPI Capital Corporation in June 2016, Mr. Syquia was the 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 coverage strategy of the bank in the Philippines.

Mr. Syquia spent 17 years with the ING Group where he started with the 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 the Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role 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.

Mr. Syquia is a product of the Bank's Officer Training Program which he completed in 1990 during his first stint at the Bank of the Philippine Islands. In 1991, he was assigned to Cebu 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.

JOSEPH ANTHONY M. ALONSO **Senior Vice President & Chief Credit Officer**

Filipino, 53 years old, Mr. Alonso is currently the Chief Credit Officer of BPI since January 2017. As Chief Credit Officer, he is responsible for managing the aggregate risk in the BPI Group's loan portfolio - ensuring that portfolio quality and profitability is maintained across the lending units within the BPI Group through establishment of procedures and guidelines that facilitate effective decision making based on overall risk appetite and compliance with internal policies and regulatory requirements. He also serves as Vice Chairman of the Bank's Credit Committee and a member of the Fraud Committee. He was a Board member of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation until July 2019.

Mr. Alonso was involved with Corporate Relationship Management for most of his 22 year career in BPI, having started as a Market Head in the Asian Division and eventually becoming Division Head of the Asian Corporates/PEZA Division. The Division also included the Special Projects Team under the Financial Institutions Group and BPI Leasing Corporation and BPI Rental Corporation prior the its merger with Tokyo Century Corporation of Japan.

Mr. Alonso started his banking career with The Mitsubishi Bank, Ltd. in Tokyo in 1990 as a management trainee, holding positions in branch, treasury and international operations and SME and multinational relationship management. Prior to joining BPI in January 1997, Mr. Alonso headed the Japan Desk in the World Corporation Group of Citibank, N.A. Manila Branch from 1994. Mr. Alonso obtained his BS Business Administration degree at the Faculty of Economics of Oita University in Japan in 1990 under a scholarship grant from the Japan Ministry of Education. He was also a scholar of the National Science and Technology Authority while attending the College of Engineering at the University of the Philippines.

ANGELIE O. KING **Senior Vice President, Head of Sales and Service Channels**

Filipino, 58 years old, Ms King is the Head of Sales and Service Channels of BPI. She is responsible for the Unibank's Branch Network nationwide, Direct Sales, Retail Enterprise Services, Branch Network and Administration and Strategic Planning. She joined the bank through the Citytrust merger in 1996.

Ms. King has 35 solid years of sales and branch service management experience. She began her career in Citytrust as a contractual specialist hire Field Sales Account Manager. Successfully introducing innovation and exceeding performance benchmarks, she was promoted through the ranks holding different positions to lead and take on bigger areas of responsibility. After the merger in 1996, Ms. King continued to take on expanded areas of responsibility and more senior roles in the organization. She currently leads close to 10,000 employees across the Unibank.

Over the years, she chaired the Unibank WOW Committee responsible for improving the experience of customers in the branches and the Unibank Excellence Retail Awards Committee. She is a member of the Management Committee and is an advocate of social responsibility by spearheading fund raising programs to support public school and orphanage, cleft palate surgery for children, rehabilitation programs for the Typhoon Yolanda, Marawi

siege and Taal volcano eruption victims. She served as BFSB Director (2015-2017) and Chairman of BPI Remittance Centre (HK) Ltd (2016-2018). Ms. King obtained her BS Commerce major in Management of Financial Institutions from De La Salle University in 1983. She also completed the Ayala Leadership Acceleration Program (2011).

MARY CATHERINE ELIZABETH P. SANTAMARIA
Senior Vice President & Chief Marketing Officer

Filipino, 53 years old, Ms. Santamaria is the Chief Marketing Officer of BPI. She is responsible for Retail Customer Segments, CRM and Loyalty, Branch Channels Marketing & Support, Institutional Brand Marketing and Digital, Customer Data & Insighting, Enterprise Data Management, Enterprise Data Policies, Procedures & Controls and Marketing Project Management & Systems Support. She joined the Bank in 2011 and is currently a member of the Management Committee.

With over 30 years of marketing experience, Ms. Santamaria began her career in the advertising industry with Adformatix, where she was awarded as rookie of the year. Throughout her career she has worked with leading companies such as Philippine Airlines, Monterey and Wyeth-Suaco. Most notable among these was her stint at Kraft Foods Philippines where she held different marketing positions and was appointed Marketing Director with added responsibility for Southeast Asia’s consumer insighting projects with major interfaces across Sales, Operations, Research & Development, Finance, Supply Chain and the region office. While here, she received the prestigious Asia Pacific’s President Award and Kraft Foods International’s President Award, Best Asia Pacific Advertising in Cheese, and achieved “Super Ads” across campaigns developed. She was then appointed to Kraft Foods International headquarters as Director, Business Development where she identified business opportunities for specific market categories across Central Eastern Europe, Brazil, Australia, China and Saudi Arabia. She was also subsequently appointed as General Manager for Kraft Foods Jaya, leading Singapore, Malaysia and Brunei. Prior to joining BPI, Ms. Santamaria was Head of Touch Mobile at Globe Telecom which she successfully repositioned. She was also appointed as Segment Head for the Mobile Business and led the Globe rebranding. She also defined a more effective spending, put together a Marketing Leadership Academy and reformed marketing processes for the telecom leader.

She served as Vice President for the Bank Marketing Association of the Philippines (BMAP) in 2018.

Ms. Santamaria obtained her Bachelor of Science in Business Administration (Cum Laude) from the University of the Philippines in 1988. She also has a Certificate of Strategic Business Economics (with Distinction) and Master Business Economics from the University of Asia and the Pacific (Philippines) in 2001. She also took a course from the Chicago Business School (Feb 2006, Chicago)and completed a Telecoms Marketing Mini MBA from Informa Telecoms and Media (April 2006, London).

ERIC ROBERTO M. LUCHANGCO
Senior Vice President, Head of Business Banking

Filipino, 49 years old, Mr. Luchangco was appointed to his current position as Head of Business Banking for BPI in June 2019. He is overseeing the expansion of the BPI’s presence within the SME space, which has been identified as a growth area for the Bank, with a vision of becoming the partner of choice for SMEs in the Philippines.

He joined the BPI Group in 2013, starting with BPI Capital, BPI’s investment banking unit, as Head of Debt Capital Markets. During his stint there, he oversaw over two-thirds of all corporate bond issues in the Philippine market, and executed a number of other innovative transactions. He later expanded his responsibilities to concurrently become Head of Execution and Treasurer of BPI Capital. In June 2017, he moved into BPI as the Head of Corporate Credit Products of BPI, where his team managed the credit reviews and renewals of all the accounts under the Corporate Bank.

Prior to joining BPI, he 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 graduated Management Economics from Ateneo de Manila University, and received his MBA degree from the Ross School of Business at the University of Michigan.

MARIA CRISTINA L. GO
President, BPI Family Savings Bank

Filipino, 50 years old, Ms. Go has been the President of BPI Family Savings Bank since June 1, 2017. Prior to that, she served as Group Head of Retail Loans at BPI Family Savings Bank.

For 11 years, she was the Head of BPI’s Payments and Unsecured Lending Group. She led initiatives and innovations that have differentiated BPI in the industry, such as leading the launch 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. as Head of its Market Planning and Development Division. She started her career in Procter & Gamble as Brand Assistant then promoted to Assistant Brand Manager, managing brands such as Mr. Clean, Perla, Star and Dari Crème.

She 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 UP College of Business Distinguished Alumni in 2012 and one of the Most Influential Filipina Women by the Global Filipina Women’s Network in 2016.

She currently serves as the Secretary and Trustee of the Chamber of Thrift Banks, Chairman of the BPI Payments Holdings, Inc. 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.

CONTROL, RISK MANAGEMENT AND COMPLIANCE

ROSEMARIE B. CRUZ
Senior Vice President & Chief Audit Executive

Filipino, 57 years old, Ms. Cruz is the Chief Audit Executive of BPI since January 2012 and leads the Bank’s Internal Audit Division. She also serves as the Chief Audit Executive for BPI subsidiaries including BPI Family Savings Bank, BPI Capital Corporation, BPI Securities Corporation, BPI Century Tokyo Lease and Finance, BPI Century Rental Corp, BPI Direct BankO, BPI Asset Management and Trust Corporation, BPI Investment Management Inc., BPI International Finance Ltd., BPI MS Insurance and BPI Ayala Plans. As such, she oversees the audit of the different units, systems and processes of BPI and these subsidiaries and provides assessment on the adequacy and effectiveness of their internal control systems, risk management and governance processes. She supports the Audit Committee in the discharge of its oversight function and also works closely with the Chief Risk Officer, Chief Compliance Officer, external auditor and other assurance units for a comprehensive review of risks and compliance systems in the Bank. She also sits as non-voting member in the board level Related Party Transaction Committee and the management level Fraud and Irregularities Committee.

Ms. Cruz joined BPI in 2000, when the Bank acquired Far East Bank and Trust Company, where she was previously in charge of the audit of the retail banking, lending operations and other backroom support operations. She also headed the special examination unit in charge of investigation of fraud and irregularities.

Ms. Cruz is a Certified Public Accountant and obtained her BSBA Accounting degree from Philippine School of Business Administration. She completed her Advanced Bank Management program at Asian Institute of Management in 1996. Ms. Cruz currently also serves as a member of the Audit Committee of Ayala Multi-Purpose Cooperative.

MARITA SOCORRO D. GAYARES
Senior Vice President & Chief Risk Officer

Filipino, 58 years old, Ms. Gayares is the Chief Risk Officer of the BPI Group of Companies and Head of its Risk Management Office since January 2018. As Chief Risk Officer, she is primarily responsible for the overall management of the BPI Group’s enterprise risks – ensuring that all relevant financial and non-financial risks are appropriately identified, measured, controlled, and monitored within the Bank’s approved risk appetite and commensurate to returns on capital. She provides executive and strategic risk support to the Bank’s Board of Directors, through the Risk Management Committee (RMC), in fulfilling its risk management function and ensuring that the Bank has an established, sound, and robust enterprise risk management (ERM) framework. She works closely with the Chief Audit Executive and Chief Compliance Officer for effective risk management governance, compliance, and control processes across the Bank. She serves as member of the Bank’s Fraud and Irregularities Committee (Chairperson), Data Steering Committee (co-Chairperson), Crisis Resiliency Committee (Deputy Commander), Enterprise and Information Technology Steering Committee (advisory capacity), Management Committee, Finance Committee (non-voting member), and Operational Risk Management Committee. She likewise serves as a director for BPI Europe Plc.’s Board.

With career stints in the areas of Corporate Banking, Credit and Transaction Banking, Loans Operations, Project Management, Systems, and Financial Control, and having previously served as the Bank’s Chief Compliance Officer, Ms. Gayares’s extensive and diverse 34-year banking experience has been instrumental in transforming the Bank’s compliance, anti-money laundering, corporate governance, and data privacy frameworks, methods, and processes, and helping the Bank become one of the leading financial institutions in the Philippine banking industry in the areas of governance, risk management, and compliance (GRC).

Ms. Gayares is a graduate of the University of the Philippines with a Bachelor’s degree in Business Economics. She completed her Master’s degree in Business Administration (major in Finance and Investments) at George Washington University in Washington, D.C. She has successfully completed the Strategic Compliance in the Banking Industry certificate course by the Association of Bank Compliance Officers (ABCOMP) and De La Salle University (DLSU) Manila, as well as completed corporate governance modules facilitated by the Institute of Corporate Directors (ICD). She has previously served as Director and Treasurer of the ABCOMP, and Voting Member of the Bankers Institute of the Philippines, Inc. (BAIPHIL). She currently serves as Member of the Risk Management Committee of the Bankers’ Association of the Philippines (BAP), and Board of Advisors/Executive Committee Member of the Enterprise Risk Management (ERM) Council of the Ayala Group of Companies.

NORAVIR A. GEALOGO
Vice President & Chief Compliance Officer

Filipino, 56 years old, Atty. Gealogo is the Chief Compliance Officer of BPI and Head of the Bank’s Compliance Division which oversees the implementation of the Bank’s enterprise-wide compliance programs and is composed of the following departments: Regulatory Compliance, AML Compliance, AML Systems and Special Projects, FATCA Compliance, Corporate Governance and the Data Privacy Office. The Compliance Division is also empowered by 22 Group Compliance Officers (GCOs), who are embedded in operational units throughout the Bank.

Having been with Far East Bank and Trust Company (FEBTC) since 1991, which then merged with BPI in 2000, she has 29 years of banking experience. Previously a legal officer of FEBTC, the Head of the Legal Advisory Department of BPI and Legal Officer and Head of Compliance of BPI Capital Corporation, she has extensive business, legal and/ or compliance exposure in the areas of corporate and retail banking, corporate finance, project finance, securities distribution, mergers and acquisition, correspondent banking, remittance and trade finance. She is currently a non-voting member of BPI’s board-level Related Party Transaction Committee and chairs the management level MSB (Money Service Business) Governance Committee and MLEC (Money Laundering Evaluation Committee).

Atty. Gealogo obtained her Bachelor of Laws from the University of the Philippines Diliman in 1988 and AB History from the University of the Philippines Diliman in 1984. She completed the Development Lawyers Course at the International Development Law Institute in Rome, Italy in 1994 and the Certificate Course in Strategic Compliance for the Banking Industry at the Center for Professional Development in Business of the De La Salle University in 2017. She has regularly undergone corporate governance courses and training provided by the Institute of Corporate Directors (ICD), Bankers Institute of the Philippines (BAIPHIL) and Good Governance Advocates and Practitioners of the Philippines (GGAPP).

She is currently also the Treasurer and a Member of the Board of Directors of the Association of Bank Compliance Officers of the Philippines (ABCOMP).

Products and Services

DEPOSITS

Peso

- Checking
- Savings
- Time

Foreign Currency

- Savings
- Time

Deposit Substitutes

LOANS

COMMERCIAL

Agribusiness

- Agricultural Production
- Post-Harvest Facilities

Trade and Supply Chain Finance

Trade

- Non-Letter of Credit
- Letter of Credit
- Standby Letter of Credit
- Trust Receipt Loans
- Export Advance Loans
- Export Bills Purchase
- BOC Customs Duties

Supply

- Supplier Finance
- Receivable Finance

Structured Finance

- Project Finance
- Cross Border
- Other Structured Credits

Sustainable Development Finance

Sustainable Energy Finance

- Renewable Energy
- Energy Efficiency
- Climate Resilience

Sustainable Agriculture

Specialized Lending

- Guarantee Facilities
- Funding Facilities

Leasing

- Finance Lease
- Operating Lease
- Full Service Operating Lease
- Term Loan
- Receivables Financing

SMALL MEDIUM ENTERPRISES

- Zero Collateral for Depositors
- Small Business Credit
- Business Franchise Financing (BFF)
- Commercial Asset Purchase (CAP) Loans
- Supplier Circle
- Dealer Circle

MICROFINANCE

- BanKo NegosyoKo Loan
- Microdeposits
- Tricycle Financing Program

CONSUMER

- Auto Loans (BFSB)
- Housing Loans (BFSB)

FINANCIAL SERVICES

(HONG KONG)

- Global Securities
- Foreign Fixed Income
- Bonds/Credits
- Collective Investment Schemes/Funds
- Equities
- Investment Management Account
- Multi-Currency Time Deposits
- Short Term Loans
- Foreign Exchange Spot

PAYMENTS AND SETTLEMENTS

Electronic Channels

- BPI Online Banking
- BPI Mobile Banking
- BPI Phone Banking
- BPI Automated Teller Machine (ATM)
- BPI Cash Accept Machine (CAM)

Unsecured Lending and Cards

- Credit Cards
- Debit Cards
- Prepaid Cards
- Personal Loans

Remittance

- Funds Transfer

Inward Remittance

- Credit to Account
- Cash Pick-Up
- Outward Remittance

Domestic Remittance

- Funds Transfer to other banks (InstaPay, PESONet)

Cash Management

Account and Liquidity Management

- Account Inquiry and Transaction History
- Special Bank Statements (MT940 PH Standard, Multicash, BAI)
- Loan Inquiry
- Trade Inquiry
- Intra-company Funds Transfers
- Account Sweeping

Awards and Citations

BPI Institutional

- Best Bank in the Philippines (Cash Management, Trade, Risk Management – Corp. FX and Treasury Hedging), Corporate Treasurer
- Silver trophy, BPI OF Segment’s Overseas Filipino Financial Wellness Program, 2019 Anvil Awards
- Silver trophy, 2017 Annual Report: Enriching Relationships, 2019 Anvil Awards
- Optimal Creative Champion Awards, Facebook Solutions Awards
- Award of Merit, Customer Relations - Pursuing Financial Inclusion with BPI BanKo, 2019 Quill Awards
- Award of Merit, Publications - 2017 Integrated Report: Enriching Relationships, 2019 Quill Awards
- Award of Merit, Safety Communication- Championing Cybersecurity Awareness, 2019 Quill Awards

Global Markets

- Best FX House, Corporate Treasurer
- Philippines Domestic Foreign Exchange Bank of the Year, ABF Wholesale Banking Awards 2019
- Best FX Bank for Corporates & FIs in the Philippines, Alpha Southeast Asia 2019
- Best FX Bank for Retail Clients in the Philippines, Alpha Southeast Asia 2019
- Philippines’ Domestic Foreign Exchange Bank of the Year, Asian Banking & Finance Awards 2019
- Top 5 Corporate Securities Market Maker (Rank #3), PDS Awards 2018
- Top 5 PDDTS/PvP Participant (Rank #3), PDS Awards 2018
- Best New Bond (\$600 million) - Philippines, The Asset Asian Awards 2018
- Best Equities Economist (Emilio Neri, Jr.), 1st place, FMAP’s 19th Awards Night
- Best Fixed Income Economist (Emilio Neri, Jr.), 2nd place, FMAP’s 19th Awards Night
- Philippines’ Best Local Currency Bond Individual in Research for 2019 (Emilio Neri, Jr.), Rank 1, The Asset Benchmark Research Awards

Corporate Banking

- Best Trade and Supply Chain House, Corporate Treasurer
- Best Domestic Project Finance Bank of the Year for the Cavite-Laguna Expressway

Trade and Finance

- Domestic Trade Finance Bank of the Year, ABF Wholesale Banking Awards 2019
- Best Trade Finance Bank in the Philippines, Alpha Southeast Asia Awards
- Corporate Cash Deposit Machine as Top Innovator for 2019, Global Finance Magazine

Compliance

- RegTech for Regulators Accelerator (R2A) Project, Bangko Sentral ng Pilipinas (BSP) 16th Awards Ceremony
- Scoring in the range of 90 to 99.99 points for the Philippine results of the 2018 ASEAN CG Scorecard, Institute of Corporate Directors (ICD), Golden Arrow Awards

Risk Management

- ASEAN Risk Champion Winner, ASEAN Risk Awards 2019
- Risk Educator Runner-Up, ASEAN Risk Awards 2019
- Risk Leader of the Year Finalist, ASEAN Risk Awards 2019

Unsecured Lending and Cards

- Highest Consumer Credit Payment Volume Growth 2019, Visa Awards

BPI Capital Corporation

- Best Investment Bank in the Philippines, Global Banking and Finance Review 2019
- Best Bond House in the Philippines, Global Banking and Finance Review 2019
- Best Equity House in the Philippines, Global Banking and Finance Review 2019
- Best Green Bond - Financial Institution, BPI CHF100Million Green Bond, FinanceAsia Achievement Awards 2019
- Best Green Bond - Corporate, AC Energy Finance International US\$410Million Green Bond, FinanceAsia Achievement Awards 2019

- Best Follow-on Offering - San Miguel Food & Beverage Follow-on Public Offering, FinanceAsia Achievement Awards 2019
- Best Investment Bank in the Philippines, Alpha Southeast Asia Awards
- Mergers and Acquisitions Deal of the Year, Philippines - Merger of iPeople, Inc. and AC Education, Inc., ABF Corporate & Investment Banking Awards 2019
- Equity Deal of the Year, Philippines - San Miguel Food & Beverage Follow-on Public Offering, ABF Corporate & Investment Banking Awards 2019
- Green Deal of the Year, Philippines - IFC’s maiden US\$90M Green Bonds, ABF Corporate & Investment Banking Awards 2019
- Domestic Project Finance Bank of the Year, Philippines - MPCALA Holdings 24.2 billion pesos omnibus loan and security facility, ABF Wholesale Banking Awards 2019
- Best Investment Bank in the Philippines, FinanceAsia Country Awards 2019
- Best ECM House in the Philippines, FinanceAsia Country Awards 2019
- Petrochemical Deal of the Year, Philippines - Philippine Tank Storage International Holdings US\$150 million financing, The Asset Triple A Asia Infrastructure Awards 2019
- PPP Deal of the Year, Philippines - MPCALA Holdings 24.2 billion pesos omnibus loan and security facility, The Asset Triple A Asia Infrastructure Awards 2019
- Transport Deal of the Year, Philippines - Cebu Cordova Link Expressway Corporation 9.0 billion pesos financing, The Asset Triple A Asia Infrastructure Awards 2019
- Utility Project of the Year, Philippines - Apo Agua Infrastructure 10 billion pesos financing, The Asset Triple A Asia Infrastructure Awards 2019
- Best Equity House, IHAP Awards 2019
- Best Fixed Income House, IHAP Awards 2019
- Best Deal of the Year - Cebu Cordova Link Expressway Corporation (CCLEC), IHAP Awards 2019
- Best Equity Deal - San Miguel Food & Beverage, Inc., IHAP Awards 2019
- Best Project Finance Deal - MPCALA Holdings, Inc, IHAP Awards 2019
- Best Fixed Income Deal - Bureau of the Treasury, IHAP Awards 2019

BPI Family Savings Bank, Inc.

- Outstanding Partner for Children’s Savings Mobilization, 2019 BSP Stakeholders Awards

BPI Direct BanKo, Inc., A Savings Bank

- BanKo NegosyoKo Loan, Ayala Innovations Excellence Award
- Best for Microfinance in the Philippines, Asiamoney 2019

BPI Foundation, Inc.

- Best Bank for Corporate Social Responsibility (CSR), Asiamoney Banking Awards 2019
- World Wildlife Fund (WWF) Philippines, WWF Sustainability Trailblazer Award, Agriclimate program

BPI Investment Management, Inc.

Philippine Investment Funds Association (PIFA) Annual Awards 2019

- 2nd place, ALFM Money Market Fund’s 1-Year Return, Money Market Fund Category
- 2nd place, ALFM Money Market Fund’s 3-Year Return, Money Market Fund Category
- 2nd place, ALFM Money Market Fund’s 5-Year Return, Money Market Fund Category
- 1st place, ALFM’s Dollar Bond Fund Inc.’s 1-Year Return, Bond Fund Category – Foreign Currency Denominated
- 1st place, ALFM’s Dollar Bond Fund Inc.’s 3-Year Return, Bond Fund Category – Foreign Currency Denominated
- 1st place, ALFM’s Dollar Bond Fund Inc.’s 5-Year Return, Bond Fund Category – Foreign Currency Denominated
- 2nd place, ALFM’s Peso Bond Fund Inc.’s 1-Year Return, Bond Fund Category – Peso Denominated
- 2nd place, ALFM’s Peso Bond Fund Inc.’s 3-Year Return, Bond Fund Category – Peso Denominated
- 2nd place, ALFM’s Peso Bond Fund Inc.’s 5-Year Return, Bond Fund Category – Peso Denominated
- 3rd place, Ekklesia Mutual Fund, Inc.’s 1-Year Return, Bond Fund Category – Peso Denominated
- 3rd place, Ekklesia Mutual Fund, Inc.’s 3-Year Return, Bond Fund Category – Peso Denominated
- 3rd place, Ekklesia Mutual Fund, Inc.’s 5-Year Return, Bond Fund Category – Peso Denominated
- 3rd place, Ekklesia Mutual Fund, Inc.’s 10-Year Return, Bond Fund Category – Peso Denominated

- 2nd place, Solidaritas Fund Inc.’s 1-Year Return, Balanced Fund Category
- 1st place, Solidaritas Fund Inc.’s 3-Year Return, Balanced Fund Category
- 1st place, Solidaritas Fund Inc.’s 5-Year Return, Balanced Fund Category
- 3rd place, ALFM’s Growth Bond Fund Inc.’s 10-Year Return, Equity Fund Category – Peso Denominated
- 2nd place, Philippine Stock Index Fund Corp, 1-year Lowest Tracking Error, Equity Index Fund Category - Peso Denominated
- 1st place, Philippine Stock Index Fund Corp, 3-year Lowest Tracking Error, Equity Index Fund Category - Peso Denominated
- 1st place, Philippine Stock Index Fund Corp, 5-year Lowest Tracking Error, Equity Index Fund Category - Peso Denominated
- 1st place, Philippine Stock Index Fund Corp, 10-year Lowest Tracking Error, Equity Index Fund Category - Peso Denominated

Asset Management and Trust Corporation

- Highly Commended, Asset Management Company of the Year, The Asset Triple A Asset Servicing, Institutional Investor and Insurance Awards 2019
- Best Asset Manager - Philippines 2019, International Finance Awards 2019
- Best Asset Manager (Money Market and Balanced Funds), Alpha Southeast Asia’s Fund Management Awards 2019
- Best Fund with the optimal information ratio, Alpha Southeast Asia’s Fund Management Awards 2019
- Best Managed Funds of the Year for Balanced Peso and Equity Dollar category (BPI Balanced Fund and BPI Global Equity Fund-of-Funds), Chartered Financial Analyst Society of the Philippines
- Best Fund Product (BPI Invest Global Equity Fund-of-Funds) Philippines 2019

BPI-Philam Life Assurance Corporation

- Best Life Insurance Company in the Philippines, World Finance Awards 2019

Membership Industry Associations

Association of Bank Compliance Officers
Association of Bank Remittance Officers
Association of Foundations, Phils. Inc.
Association of Fraud Examiners
Association of Philippine Correspondent Banking Officers Inc.
Bank Marketing Association of the Philippines
Bankers Association of the Philippines
Bankers Institute of the Philippines
British Chamber of Commerce Philippines
Business Continuity Managers Association of the Philippines
Chamber of Thrift Banks, Inc.
Credit Card Association of the Philippines
Credit Management Association of the Philippines
Financial Executive Institute of the Philippines
Fund Managers Association of the Philippines
Good Governance Advocates and Practitioners of the Philippines
Institute of Internal Auditors
Integrated Bar of the Philippines
International Association of Business Communicators
Investment House Association of the Philippines
IT Interaction Philippines
League of Corporate Foundations
Management Association of the Philippines
Money Market Association of the Philippines
Philippine Association of National Advertisers, Inc.
Philippine Association of Stock Transfer
Philippine Business for the Environment
Philippine Council for NGO Certification
Philippine Disaster Resilience Foundation
Philippine Finance Association
Philippine Payments Management, Inc.
Philippine Stock Exchange, Inc.
Public Relations Society of the Philippines
Rural Bankers Association of the Philippines
The American Chamber of Commerce of the Philippines
The Japanese Chamber of Commerce & Industry in the Philippines
Trust Officers Association of the Philippines
Various Local Business Clubs

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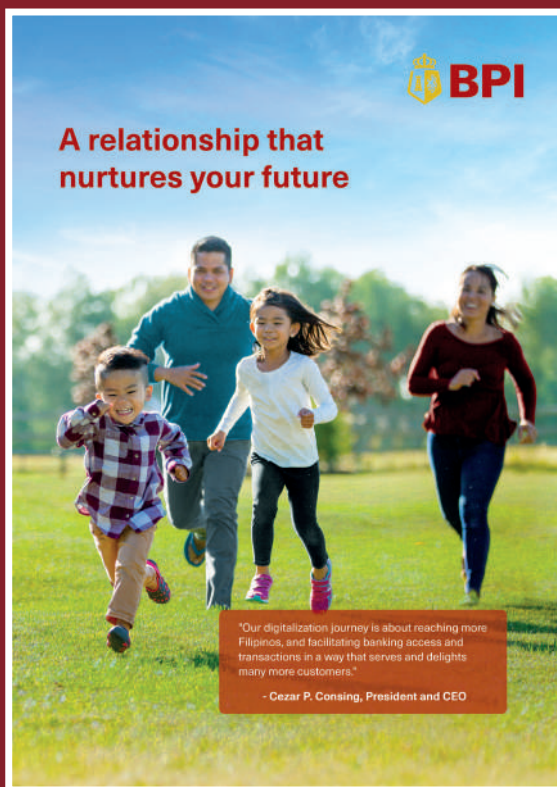
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About the Cover

BPI understands the importance of strong relationships. It looks to a future where digitalization will make inclusivity a reality for every Filipino, wherever they are.

"A relationship that nurtures your future" is BPI's commitment to provide products and services that will make every Filipino's life easier every day, and the promise to help build a better nation that is ready today, ready tomorrow.



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